Risk Factors Comparison 2024-04-18 to 2023-03-29 Form: 10-K

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You should consider carefully the risks described below and other information presented in this Form 10- K, including Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in this Form 10- K, as well as information provided in other reports, registration statements and materials that we file with the SEC and the other information incorporated by reference in this Form 10- K. If any of the risks described below or elsewhere in this Form 10- K were to materialize, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also adversely affect our business, financial condition, results of operations, cash flows, prospects or stock price, which we refer to collectively as a material adverse effect on us (or comparable phrases). Summary Risk Factors Risks Related to Our Business • An economic downturn, ~~the COVID- 19 pandemic~~ **pandemics or epidemics** ~~, including new variants of COVID- 19~~ , war, including a potential escalation of the current ~~conflict~~ **conflicts** in Ukraine **and the Middle East** , or other events may affect consumer purchases from us as well as their ability to repay their credit obligations to us, which could result in a material adverse effect on us. • We may not be able to open new stores or profitably operate recently opened stores in existing, adjacent or new geographic markets. • Our inability to access our Revolving Credit Facility or the capital markets on favorable terms or at all may have a material adverse effect on us. • Our existing and future levels of indebtedness could adversely affect our financial health, ability to obtain financing in the future, ability to react to changes in our business and ability to fulfill our obligations under such indebtedness. • We may not be successful in integrating our recently acquired lease- to- own platform into our existing business or performing in- house lease- to- own transactions and our failure to do so could negatively impact our results of operations and financial condition. • Our debt securities may receive ratings that may increase our borrowing costs. • We might not be able to access the securitization market for capital from time to time in the future, which may require us to seek alternative and more costly sources of financing. • One of our operating subsidiaries may be required to repurchase certain finance receivables if representations and warranties about the quality and nature of such receivables are breached, which may negatively impact our results of operations, financial condition, and liquidity. • A decrease in our credit sales, a decline in credit quality of our customers or other factors outside of our control could lead to a decrease in our product sales and profitability. • Covenants in our debt agreements impose various operating and financial restrictions on us, and if we are not able to comply with such covenants, our lenders could accelerate our indebtedness, proceed against certain collateral we have provided or exercise other remedies, which could have a material adverse effect on us. • Increased borrowing costs may negatively impact our results of operations. • Deterioration in the performance of our customer receivables portfolio could materially adversely affect our liquidity position and profitability. • In deciding whether to extend credit to customers, we rely on the accuracy and completeness of information furnished to us by or on behalf of our credit customers, and we assume certain behavior and attributes on the basis of prior customers. If we and our systems are unable to detect any misrepresentations in this information, or if our assumptions prove inaccurate, it may have a material adverse effect on us. • Our policy of re- aging certain delinquent borrowers affects our delinquency statistics and the timing and amount of our write- offs, and may lead to higher delinquency statistics in the future, which could have a material adverse effect on our financial results. • We rely on internal models to manage risk and to provide accounting estimates. We could suffer a material adverse effect if those models do not provide reliable accounting estimates or predictions of future activity. • We benefit from the collection of customer and non- customer recoveries on our customer accounts receivables. Our inability to continue to collect these recoveries could adversely affect our financial results. • Our reported results require the judgment of management, and we could be subject to risks associated with these judgments or could be adversely affected by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements. • Changes in customer demand and product mix could materially adversely affect our business. • We may experience significant price pressures over the life cycle of our products from competing technologies and our competitors. • A disruption in our relationships with, the operations of, or the supply of product from any of our key suppliers, including those suppliers and manufacturers located in Asia and Mexico, whether due to ~~COVID- 19~~ **pandemics or epidemics** , geopolitical conflict **, including a potential escalation of the current conflicts in Ukraine and the Middle East,** or otherwise, could have a material adverse effect on us **. • Failure to maintain sound business and contractual relationships with our dealers may have a material adverse effect on our business and our consolidated financial positions, results of operations and cash flows. • Our failure to operate our dealer network in a manner that does not implicate federal and state franchise laws may adversely affect our business, prospects, results of operations, financial condition and cash flows. • We may be held responsible by third parties, regulators, or courts for the action of, or failure to act, by our dealers and their employees, which could expose us possible fines, other liabilities or bad publicity or damage to our brands. • Disputes with our dealers could have a materially adversely affect on our business** . • Our stores are concentrated in the southern region of the U. S., especially Texas **and Florida** , which subjects us to regional risks, such as the economy, regulatory, outbreaks, the performance of energy markets, **extreme** weather conditions, hurricanes and other natural or man- made disasters. • Our information technology systems for our key business processes are vulnerable to damage that could harm our business. • Our information technology systems may not be adequate to meet our evolving business and emerging regulatory needs and the failure to successfully implement new systems could negatively impact our business and financial results. • If we cannot continue to offer third party payment solutions for customers who do not qualify for our proprietary credit offerings, our business may be impaired. • If we are unable to continue to offer third- party repair service agreements to our customers, we could incur additional costs or repair expenses, which could materially adversely affect us. • Our costs to protect our intellectual property rights, infringement of which could impair our name and reputation, could be significant. • Failure to protect the security of our customers', employees' or suppliers' information or failure to comply with data privacy and protection laws could expose us to litigation, compromise the integrity of our products, damage our reputation and materially adversely affect us. • Failure to successfully utilize and manage e- commerce, and to compete effectively with the growing e- commerce sector, could materially adversely affect our business and prospects. • If we fail to maintain adequate systems and processes to detect and prevent fraudulent activity, including in our e- commerce business, our business could be materially adversely impacted. • Because we maintain a significant supply of cash and inventories in our stores, we may be subject to employee and third- party robberies, burglaries, thefts, riots and looting, and may be subject to liability as a result of crimes at our stores. • We face risks with respect to product liability claims and product recalls, which could materially adversely affect our reputation, our business, and our consolidated results of operations. Risks **Associated with the Badcock Acquisition • We may not be able to successfully integrate the Badcock business and our failure to do so could negatively impact our business and financial results. • We may fail to realize all of the anticipated benefits of the acquisition. • We have incurred substantial transaction fees and costs in connection with the acquisition. • We may not be able to retain key personnel following the acquisition. • The market price of our common stock after the acquisition may be affected by factors different from those affecting the shares of our common stock historically. • Conn' s preferred shares received by holders of the W. S. Badcock LLC interests in connection with the acquisition and the class of non- voting common stock convertible therefrom have different rights from the Conn' s common stock. • We may fail to receive sufficient stockholder support for establishing the class of non- voting common stock or the related conversion of the preferred shares into such new class which could result in us paying a dividend in respect of the preferred shares. Risks** Related to Laws and Regulation • We may expand our retail, credit, or lease- to- own offerings and become subject to different operating, regulator or legal requirements • Our business could be materially adversely affected by changes in consumer protection laws and regulations. • Regulatory agencies may reshape consumer financial laws and there continues to be uncertainty as to how such actions will impact our business. • Judicial or administrative decisions, CFPB rule- making or amendments to the Federal Arbitration Act could render the arbitration agreements we use illegal or unenforceable. • We are required to comply with laws and regulations regulating extensions of credit, lease- to- own transactions, and other dealings with customers and our failure to comply with applicable laws and regulations, or any adverse change in those laws or regulations, could have a negative impact on our business. • We face the risk of litigation resulting from calls and text messages in violation of the TCPA. • A large number of our stores are located in the State of Texas **and State of Florida** , which subjects us to concentrated regulatory risks. An economic downturn, ~~the COVID- 19 pandemic~~ **pandemics or epidemics** , war, including a potential escalation of the current ~~conflict~~ **conflicts** in Ukraine **and the Middle East** , or other events may affect consumer purchases from us as well as their ability to repay their credit obligations to us, which could result in a material adverse effect on us. Many factors affect consumer spending, including regional or world events, war, diseases, outbreaks or epidemics ~~(including the ongoing COVID- 19 crisis)~~ , including a potential escalation of the current ~~conflict~~ **conflicts** in the Ukraine **and the Middle East** , conditions in financial markets, local, state and national budgets and fiscal operations and conditions, general business conditions, interest rates, inflation, energy prices, consumer debt levels, the availability of consumer credit, taxation, unemployment trends and other matters that influence consumer confidence. Consumer purchases of our products and customers making payments to us decline during periods when disposable income is lower or periods of actual or perceived unfavorable economic conditions. Decreases in consumer confidence, instability in financial markets and political environment and volatile oil prices have negatively impacted our markets and may present significant challenges to our operations in the future. Additionally, we believe a portion of our customer base continues to experience significant economic challenges and uncertainty, including stagnant incomes ~~or incomes that have not returned to pre- recession levels~~ , and that those challenges could be intensified by various macroeconomic factors, including increasing inflationary pressures and significant recent disruption in financial markets in connection with the COVID- 19 pandemic, increased unemployment, rising interest rates, increases in the cost of energy, and other factors. We may not be able to open new stores or profitably operate recently opened stores in existing, adjacent or new geographic markets. There are a number of factors that could affect our ability to successfully execute on new and recently opened stores, including: • Difficulties associated with the hiring, training and retention of skilled personnel, including store managers; • The availability of financial resources; • The availability of favorable sites in existing, adjacent or new markets on terms, including price, consistent with our business plan; • Competition in existing, adjacent or new markets; • Competitive conditions, consumer tastes and discretionary spending patterns in adjacent or new markets that are different from those in our existing markets or changes in competitive conditions, consumer tastes and discretionary spending patterns in our existing markets; • A lack of consumer demand for our products or financing programs at levels that can support store growth or the profitability of existing stores; • Inability to make customer financing programs available that allow consumers to purchase products at levels that can support store growth; • An inability to manage a greater number of new customers from new stores; • Limitations created by covenants and conditions under our debt agreements, including our Revolving Credit Facility, and our asset- backed notes; • An inability or unwillingness of vendors to supply product on **credit, on** a timely basis or at competitive prices; • An inability to secure consumer lending licenses in new or adjacent states or markets; • The failure to open enough stores in new markets to achieve a sufficient market presence and realize the benefits of leveraging our advertising and distribution systems; • Unfamiliarity with local real estate markets and demographics in adjacent and new markets; • Problems in adapting our distribution and other operational and management systems to an expanded network of stores; and • Higher costs for direct mail, television, newspaper, digital, radio and out- of- home targeted advertising. These and other similar factors may also limit the ability of any newly opened stores to achieve sales and profitability levels consistent with our projections or comparable with our existing stores or to become profitable at all. As a result, we may determine that we need to close or reduce the hours of operation of certain stores, which could have a material adverse effect on us. If we are unable to effectively manage growth of our business, our revenues may not increase, our cost of operations may rise and our results of operations may decline. In connection with our growth, we will face various associated business risks, including the risk that our management, financial controls and information systems will be inadequate to support expansion. Our growth will require management to expend significant time, effort, and additional resources to ensure the continuing adequacy of our financial controls, operating procedures, information systems, product purchasing, warehousing and distribution systems and employee training programs. While we have engaged in and focused on these elements, we cannot predict whether we will be able to effectively manage the increased demand resulting from expansion in current markets or into new markets, or respond on a timely basis to the changing demands that our expansion will impose on our management, financial controls and information systems. If we fail to successfully manage the challenges of growth, do not continue to improve our systems and controls or encounter unexpected difficulties during expansion, we could be materially adversely affected. Our inability to access our Revolving Credit Facility or the capital markets on favorable terms or at all may have a material adverse effect on us. We generally finance our operations primarily through a combination of cash flow generated from operations, borrowings under our Revolving Credit Facility, and securitizations of customer receivables through the capital markets. Our ability to access capital through our existing Revolving Credit Facility, raise additional capital by expanding our Revolving Credit Facility, or undertake future securitization or other debt or equity transactions on economically favorable terms or at all, depends in large part on factors that are beyond our control, including: • Conditions in the securities and finance markets generally, and for securitized instruments in particular; • A negative bias toward our industry by capital market participants; • Our credit rating or the credit rating of any securities we may issue; • General economic conditions and the results of our earnings, cash flows and balance sheet; • Security or collateral requirements; • The credit quality and performance of our customer receivables; • Regulatory restrictions applicable to us; • Our overall business and industry prospects; • Our overall sales performance, profitability, cash flow, balance sheet quality, regulatory restrictions; • Our ability to provide or obtain financial support for required credit enhancement; • Our ability to adequately service our financial instruments; • Our ability to make required representations and warranties; • Our ability to meet debt covenant requirements; and • Prevailing interest rates, including rising interest rates. ~~The amount of our planned capital expenditures may be limited by, among other factors, the availability of capital to fund new store openings and customer receivable portfolio growth.~~ If adequate capital is not available at the time we need it, we may have to curtail future growth or change our expansion plans, which could have a material adverse effect on us. We use our customer receivables, in addition to our inventory, as collateral to support our capital needs. As the aggregate amount and performance of our customer receivables has fluctuated, from time to time we have required amendments to our credit facilities in order to stay in compliance with our obligations thereunder. If we require such amendments in the future and are unable to obtain them, or if we are unable to arrange substitute financing facilities or other sources of capital, then we may be unable to continue drawing funds under our Revolving Credit Facility, which would force us to limit or cease offering credit through our finance programs. Likewise, if the borrowing base under our Revolving Credit Facility is reduced, or otherwise becomes unavailable, or we are unable to arrange substitute financing facilities or other sources of capital, we may have to limit the amount of credit that we make available through our customer credit programs. A reduction in our ability to offer customer credit could have a material adverse effect on us. Further, our inability, or limitations on our ability, to obtain funding through securitization facilities or other sources may materially adversely affect our ability to provide additional credit to existing customers, which could have a material adverse effect on our profitability under our credit programs if such existing customers fail to repay outstanding credit. Additionally, the inability of any of the financial institutions providing our financing facilities to fund their respective commitments could materially adversely affect our ability to fund our credit programs, capital expenditures and other general corporate needs. Our existing and future levels of indebtedness could adversely affect our financial health, ability to obtain financing in the future, ability to react to changes in our business and ability to fulfill our obligations under such indebtedness. As of January 31, ~~2023~~ **2024** , we had aggregate outstanding indebtedness, including under our Revolving Credit Facility, **Term Loan** and various classes of asset- backed notes, of $ ~~652~~ **1, 008** . ~~6~~ **7** million. This level of indebtedness could: • Make it more difficult for us to satisfy our obligations with respect to our outstanding notes, Revolving Credit Facility, Term Loan and other indebtedness, resulting in possible defaults on and acceleration of such indebtedness; • Require us to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of such cash flows to fund working capital, acquisitions, new store openings, capital expenditures and other general corporate purposes; • Limit our ability to obtain additional financing for working capital, acquisitions, new store openings, capital expenditures, debt service requirements and other general corporate purposes; • Limit our ability to refinance indebtedness or cause the associated costs of such refinancing to increase; • Increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations (because a portion of our borrowings are at variable rates of interest); and • Place us at a competitive disadvantage compared to our competitors with proportionately less debt or comparable debt at more favorable interest rates which, as a result, may be better positioned to withstand economic downturns. Any of the foregoing impacts of our level of indebtedness could have a material adverse effect on us. We may not be successful in integrating our ~~recently~~ acquired lease- to- own platform into our existing business or performing in- house lease- to- own transactions and our failure to do so could negatively impact our results of operations and financial condition. The rollout of our in- house lease- to- own program is subject to a number of risks including those around technology, underwriting and customer uptake. If our in- house lease- to- own program is delayed, encounters unforeseen costs, or is not received well by our customers, it ~~will~~ **may** have a negative impact on our results of operations and financial condition. Our debt securities may receive ratings that may increase our borrowing costs. We may elect to issue securities for which we may seek to obtain a rating from a rating agency. It is possible, however, that one or more rating agencies may independently determine to assign a rating to any of our issued debt securities. If any ratings are assigned to any of our debt, or the asset- backed notes or other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, whether as a result of our actions or factors which are beyond our control, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. Inability to access the credit markets on acceptable terms, if at all, could have a material adverse effect on our financial condition. We might not be able to access the securitization market for capital from time to time in the future, which may require us to seek alternative and more costly sources of financing. We have successfully consummated a number of securitization transactions, however, there can be no assurances that we will be able to complete additional securitization transactions if securitization markets become constrained. Additional or prolonged disruptions in the securitization market, such as a recession could preclude our ability to use securitization as a financing source, or could render it an inefficient source of financing making us more dependent on alternative sourcing of financing that might not be as favorable as securitizations or might be otherwise unfavorable or unavailable altogether. Securitization structures are subject to an evolving regulatory environment that may affect the availability and attractiveness of securitization as a financing option. In the U. S., following the economic recession that began in 2009, there has been increased political and regulatory scrutiny of the asset- backed securities industry, which has resulted in increased regulation. The impact of such regulations on investors in securitization markets and the incentives for certain investors to hold asset- backed securities remain unclear, and may have a material adverse effect on the liquidity of such securities, which could have a material adverse effect on our liquidity. Additionally, rules from various agencies now require sponsors of asset- backed securities to retain an ownership stake in securitization transactions. Any adverse changes to these regulations could effectively limit our access to securitization as a source of financing or alter the structure of securitizations, which could pose risks to our participation in any securitizations or could reduce or eliminate the economic incentives to us of participating in securitizations. One of our operating subsidiaries may be required to repurchase certain finance receivables if representations and warranties about the quality and nature of such receivables are breached, which may negatively impact our results of operations, financial condition, and liquidity. We have entered into certain financing arrangements, including issuances of asset- backed notes (collectively, " Financing Transactions "), that are secured by retail installment contracts and direct consumer loans originated by our operating subsidiaries (the " Receivables "). In connection with the Financing Transactions, our operating subsidiaries sold the Receivables to certain of our wholly- owned special purpose VIEs and made certain representations and warranties about the quality and nature of the Receivables. If there is a breach of those representations and warranties, one of our operating subsidiaries may be obligated to repurchase the affected Receivables. If our operating subsidiary is required to repurchase Receivables that were previously sold in connection with the Financing Transactions, this could have a materially adverse impact on our results of operations, financial condition, and liquidity. A decrease in our credit sales, a decline in credit quality of our customers or other factors outside of our control could lead to a decrease in our product sales and profitability. A significant portion of our credit portfolio is comprised of credit provided to customers considered to be sub- prime borrowers who have limited credit history, low income or past credit problems. Entering into credit arrangements with such customers entails a higher risk of customer default, higher delinquency rates and higher losses than extending credit to more creditworthy customers. While we believe that our pricing and the underwriting criteria and collection methods we employ enable us to effectively and appropriately manage the higher risks inherent in issuing credit to sub- prime customers, no assurance can be given that such pricing and underwriting criteria and methods will afford adequate protection against such risks. We have experienced volatility in delinquency and charge- off rates on our customer receivables, each of which has the effect of decreasing our profitability. Some of our customer receivables become delinquent from time to time. Some accounts end up in default, due to various factors, such as general and local economic conditions, including the impact of rising interest rates, living costs and unemployment rates. ~~As~~ **If** we continue to expand into new markets, we will obtain new customer receivables that may present a higher risk than our existing customer receivables since new customer receivables do not have an established credit history with us. If we reduce the amount of credit we grant to our customers (whether due to financial or regulatory constraints, including regulatory constraints relating to interest rates), or if our customers curtail entering into credit arrangements with us, whether as a result of prolonged economic uncertainty in the U. S., increases in unemployment or other factors, we likely would sell fewer products, which could result in a material adverse effect on us. Further, because a significant number of payments we receive on credit accounts are made in person by customers in one of our store locations, any decrease in credit sales could reduce traffic in our stores and result in lower revenues. A decline in the credit quality of our credit accounts could also cause an increase in our credit losses, which would result in an adverse effect on our earnings. A decline in credit quality could also lead to stricter underwriting criteria which could have a negative impact on net sales. We maintain an allowance for doubtful accounts on **the installment loans included in** our customer accounts receivable. If the allowance for doubtful accounts is inadequate, we would recognize losses in excess of the allowance, which could have a material adverse effect on us. Covenants in our debt agreements impose various operating and financial restrictions on us, and if we are not able to comply with such covenants, our lenders could accelerate our indebtedness, proceed against certain collateral we have provided or exercise other remedies, which could have a material adverse effect on us. The covenants in our Revolving Credit Facility, **Term Loan, Delayed Draw** Term Loan, and the indenture governing our asset- backed notes contain a number of restrictions that impose operating and financial restrictions on us and may limit our ability to execute our growth strategy or engage in acts that may be in our long- term best interest, including restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. In addition, we must maintain compliance with certain financial covenants. Our ability to meet those financial covenants can be affected by events beyond our control, and we may be unable to meet them. A breach of the covenants could result in an event of default under our Revolving Credit Facility, Term Loan **, Delayed Draw Term Loan,** or the ~~indenture~~ **indentures** governing our asset- backed notes. Such a default may allow the applicable creditors to accelerate ~~the~~ **any** related debt and may result in the acceleration of any other debt to which a cross- default provision applies. Furthermore, if we are unable to repay the amounts due and payable under our Revolving Credit or Term Loan, the lenders thereunder could proceed against the collateral granted to them to secure that indebtedness, which could have a material adverse effect on us. In the event our lenders accelerate the repayment of our borrowings, we may not have sufficient funds to repay that indebtedness. Increased borrowing costs will negatively impact our results of operations. Because most of our consumer credit programs have interest rates equal to the highest rate allowable under applicable state law, we would generally not be able to pass higher borrowing costs along to future consumer credit customers and our results of operations could be negatively impacted. The interest rates on our Revolving Credit Facility are variable based upon an applicable margin determined by a pricing grid plus a base rate, and increases in such rates would reduce our margins. The level of interest rates in the market in general will impact the interest rate on any debt instruments we issue in the future. Additionally, we may issue debt securities or enter into credit facilities under which we pay interest at a higher rate than we have historically paid, which would further reduce our earnings and negatively impact our results of operations. Deterioration in the performance of our customer receivables portfolio could materially adversely affect our liquidity position and profitability. Our liquidity position and profitability are heavily dependent on our ability to collect our customer receivables. If the performance of our customer receivables portfolio were to substantially deteriorate, that could have a material adverse effect on the liquidity available to us and our ability to comply with the covenants and borrowing base calculations under our Revolving Credit Facility, and our earnings may decline due to higher provisions for bad debt expense, higher servicing costs, higher net charge- off rates and lower interest and fee income. Our ability to collect from credit customers may be impaired by store closings. In the event of store closings, credit customers may not pay balances in a timely fashion, or may not pay at all, since a large number of our customers remit payments in store and have not traditionally made payments to a non- store location. In deciding whether to extend credit to customers, we rely on the accuracy and completeness of information furnished to us by or on behalf of our credit customers, and we assume certain behavior and attributes on the basis of prior customers. If we and our systems are unable to detect any misrepresentations in this information, or if our assumptions prove inaccurate, it may have a material adverse effect on us. In deciding whether to extend credit to customers, we rely heavily on information furnished to us by or on behalf of our credit customers, including employment and personal financial information, and our ability to validate such information through third- party services. We also assume certain behavior and attributes observed for prior customers. Our ability to effectively manage our credit risk could be impaired, and could have a material adverse effect on us, if a significant percentage of our credit customers intentionally or negligently misrepresent any of this information, and our systems do not detect such misrepresentations, or if unexpected changes in behavior caused by macroeconomic conditions, changes in consumer preferences, availability of alternative products or other factors cause our assumptions to be inaccurate. Our policy of re- aging certain delinquent borrowers affects our delinquency statistics and the timing and amount of our write- offs, and may lead to higher delinquency statistics in the future, which could have a material adverse effect on our financial results. Re- aging is offered to certain of our past- due customers if they meet the conditions of our re- age policy. Our decision to offer a delinquent customer a re- age program is based on that borrower’ s specific condition, our history with the borrower, the amount of the loan and various other factors. When we re- age a customer’ s account, we move the account from a delinquent status to a current status. Management exercises a considerable amount of discretion over the re- aging process and has the ability to re- age an account multiple times during its life. Treating an otherwise uncollectible account as current affects our delinquency statistics, as well as impacts the timing and amount of charge- offs and, potentially, our future financial results. If these accounts had been charged off sooner, our net loss rates for earlier periods might have been higher. If the customer defaults on the re- aged account, our re- aging may have simply postponed a delinquency, and our future delinquency statistics will be correspondingly higher. If we fail to properly staff and train our collections personnel or timely contact delinquent borrowers, the number of delinquent customer receivables eventually being charged off could increase. We contact customers with delinquent credit account balances soon after the account becomes delinquent. During periods of increased delinquencies, it is important that we are proactive in dealing with customers rather than simply allowing customer receivables to go to charge- off. Historically, when our servicing becomes involved at an earlier stage of delinquency with credit counseling and workout programs, there is a greater likelihood that the customer receivable will not be charged off. The success of our collection efforts depends on our collection center being properly staffed and our staff being properly trained to assist borrowers in bringing delinquent balances current and ultimately avoiding charge- off. If we do not properly staff and train our collections personnel, or if we incur any downtime or other issues with our information systems that assist us with our collection efforts, then the number of accounts in a delinquent status or charged- off could increase. In addition, managing a substantially higher volume of delinquent customer receivables typically increases our operational costs. A rise in delinquencies or charge- offs could result in a material adverse effect on us. We rely on internal models to manage risk and to provide accounting estimates. We could suffer a material adverse effect if those models do not provide reliable accounting estimates or predictions of future activity. We make significant use of business and financial models in connection with our efforts to measure and monitor our risk exposures and to manage our credit portfolio. For example, we use models as a basis for credit underwriting decisions, portfolio delinquency, charge- off and collection expectations and other market risks, based on economic factors and our experience. The information provided by these models is used in making business decisions relating to strategies, initiatives, transactions and pricing, as well as the size of our allowance for doubtful accounts, among other accounting estimates. Models are inherently imperfect predictors of actual results because they are based on current and historical data available to us and our assumptions about factors such as credit demand, payment rates, default rates, delinquency rates and other factors that may overstate or understate future experience. Our models could produce unreliable results for a number of reasons, including the limitations of historical data to predict results due to unprecedented or unforeseen events or circumstances, invalid or incorrect assumptions underlying the models, the need for manual adjustments in response to rapid changes in economic conditions, changes in credit policies, incorrect coding of the models, incorrect data being used by the models or inappropriate application of a model to products or events outside of the model' s intended use. In particular, models are less dependable when the prevailing economic environment is different than historical experience. In addition, we continually receive new economic data. Our critical accounting estimates, such as the size of our allowance for doubtful accounts, are subject to change, often significantly, due to the nature and magnitude of changes in economic conditions. However, there is generally a lag between the availability of this economic information and the preparation of corresponding internal models. When economic conditions change quickly or in unforeseen ways, there is increased risk that the assumptions and inputs reflected in our models are not representative of current economic conditions. Changes in the economy, regulatory landscape, credit policies and practices, and the credit and capital markets have required, and will continue to require, frequent adjustments to our models and the application of greater management judgment in the interpretation and adjustment of the results produced by our models, including in connection with market uncertainty. The application of greater management judgment reflects the need to take into account updated information while continuing to maintain controlled processes for model updates, including model development, testing, independent validation and implementation. As a result of the time and resources, including technical and staffing resources, that are required to perform these processes effectively, it may not be possible to replace existing models quickly enough to ensure that they will always properly account for the impacts of recent information and actions. If circumstances prove our models to be undependable or not representative of our results, then we may deem it necessary to increase our allowance for doubtful accounts in the future. If our actual charge- offs exceed the assumption used to establish the allowance, our provision for losses would increase and could result in a material adverse effect on us. We benefit from the collection of customer and non- customer recoveries on our customer accounts receivables. Our inability to continue to collect these recoveries could adversely affect our financial results. Once an account is charged- off, we continue to pursue collections from various recovery sources, including the customer, various state taxing jurisdictions in which sales tax was remitted and our third party insurance and warranty carriers that sold insurance and warranty products. If we are unable to continue to pursue our collections efforts as a result of operational, legislative, contractual or other changes, our financial results could be adversely affected. Our reported results require the judgment of management, and we could be subject to risks associated with these judgments or could be adversely affected by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. In addition, we prepare our financial statements in accordance with generally accepted accounting principles (" GAAP "), and GAAP and its interpretations are subject to change over time. If new rules, different judgments, or interpretations of existing rules require us to change our financial reporting, our results of operations and financial condition could be materially adversely affected, and we could be required to restate historical financial reporting. Some of our customers may be recent immigrants and some may not be US citizens. Changes in immigration policies that affect states that share a border with Mexico may negatively impact our retail sales. We follow customer identification procedures including accepting government- issued picture identification, but we do not verify the immigration status of our customers. If we or the retail credit offering sector receive negative publicity around making loans to potentially undocumented immigrants, it may draw additional attention from regulatory agencies or advocacy groups, which may harm our sales and collections results. While our credit models look to approve customers who have stability of residency and employment, it is possible that a significant change in immigration patterns, policies or enforcement could cause our customers to reduce their business with us, or not engage in business transactions with us, and cause a reduction in sales or an increase in account delinquencies. Changes in immigration policies that affect states that share a border with Mexico may continue to create sales challenges and to negatively impact our retail sales in stores along the Mexican border. There is no assurance that a significant change in US immigration patterns, laws, regulations or enforcement will not occur, and any such significant change could have a material adverse impact on us. If we lose key management or are unable to attract and retain the qualified sales and credit granting and collection personnel required for our business, our operating results could suffer. Our success depends to a significant degree on the skills, experience and continued service of our key executives and the identification of suitable successors for them. While our key executives are subject to non- competition restrictions and other negative contractual covenants, if we lose the services of any of these individuals and we are unable to identify a suitable successor, or if one or more of them or other key personnel decide to join a competitor or otherwise compete directly or indirectly with us, our business and operations could be harmed, and we could have difficulty in implementing our strategy. In addition, our sales and credit operations are largely dependent upon our labor force. As our business grows, and as we incur turnover in current positions, we will need to locate, hire and retain additional qualified sales personnel in a timely manner and develop, train and manage an increasing number of management level sales associates and other employees. Additionally, if we are unable to attract and retain qualified credit granting and collection personnel, our ability to perform quality underwriting of new credit transactions and maintain workloads for our collections personnel at a manageable level could be materially adversely affected, and our operations could be materially adversely impacted, resulting in higher delinquency and net charge-offs on our credit portfolio. Competition for qualified employees could require us to pay higher wages, and increases in the federal, state or local minimum wage or other employee benefits costs could increase our operating expenses. If we are unable to attract and retain personnel as needed in the future or our operating expenses increase, our net sales and operating results could suffer. We depend on hiring an adequate number of hourly employees to run our business and are subject to government regulations concerning these and our other employees, including wage and hour regulations. Our workforce is comprised primarily of employees who work on an hourly basis. In certain markets where we operate, there is significant competition for hourly employees. The lack of availability of an adequate number of hourly employees or an increase in wages and benefits to current employees could have a material adverse effect on us. We are subject to applicable rules and regulations relating to our relationship with our employees, including wage and hour regulations, health and workers' compensation benefits, unemployment taxes, overtime and working conditions and immigration status. Accordingly, legislated increases in the federal, state or local minimum wage, as well as increases in additional labor cost components such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines, would increase our labor costs, which could have a material adverse effect on us. We face significant competition from national, regional, local and internet retailers of furniture and mattresses, home appliances, and consumer electronics. The retail market for consumer electronics, furniture and mattresses is highly fragmented and intensely competitive and the market for home appliances is concentrated among a few major dealers. We currently compete against a diverse group of retailers, including national mass merchants, specialized national retailers, home improvement stores, and locally- owned regional or independent retail specialty stores that sell furniture and mattresses, home appliances, and consumer electronics, similar, and often identical, to those items we sell. We also compete with retailers that market products using store catalogs and the internet. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time. Additionally, we compete to some extent against companies offering weekly or monthly lease- to- own payment options to credit- constrained consumers for products for the home similar to those offered by us. We may not be able to compete successfully against existing and future competitors. Some of our competitors have financial resources that may be substantially greater than ours and they may be able to purchase inventory at lower costs and better endure economic downturns. If we cannot offer competitive prices to our customers, our sales may decline or we may be required to accept lower profit margins. Our competitors may respond more quickly to new or emerging technologies and may have greater resources to devote to promotion and sale of products and services. If two or more competitors consolidate their businesses or enter into strategic partnerships, they may be able to compete more effectively against us. Our existing competitors or new entrants into our industry may use a number of different strategies to compete against us, including: • Expansion by our existing competitors or entry by new competitors into markets where we currently operate; • Lower pricing; • Aggressive advertising and marketing; • Extension of credit to customers on terms more favorable than we offer; • Extension of credit options to customers with lower credit quality than qualifies for the credit programs we offer; • Larger store size, or innovative store formats, which may result in greater operational efficiencies; and • Adoption of improved retail sales methods. Competition from any of these sources could cause us to lose market share, sales and customers, limit our ability to attract new customers, increase expenditures or reduce prices, any of which could have a material adverse effect on us. Changes in customer demand and product mix could materially adversely affect our business. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. Our ability to maintain and increase sales depends to a large extent on the introduction and availability of new products and technologies and our ability to respond timely to customer demands and preferences for such new products. It is possible that the introduction of new products will never achieve widespread consumer acceptance or will be supplanted by alternative products and technologies that do not offer us a similar sales opportunity or are sold at lower price points or margins. We may be unable to anticipate these buying patterns, which could result in a material adverse effect on us. In addition, we often make commitments to purchase products from our vendors several months in advance of proposed delivery dates. Significant deviation from the projected demand for products that we sell could affect our inventory strategies, which may have an adverse effect on us, either from lost sales or lower margins due to the need to reduce prices to dispose of excess inventory. ~~Furthermore, due to our increasing emphasis on furniture and mattress offerings, we are building larger new stores and investing additional capital to expand existing stores to accommodate those offerings. If we are unable to execute on our furniture and mattress offering strategy, it could have a material adverse effect on us.~~ We may experience significant price pressures over the life cycle of our products from competing technologies and our competitors. Prices for many of our products decrease over their life cycle. Such decreases often result in decreased gross profit margins. Suppliers may also take various steps, including manufacturing lower- cost inventory in higher volumes, to increase their own profitability, which may negatively impact our margins and, as a result, our profitability. Typically, new products, such as OLED, QLED, and **8K** ~~4K Ultra HD~~ are introduced at relatively high price points that are then gradually reduced as the product becomes mainstream. To sustain same store sales growth, unit sales must increase at a rate greater than the decline in product prices. The affordability of products helps drive unit sales growth. However, as a result of relatively short product life cycles in the consumer electronics industry, which limit the amount of time available for sales volume to increase, combined with rapid price erosion in the industry, retailers are challenged to maintain overall gross margin levels and positive same store sales. We continue to adjust our marketing strategies to address this challenge through the introduction of new product categories, new products within our existing categories and product innovations. If we fail to accurately anticipate the introduction of new technologies, we may possess significant amounts of obsolete inventory that can only be sold at substantially lower prices than we anticipated. In addition, we may not be able to maintain our historical margin levels in the future due to increased sales of lower margin products, such as personal electronics products, and declines in average selling prices of key products, such as consumer electronics and home appliances. If sales of lower margin items continue to increase and replace sales of higher margin items, or if our consumer electronics products average selling prices decrease due to the maturity of their life cycle, our gross margin and overall gross profit levels may be materially adversely affected. A disruption in our relationships with, the operations of, or the supply of product from any of our key suppliers, including those suppliers and manufacturers located in Asia and Mexico, whether due to ~~COVID- 19~~ **pandemics or epidemics** , geopolitical conflict **, including a potential escalation of the current conflicts in Ukraine and the Middle East,** or otherwise, could have a material adverse effect on us. The success of our business and growth strategies depends to a significant degree on our relationships with our suppliers, particularly our brand name suppliers. We do not have long- term supply agreements or exclusive arrangements with a number of our vendors. We typically order our inventory through the issuance of individual purchase orders to vendors. We have limited contractual assurance of the continued supply of merchandise we currently, or would like to, offer our customers. We also rely on our suppliers for funds in the form of vendor allowances. We may be subject to rationing by suppliers with respect to a number of limited distribution items. In addition, while we purchase products from approximately ~~120~~ **200** manufacturers and distributors, we rely heavily on a relatively small number of suppliers. For example, during fiscal year ~~2023~~ **2024** , ~~69~~ **67** . ~~4~~ **9** % of our total inventory purchases were from six vendors. The loss of any one or more of our key suppliers or failure to establish and maintain relationships with these and other vendors, and limitations on the availability of inventory or repair parts, could have a material adverse effect on our supply and assortment of products, as we may not be able to find suitable replacements to supply products at competitive prices, and on our results of operations and financial condition. If one of our vendors were to go out of business or were to be unable to fund amounts due to us, including payments due for returns of product and warranty claims, it could have a material adverse effect on our results of operations and financial condition. Catastrophic or other unforeseen events, including pandemics **or epidemics** ~~such as COVID- 19~~ , whether inside or outside the U. S., and geopolitical conflict, including the ongoing ~~conflict~~ **conflicts** in Ukraine **and the Middle East** , could materially adversely impact the supply and delivery to us of products manufactured far from our sales facilities, including manufacturers or suppliers located in Asia and Mexico, which could materially adversely impact our results of operations. In addition, because many of the products we sell are manufactured outside of the U. S., we may experience labor unrest or an increase in the cost of imported vendor products, or an inability to secure imported merchandise, as a result of border taxes, tariffs, or trade disputes at any time for reasons beyond our control. Any slow- downs, disruptions or strikes at any of the ports may have a material adverse effect on our relationships with our customers and our business, potentially resulting in canceled orders by customers and reduced revenues and earnings. If imported merchandise becomes more expensive, unavailable or difficult to obtain, we may not be able to meet the demands of our customers. Products from alternative sources may also be more expensive than those our vendors currently import. Our ability to enter new markets successfully depends, to a significant extent, on the willingness and ability of our vendors to supply merchandise to additional distribution centers and stores. If vendors are unwilling or unable to supply some or all of their products to us at acceptable prices in one or more markets, we could be materially adversely affected. Furthermore, we rely on credit from vendors to purchase our products. A substantial change in credit terms from vendors or vendors' willingness to extend credit to us, including providing inventory under consignment arrangements, would reduce our ability to obtain the merchandise that we sell, which could have a material adverse effect on us. In addition, if our vendors fail to continue to offer vendor allowances, or we are restricted in our ability to earn such funds, our results of operations could be materially adversely affected. Turmoil in financial markets and economic disruptions around the world may also negatively impact our suppliers' access to capital and liquidity with which to maintain their inventory, production levels, and product quality, and operate their businesses, all of which could materially adversely affect our supply chain. It may also cause them to change their pricing policies, which could adversely impact demand for their products. Economic disruptions and market instability may make it difficult for us and our suppliers to accurately forecast future product demand trends, which could cause us to carry too much or too little merchandise in various product categories. In addition, to the extent that any manufacturer utilizes labor practices that are not commonly accepted in the U. S., we could be materially adversely affected by any resulting negative publicity. **Failure to maintain sound business and contractual relationships with our dealers may have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. Our financial success depends in significant part on our ability to maintain sound business relationships with our dealers. The support of our dealers is also critical for the success of our marketing programs and any new strategic initiatives we seek to undertake. Deterioration in our relationships with our dealers or the failure of our dealers to support our marketing programs and strategic initiatives could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. In addition, the failure of our dealers to continue or renew their agreements could have a material adverse effect on our business and our ability to enforce the dealers' contractual obligations. Our failure to operate our dealer network in a manner that does not implicate federal and state franchise laws may adversely affect our business, prospects, results of operations, financial condition and cash flows. As operated now, our dealer program is not a franchise subject to franchise laws and regulations enacted by a number of states and rules promulgated by the U. S. Federal Trade Commission (collectively, the " Franchise Laws "). However, if the relationship between us and our dealers should be deemed to constitute a franchise under the Franchise Laws or otherwise violate one or more of the Franchise Laws, we and our operations could be negatively affected including requiring us to incur substantial additional costs which could adversely affect us and our business, prospects, results of operations, financial condition and cash flows. Additionally, we could face the prospect that discontented dealers could use such violations as the basis for seeking to terminate its dealership agreement or to initiate claims against us for alleged prior failure to comply with the Franchise Laws. We may also face enforcement actions by the U. S. Federal Trade Commission and state governmental agencies, which may seek fines and other remedies available to these agencies under such Franchise Laws. If our dealer program were determined to be a franchise subject to the Franchise Laws, as a franchisor, we would be more susceptible to the risk of adverse legislation or regulations being enacted in the future and we cannot predict how existing or future laws or regulations will be administered or interpreted. Additionally, we cannot predict the amount of future expenditures that may be required in order to comply with any such laws or regulations. Companies that operate franchise systems may be subject to claims arising out of violations of laws and regulations at their franchised locations, including, without limitation, for allegedly being a joint employer with a franchisee. Litigation may lead to a decline in the sales and operating results of our Badcock stores and divert management resources regardless of whether the allegations in such litigation are valid or whether Badcock is liable. We may be held responsible by third parties, regulators, or courts for the action of, or failure to act, by our dealers and their employees which could expose us to possible fines, other liabilities, bad publicity or damage to our brands. We grant our dealers a limited license to use our registered service marks and, accordingly, there is risk that one or more of the dealers may be identified as being controlled by us. Third parties, regulators, or courts may seek to hold us responsible for the actions or failures to act by**

our dealers. Thus, the failure of our dealers to comply with laws and regulations may expose us to liability and damages that may have an adverse effect on our business. Our dealers operate their businesses under our brands. Because our dealers are independent third parties with their own financial objectives, actions taken by them, including breaches of their contractual obligations, and negative publicity associated with these actions, could adversely affect our reputation and brands more broadly. Any actions as a result of conduct by our dealers, their employees or otherwise which negatively impacts our reputation and brands may result in fewer customers and lower revenues and profits for us. Disputes with our dealers may have a material adverse effect on our business. From time to time, we engage in disputes with some of our dealers, and some of these disputes result in litigation or arbitration proceedings. Disputes with our dealers may require us to incur significant legal fees, subject us to damages, and occupy a disproportionate amount of management' s time. A material increase in the number of these disputes, or unfavorable outcomes in these disputes, may have a material adverse effect on our business. To the extent we have disputes with our dealers, our relationships with our dealers could be negatively impacted, which could hurt our growth prospects or negatively impact our financial performance. Our same store sales fluctuate significantly. Our same store sales have fluctuated significantly from quarter to quarter historically and may fluctuate in the future. A number of factors have historically affected, or may in the future affect, our same store sales, including: • Changes in competition, such as pricing pressure, and the opening of new stores by competitors in our markets; • General economic conditions; • Economic challenges faced by our customer base; • **Our Badcock acquisition; •** New product introductions; • Changes in our marketing programs; • Consumer trends; • Changes in our merchandise mix; • Changes in the relative sales price points of our major product categories; • Underwriting standards for our customers purchasing merchandise on credit; • Our ability to offer credit programs attractive to our customers; • The impact of any new stores on our existing stores; • Our ability to manage our supply chain and inventory as a result of relocations of and restructurings to our distribution centers; • Weather events and conditions in our markets; • ~~COVID- 19 and other pandemics~~ **Pandemics , epidemics** or outbreaks; • Timing of promotional events; • Timing, location and participants of major sporting events; • The number of new store openings; • The percentage of our stores that are mature stores that tend to be smaller or have fewer assortment of higher margin products, such as furniture; • The locations of our stores and the traffic drawn to those areas; • How often we update our stores; • Our ability to execute our business strategy effectively; • Staffing levels; and • Lease- to-own penetration rates. In the past we have been named as a defendant in multiple securities class action lawsuits. Potential similar or related litigation or investigations could result in substantial damages and may divert management' s time and attention from our business. These lawsuits or future such lawsuits could result in the diversion of management' s time and attention away from business operations, which could harm our business and also harm our relationships with existing customers and vendors. They may also materially damage our reputation and the value of our brand. Our legal expenses incurred in defending these lawsuits, or future such lawsuits, have been, and could be, significant, and rulings against us, or settlements, could have a material adverse effect on us. There can be no assurance that any litigation to which we are, or in the future may become, a party will be resolved in our favor. These lawsuits and any other lawsuits that we may become party to are subject to inherent uncertainties, and the costs to us of defending litigation matters will depend upon many unknown factors. Any claim that is successfully decided against us may require us to pay substantial damages, including punitive damages, and other related fees, or prevent us from selling certain of our products. Regardless of whether lawsuits are resolved in our favor or if we are the plaintiff or the defendant in the litigation, any lawsuits to which we are or may become a party will likely be expensive and time consuming to defend or resolve. Pending litigation relating to the sale of credit insurance and the sale of repair service agreements in the retail industry could have a material adverse effect on us. State attorneys generals and private plaintiffs have filed lawsuits against other retailers relating to improper practices in connection with the sale of credit insurance and repair service agreements in several jurisdictions around the country. We offer credit insurance in our stores on sales financed under our credit programs and require customers to purchase credit insurance from us, or provide evidence from a third- party insurance provider, at their election, in connection with sales of merchandise on credit. Therefore, similar litigation could be brought against us. While we believe we are in full compliance with applicable laws and regulations, if we are found liable in any future lawsuit regarding credit insurance or repair service agreements, we could be required to pay substantial damages or incur substantial costs as part of an out- of- court settlement or require us to modify or suspend certain operations, any of which could have a material adverse effect on us. An adverse judgment or any negative publicity associated with our repair service agreements or any potential credit insurance litigation could also affect our reputation, which could have a negative impact on our cash flow and results of operations. Pending or unforeseen litigation and the potential for adverse publicity associated with litigation could have a material adverse effect on us. We are involved from time to time in various legal proceedings arising in the ordinary course of our business, including primarily commercial, consumer finance, debt collections, product liability, employment and intellectual property claims. We currently do not expect the outcome of any pending matters to have a material adverse effect on our consolidated results of operations, financial position or cash flows. Litigation, however, is inherently unpredictable, and it is possible that the ultimate outcome of one or more pending claims asserted against us, or claims that may be asserted in the future that we are currently not aware of, or adverse publicity resulting from any such litigation, could adversely impact our business, reputation, sales, profitability, cash flows and financial condition. In recent years many participants in the manufacturing, retail and software industries have been the target of patent litigation claimants making demands or filing claims based upon alleged patent infringement through the manufacturing and selling, either in merchandise or through software and internet websites, of product or merely providing access through website portals. We, in conjunction with multiple other parties, have been (and remain) the targets of such claims. While we believe that we have not violated or infringed any third- party alleged patent rights, and intend to defend vigorously any such claims, the cost to defend, settle or pay any such claims could be substantial and could have a material adverse effect on us. Failure to effectively manage our costs could have a material adverse effect on our profitability. Certain elements of our cost structure are largely fixed in nature.

Consumer spending remains uncertain, which makes it more challenging for us to maintain or increase our operating income. The competitiveness in our industry and increasing price transparency means that the focus on achieving efficient operations is greater than ever. As a result, we must continuously focus on managing our cost structure. Failure to manage our labor and benefit rates, advertising and marketing expenses, operating leases, charge- offs, other store expenses or indirect spending could materially adversely affect us. Our stores are concentrated in the southern region of the U. S., especially Texas **and Florida** , which subjects us to regional risks, such as the economy, regulatory, outbreaks, the performance of energy markets, **extreme** weather conditions, hurricanes and other natural or man- made disasters. If the southern region of the U. S. suffers an economic downturn, increased regulation or any other adverse regional event, such as an outbreak, a collapse of the oil and gas market, or inclement weather, it could have a material adverse effect on us as a result of the concentration of our stores in such region. Several of our competitors operate stores in various regions across the U. S. and thus may not be as vulnerable to the risks associated with operating in a concentrated region. The states and the local economies where many of our stores are located are dependent, to a degree, on the oil and gas industries, which can be very volatile due to fluctuations of commodities prices or other causes. Because of fears of climate change and adverse effects of drilling explosions and oil spills, legislation has been considered, and governmental regulations and orders have been issued, which, combined with the local economic and employment conditions caused by both, could materially adversely impact the oil and gas industries and the economic health of areas in which a significant number of our stores are located. Acts of violence at or threatened against our stores or the centers in which they are located, including active shooter situations, protests and terrorism, could unfavorably impact our sales, which could have a material adverse effect on us. Any act of violence at or threatened against our stores or the centers in which they are located, including active shooter situations, protests and terrorist activities, may result in restricted access to our stores and / or store closures in the short- term, and in the long- term, may cause our customers to avoid our stores. Any such situation could adversely impact cash flows and make it more difficult to fully staff our stores, which could have a material adverse effect on us. Our information technology systems for our key business processes are vulnerable to damage that could harm our business. Our ability to operate our business, including our ability to manage our credit and collections, operations and inventory levels, largely depends on the efficient operation of our computer hardware and software systems. We use management information systems, including our credit underwriting, loan management, inventory management and collections systems, to track inventory information at the store level, communicate customer information, aggregate daily sales and expense information and manage our credit portfolio, including processing credit applications and managing collections. In addition, we license these systems from third parties. These systems and our operations are subject to damage or interruption from, among other things: • Power loss, computer systems failures and internet, telecommunications or data network failures; • Operator negligence, unauthorized access or improper operation by, or supervision of, employees; • Physical and electronic loss of data or security breaches, misappropriation and similar events; • Computer viruses; • Intentional acts of vandalism and similar events; • Failures on behalf of third parties from which we license certain of these systems to provide timely, quality and regular access to or maintenance of such systems; and • Hurricanes, fires, floods and other natural disasters. In addition, the software that we have developed internally to use in our daily operations may contain undetected errors that could cause our network to fail or our expenses to increase. Any failure of our owned or licensed systems due to any of these or other causes could cause an interruption in our operations and result in reduced net sales and results of operations. Though we have implemented contingency and disaster recovery processes in the event of one or several technology failures, any unforeseen failure, interruption or compromise of our systems or our security measures could adversely affect our business and harm our reputation. The risk of possible failures or interruptions may not be adequately addressed by us or the third- parties on which we rely, and such failures or interruptions could occur. The occurrence of any failures or interruptions could have a material adverse effect on us. Our information technology systems may not be adequate to meet our evolving business and emerging regulatory needs and the failure to successfully implement new systems **, including to integrate Badcock and achieve anticipated synergies,** could negatively impact our business and financial results. We are investing capital in new information technology systems and implementing modifications and upgrades to existing systems to support our growth ~~plan~~ **and integrate Badcock** . These investments include replacing legacy systems, making changes to existing systems, building redundancies, ~~and~~ acquiring new systems and hardware with updated functionality **, and integrating Badcock systems to achieve synergies** . We are taking actions to ensure the successful implementation of these initiatives, including the testing of new systems and the transfer of existing data, with minimal disruptions to our business and collections, but there can be no guarantee of success. These efforts may take longer and may require greater financial and other resources than anticipated, may cause distraction of key personnel, may cause disruptions to our existing systems and our business, and may not provide the anticipated benefits. Any disruption in our information technology systems, or our inability to improve, or failure to upgrade, integrate or expand our systems to meet our evolving business and emerging regulatory requirements, could impair our ability to achieve critical strategic initiatives and could have a material adverse effect on us. We could lose our access to customer and credit data sources, which could cause us competitive harm and have a material adverse effect on us. We are heavily dependent on customer and credit data provided by third party providers. Our data providers could stop providing data, provide untimely, incorrect or incomplete data, or increase the costs for their data for a variety of reasons, including a perception that our systems are insecure as a result of a data security breach or regulatory concerns or for competitive reasons. We could also become subject to increased legislative, regulatory or judicial restrictions or mandates on the collection, disclosure or use of such data, in particular if such data is not collected by our providers in a way that allows us to legally use the data. If we were to lose access to this external data or if our access or use were restricted or were to become less economical or desirable, our business would be negatively impacted, which would adversely affect our operating results and financial condition. We cannot provide assurance that we will be successful in maintaining our relationships with these external data source providers or that we will be able to continue to obtain data from them on acceptable terms or at all. Furthermore, we cannot provide assurance that we will be able to obtain comparable data from alternative sources on favorable terms or at all if our current sources become unavailable. If we cannot continue to offer third party payment solutions for customers who do not qualify for our proprietary credit offerings, our business may be impaired. Currently, if a customer does not qualify for our credit offering for a particular purchase in our stores, but qualifies with a payment solutions provider not affiliated with us but with whom we have a commercial relationship, then we sell the applicable merchandise to such payment solutions provider, which leases the merchandise to the customer under a lease- to- own arrangement, and we record a cash sale. In fiscal year ~~2023~~ **2024** , our third- party payment solution providers providing lease- to- own arrangements, represented approximately ~~7~~ **8** . ~~3~~ **5** % of our retail revenue. Our third- party payment and credit solutions providers' business models are subject to various risks that are outside of our control. If, as a result of any of these risks, our third- party payment and credit solutions providers are unable to, or otherwise determine not to continue operating with us at a level or on terms similar to the level or on terms we have historically operated, or if we are unable to establish new partnerships with different providers on favorable terms or at all, then we could lose sales or revenue, our financial results could be adversely affected, our ability to execute our growth plan could be impeded and we could otherwise suffer a material adverse effect. If we are unable to continue to offer third- party repair service agreements to our customers, we could incur additional costs or repair expenses, which could materially adversely affect us. There are a limited number of insurance carriers that provide repair service agreement programs. If repair service agreement programs become unavailable from our current providers for any reason, we may be unable to provide repair service agreements to our customers on the same or similar terms, or at all. Even if we are able to obtain a substitute provider, higher premiums may be required, which could have a material adverse effect on our profitability if we are unable to pass along the increased cost of such coverage to our customers. Inability to maintain the repair service agreement program could cause fluctuations in our repair expenses, impact our credit portfolio losses, and cause greater volatility of earnings and could require us to become the obligor under new contracts we sell. If we are unable to maintain group credit insurance policies from insurance carriers, which allow us to offer their credit insurance products to our customers purchasing our merchandise on credit, our revenues may be reduced or our credit losses may increase. There are a limited number of insurance carriers that provide credit insurance coverage for sale to our customers. If credit insurance becomes unavailable for any reason we may be unable to offer substitute coverage on the same or similar terms, or at all. Even if we are able to obtain substitute coverage, it may be at higher rates or reduced coverage, which could affect customer acceptance of these products, reduce our revenues or increase our credit losses. We utilize a limited number of home delivery service providers. The loss of any one provider could have a material negative impact on our home delivery operations. If our third- party merchandise delivery services are unable to meet our promised delivery schedule, unable to maintain expense controls, or cease operations, our net sales may decline due to a decline in customer satisfaction, and profitability levels may be negatively impacted. For many purchases, we offer next day delivery to our customers that we outsource to one of our third- party delivery service providers. The loss of any one service provider, or the failure to establish and maintain relationships with these or other similar service providers, could have a material negative impact on our home delivery operations. These third- parties are subject to risks that are beyond our control and, if they fail to timely or satisfactorily deliver our products, we may lose business from customers in the future and could suffer damage to our reputation. The loss of customers or damage to our reputation could have a material adverse effect on us. Further, if our third- party delivery service providers are unable to maintain expense controls, our profitability and results of operations may be negatively impacted. Changes in trade policy, currency exchange rate fluctuations and other factors beyond our control could materially adversely affect our business. A significant portion of our inventory is manufactured or assembled overseas in Asia and in Mexico. Changes in U. S. and foreign governments' trade policies have resulted in, and may continue to result in, tariffs on imports into and exports from the U. S. Throughout 2018 and 2019, the U. S. imposed tariffs on imports from several countries, including China. While the impact of the tariffs was minimal to the Company in fiscal year ~~2021~~ **2023** and ~~2022~~ **2024** , because many of the products that we sell are manufactured in foreign jurisdictions, including China, other such tariffs could have a negative impact on our business in the future. The current **and any future** ~~administration~~ **administrations** in Washington, D. C. may likely take a different view on tariffs with China **and other countries** . In addition, if the U. S. were to withdraw from or materially modify international trade agreements, similar to the replacement of the North American Free Trade Agreement with the United States- Mexico- Canada Agreement in November 2018, certain foreign- sourced goods that we sell may no longer be available at commercially attractive prices or at all, resulting in a material adverse effect on us. Additionally, currency fluctuations, including a devaluation of the U. S. dollar, border taxes, import tariffs, or other factors beyond our control may increase the cost of items we purchase or create shortages of these items, which in turn could have a material adverse effect on us. Conversely, significant reductions in the cost of these items in U. S. dollars may cause a significant reduction in the retail prices of those products, resulting in a material adverse effect on us. Our costs to protect our intellectual property rights, infringement of which could impair our name and reputation, could be significant. We believe that our success and ability to compete depends in part on consumer identification of the name " Conn' s " and **" Badcock " and** other trademark registrations and we rely on such trademark registrations and common law rights to protect the distinctiveness of our ~~brand~~ **brands** . We intend to protect vigorously our trademarks against infringement, misappropriation or dilution by others. A third- party, however, could attempt to misappropriate our intellectual property or claim that our intellectual property infringes or otherwise violates third- party trademarks in the future. Any litigation or claims relating to our intellectual property brought by or against us, whether with or without merit, or whether successful or not, could result in substantial costs and diversion of our resources, which could have a material adverse effect on us. Failure to protect the security of our customers', employees' or suppliers' information or failure to comply with data privacy and protection laws could expose us to litigation, compromise the integrity of our products, damage our reputation and materially adversely affect us. Our business regularly captures, collects, handles, processes, transmits and stores significant amounts of sensitive information about our customers, employees, suppliers and others, including financial records, credit and business information, and certain other personally identifiable or other sensitive personal information. A number of other retailers have experienced security breaches, including a number of highly publicized incidents involving well- known retailers. To our knowledge, we have not suffered a significant security breach. While we have implemented systems and processes to protect against unauthorized access to or use of secured data and to prevent data loss and theft, there is no guarantee that these procedures are adequate to safeguard against all data security breaches or misuse of data. In addition, we rely on the secure operation of our website and other third- party systems generally to assist us in the collection and transmission of the sensitive data we collect. Our information systems are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches (including credit card information breaches), vandalism, catastrophic events and human error or malfeasance. A compromise of our information security controls or of those businesses with which we interact, which results in confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions and claims from customers, employees, financial institutions, payment card associations and other persons, any of which could materially adversely affect us. Moreover, a data security breach could require that we expend significant resources related to our information systems and infrastructure, and could distract management and other key personnel from performing their primary operational duties. If our information systems are damaged, fail to work properly or otherwise become unavailable, we may incur substantial costs to repair or replace them, and may experience loss of critical information, customer disruption and interruptions or delays in our ability to perform essential functions and implement new and innovative services. In addition, compliance with changes in privacy and information security laws and standards may result in considerable expense due to increased investment in technology and the development of new operational processes. We maintain data breach and network security liability insurance, but we cannot be certain that our coverage will be adequate for any liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms or at all. We may need to devote significant resources to protect against security breaches or to address problems caused by breaches, which would divert resources from the growth and expansion of our business. Our tax liabilities could be materially impacted by any changes in the tax laws of the jurisdictions in which we operate, beginning operations in new states, and assessments as a result of tax audits. Legislation could be introduced at any time that changes our tax liabilities in a way that has a material adverse effect on us. In particular, because of the extent of our operations in Texas, the Texas margin tax, which is based on gross profit rather than earnings, can create significant volatility in our effective tax rate. In addition, our **significant expansion in Florida and Georgia in connection with our acquisition of Badcock and** entry into new states in the future **,** could subject us to additional tax rate volatility, dependent upon the tax laws in place in those states. Moreover, we periodically review our indirect tax audit reserve based on recent assessments of prior year periods. In the event that actual results differ from our estimate, we may revise our estimate of post- audit periods, which could materially impact our financial condition and results of operations. We are subject to sales, income and other taxes, which can be difficult and complex to calculate due to the nature of our business. A failure to correctly calculate and pay such taxes could result in substantial tax liabilities and have a material adverse effect on us. The application of indirect taxes, such as sales tax, is a complex and evolving issue and we may not have accrued or remitted required amounts to various jurisdictions. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of e- commerce and, therefore, in many cases it is not clear how existing statutes apply to certain aspects of our business and we rely on advice from our third-party tax advisors. In addition, governments are increasingly looking for ways to increase revenues, which has resulted in discussions about tax reform and other legislative action to increase tax revenues, including through indirect taxes. This also could result in other adverse changes in or interpretations of existing sales, income and other tax regulations, the exact nature or effect of which cannot be reasonably calculated, but which could have a material adverse effect on us. Failure to successfully utilize and manage e- commerce, and to compete effectively with the growing e- commerce sector, could materially adversely affect our business and prospects. Our ~~website~~ **websites** ~~provides~~ **provide** new and existing customers with the ability to review our product offerings and prices, apply for credit, and make payments on their credit accounts. Customers may apply for credit, be approved for credit, and complete a transaction to purchase merchandise on our ~~website~~ **websites** . Customers may also purchase certain products on our ~~website~~ **websites** using a credit card. Our ~~website~~ **websites** ~~is~~ **are** a significant component of our advertising strategy. We believe our ~~website~~ **websites** ~~represents~~ **represent** a possible source for future sales and growth in our credit sales. In order to promote our products and services, allow our customers to complete credit applications in the privacy of their homes and on their mobile devices and make payments on their accounts, and drive traffic to our stores, we must effectively create, design, publish and distribute content over the internet. We currently offer certain credit- qualified customers the ability to complete an entire purchase transaction financed online. We are monitoring and adjusting the availability of our online sales channels for credit performance and profitability. There can be no assurance that we will be able to design and publish web content with a high level of effectiveness or grow our e- commerce business in a profitable manner. Certain of our competitors, and a number of e- commerce retailers, have established e- commerce operations against which we compete for customers. It is possible that the increasing competition from the e- commerce sector may reduce our market share, gross margin or operating margin, and may have a material adverse effect on us. If we fail to maintain adequate systems and processes to detect and prevent fraudulent activity, including in our e- commerce business, our business could be materially adversely impacted. Criminals are using increasingly sophisticated methods to engage in illegal activities such as paper instrument counterfeiting, fraudulent payment or refund schemes and identity theft. As we make more of our services available over the internet and other media, and as we expand into new geographic regions without an established customer base, we subject ourselves to increased consumer fraud risk. While we believe past incidents of fraudulent activity have been relatively isolated, we cannot be certain that our systems and processes will always be adequate in the face of increasingly sophisticated and ever-changing fraud schemes. We use a variety of tools to protect against fraud, but these tools may not always be successful at preventing such fraud. Instances of fraud may result in increased costs, including possible settlement and litigation expenses, and could have a material adverse effect on us. Our reputation, ability to do business and operating results may be impaired by improper conduct by any of our employees, agents or business partners. Our employees, agents or business partners may violate the policies and procedures we have implemented to ensure compliance with applicable laws. Improper actions by any of the foregoing could subject us to civil, criminal or administrative investigations, could lead to substantial civil and criminal, monetary and non- monetary penalties, and related ~~shareholder~~ **stockholder** lawsuits, could cause us to incur significant legal fees, and could damage our reputation. Because we maintain a significant supply of cash and inventories in our stores, we may be subject to employee and third- party robberies, burglaries, thefts, riots and looting, and may be subject to liability as a result of crimes at our stores. Our business requires us to maintain a significant supply of cash, loan collateral and inventories in most of our stores. As a result, we are subject to the risk of robberies, burglaries, thefts, riots and looting. Although we have implemented various programs in an effort to reduce these risks, maintain insurance coverage for robberies, burglaries and thefts and utilize various security measures at our facilities, there can be no assurance that robberies, burglaries, thefts, riots and looting will not occur. The extent of our cash, loan collateral and inventory, losses or shortages could increase as we expand the nature and scope of our products and services. Robberies, burglaries, thefts, riots and looting could lead to losses and shortages and could have a material adverse effect on us. It is also possible that violent crimes such as armed robberies may be committed at our stores. We could experience liability or adverse publicity arising from such crimes. For example, we may be liable if an employee, customer, guard or bystander suffers bodily injury or other harm. Any such event may have a material adverse effect on us. We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs. We lease almost all of our store locations, our corporate headquarters and our distribution centers. Our success depends in part on our ability to locate property for new stores and renew leases for existing locations. There is no assurance that we will be able to locate real estate and negotiate leases for new stores, or renegotiate leases for existing locations, on the same or similar terms, or on favorable terms at all, and we could be forced to move or exit a market as a result. Furthermore, a significant rise in real estate prices or real property taxes could result in an increase in store lease expense as we open new locations and renew leases for existing locations, thereby negatively impacting our results of operations. Our inability to enter into new leases or renew existing leases on terms acceptable to us, or be released from our obligations under leases for stores that we close, could materially adversely affect us. We depend primarily on cash flow from operations to pay our lease expenses. If our business does not generate sufficient cash flow from operating activities to fund these expenses, we may not be able to service our lease expenses, which could materially adversely affect us. If an existing or future store is not profitable, and we decide to close it, we may be nonetheless committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we might not satisfy the contractual requirements for early cancellation under that lease. Failure to maintain positive brand perception and recognition could have a negative impact on our business. Maintaining a good reputation is critical to the success of our business. The considerable expansion of the use of social media by our customers (including, but not only, as a result of our technological outreach), has increased the risk that our reputation could be negatively impacted in a short amount of time. If we are unable to quickly and effectively respond to criticism of our brand or reputation (on any basis), we may suffer declines in customer loyalty and traffic, vendor relationship issues, and other consequences, all of which could have a material adverse effect on us. We face risks with respect to product liability claims and product recalls, which could materially adversely affect our reputation, our business, and our consolidated results of operations. We purchase merchandise from third- parties and offer this merchandise to customers for sale. This merchandise could be subject to recalls and other actions by regulatory authorities. Changes in laws and regulations could also impact the type of merchandise we offer to customers. We have experienced, and may in the future experience, recalls of merchandise. In addition, individuals may in the future assert claims that they have sustained injuries from third- party merchandise offered by us, and we may be subject to future lawsuits relating to these claims. These claims or liabilities may exceed, or fall outside the scope of, our insurance coverage. Any of the issues mentioned above could result in damage to our reputation, diversion of management resources, or reduced sales and increased costs, any of which could have a material adverse effect on us. If we fail to maintain an effective system of internal controls, our ability to product accurate and timely financial statements could be impaired, which could harm our business and have a material adverse effect on the price of our common stock. I We are required to comply with a variety of reporting, accounting and other rules and regulations. As a result, we maintain a system of internal control over financial reporting, but there are limitations inherent in internal control systems and significant deficiencies or material weaknesses are possible. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be appropriate relative to their costs. Furthermore, compliance with existing requirements is expensive and we may need to implement additional finance and accounting and other systems, procedures and controls to satisfy our reporting requirements. If our internal control over financial reporting is determined to be ineffective, or if we are unable to appropriately or timely remediate any such effectiveness, such failure could cause us to restate financial results that have been made public, cause investors to lose confidence in our reported financial information, negatively affect the market price of our common stock, subject us to regulatory investigations and penalties, require us to expend significant resources to remediate the deficiencies, impair our access to capital and otherwise materially adversely impact us. Our governance documents and Delaware law provide certain anti- takeover measures which could discourage, delay or prevent a change in control of the Company, even if such changes would be beneficial to our stockholders. Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of the Delaware General Corporation Law (" DGCL ") could discourage, delay or prevent a merger, acquisition or other change in control of the Company, even if such change in control would be beneficial to our stockholders. These provisions include: • A prohibition on stockholder action without a meeting, unless such action has been approved in advance by our Board of Directors; • A prohibition on stockholders' ability to call special meetings of stockholders; • Express powers to adjourn, postpone, reschedule or cancel meetings of stockholders, and rules regarding presiding, and conduct, at such meetings; •

Significant advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and • Authorization of the issuance of " blank check " preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt. Further, we are subject to Section 203 of the DGCL, which limits certain transactions and business combinations between a corporation and a stockholder owning 15 % or more of the corporation' s outstanding voting stock for a period of three years from the date the stockholder becomes a 15 % stockholder. These provisions and our stockholders' rights plan, either alone or in combination with each other, could delay, deter or prevent a change of control, whether or not it is desired by, or beneficial to, our stockholders. Our corporate actions may be substantially controlled by our principal stockholders and affiliated entities. A large proportion of our outstanding common stock is beneficially owned by a small group of principal stockholders and their affiliates ~~, including Stephens Inc., Stephens Group, BlackRock, Inc. and Dimensional Fund Advisors LP~~ . Large holders, such as these, may be able to affect matters requiring approval by Company stockholders, including the election of directors and the approval of mergers or other business combination transactions. The concentration of ownership of our shares of common stock by the relatively small number of investors and hedge funds may: • Have significant influence in determining the outcome of any matter submitted to stockholders for approval, including the election of directors, mergers, consolidations, and the sale of all or substantially of our assets or other significant corporate actions; • Delay or deter a change of control of the Company; • Deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of the Company; and • Affect the market price volatility and liquidity of our shares of common stock. The interests of these investors and their respective affiliates may differ from or be adverse to the interests of our other stockholders. If any of these investors sells a substantial number of shares in the public market, the market price of our shares could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of our shares **. We may not be able to successfully integrate the Badcock business and our failure to do so could negatively impact our business and financial results. The acquisition of Badcock involves numerous operational, strategic, financial, accounting, legal and other functions that must be integrated. Difficulties in integrating Badcock may result in the combined company performing differently than expected, in operational challenges or in the failure to realize anticipated expense- related efficiencies. Potential difficulties that may be encountered in the integration process include, among other factors: • the inability to successfully integrate the businesses of Badcock into Conn' s in a manner that permits Conn' s to achieve the anticipated benefits and cost savings from the acquisition; • challenges associated with managing the larger, more complex, integrated business; • not realizing anticipated operating synergies or incurring unexpected costs to realize such synergies; • integrating personnel from the two companies while maintaining focus on performance; • potential unknown liabilities and unforeseen expenses, delays or other conditions associated with the acquisition; • loss of key employees; • integrating relationships with customers, vendors and business partners; • performance shortfalls at one or both of the companies as a result of the diversion of management' s attention caused by completing the acquisition and integrating Badcock' s operations into Conn' s; and • the disruption of, or the loss of momentum in, each company' s ongoing business or inconsistencies in standards, controls, procedures and policies. Conn' s success will depend, in part, on its ability to manage its expansion, which poses numerous risks and uncertainties, including the need to integrate the operations and business of Badcock into its existing business in an efficient and timely manner including the combination of systems and management controls. We may fail to realize all of the anticipated benefits of the acquisition. The success of the transaction will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining Conn' s and Badcock' s businesses. The anticipated benefits and cost savings of the acquisition may not be realized fully or at all, may take longer to realize than expected, may require more non- recurring costs and expenditures to realize than expected or could have other adverse effects that we do not currently foresee. For example, the integration process may result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies and there could be potential unknown liabilities and unforeseen expenses associated with the acquisition that were not discovered in the course of performing due diligence. We have incurred substantial transaction fees and costs in connection with the acquisition. We have incurred and expect to incur a number of non- recurring transaction- related costs associated with the acquisition, combining our operations with Badcock' s and achieving desired synergies. These fees and costs may be substantial. Non- recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, filing fees and printing costs. We may not be able to retain key personnel following the acquisition. Our success after the acquisition will depend in part upon our ability to retain management personnel and other employees. Current and prospective employees of Conn' s and Badcock may experience uncertainty about their roles within the combined company following the acquisition, which may have an adverse effect on our ability to attract or retain management and other personnel. Accordingly, no assurance can be given that the combined company will be able to attract or retain management personnel and other employees to the same extent that they have previously been able to attract or retain their employees which could have an adverse result on our business and results of operations. The market price of our common stock after the acquisition may be affected by factors different from those affecting the shares of our common stock historically. Conn' s business differs from that of Badcock. Accordingly, the results of operations of the combined company and the market price of Conn' s common stock after the completion of the acquisition may be affected by factors different from those currently affecting the independent results of operations of each company. Conn' s preferred shares and any to- be- created shares of non- voting common stock into which the preferred stock will convert, have, or will have, if applicable, different rights from the Conn' s common stock. In the acquisition, holders of the W. S. Badcock LLC interests received preferred shares of Conn' s that are convertible into non- voting common stock to be created and issued upon stockholder approval. The rights associated with the preferred and any non- voting common stock, if applicable, are different from, and may be adverse in some respects to, the rights**

associated with Conn' s common stock. We may fail to receive sufficient stockholder support for establishing the class of non- voting common stock or the related conversion of the preferred shares into such new class which could result in us paying a dividend on the preferred shares. In the acquisition, holders of the W. S. Badcock LLC interests received preferred shares of Conn' s that are convertible into non- voting common stock to be created and issued upon stockholder approval. If the stockholders do not approve the class of non- voting common stock or the related conversion, the preferred shares will require our payment of a dividend beginning on September 4, 2024. The dividend is initially 8 % per annum but it may grow to as much as 16 % per annum . Risk Related to Laws and Regulations We may expand our retail, credit, or lease- to- own offerings and become subject to different operating, regulatory or legal requirements. In addition to the retail, consumer finance and lease- to- own products we currently offer, we may offer other products and services in the future, including new financing or leasing products and services. These products and services may require additional or different operating and compliance systems or have additional or different legal or regulatory requirements than the products and services we currently offer. To the extent we undertake expansion into additional states that allow for direct consumer lending, and do not have the proper legal and regulatory compliance infrastructure, consumer lending licenses or personnel, or otherwise do not successfully execute such an expansion, or our customers do not positively respond to such an expansion, it could have a material adverse effect on us. Our business could be materially adversely affected by changes in consumer protection laws and regulations. Federal and state consumer protection laws, regulations and agencies, such as the FCRA and the CFPB, heavily regulate the way we conduct business and could limit the manner in which we may offer and extend credit or leases and collect on our accounts. Because a substantial portion of our sales are financed or leased any adverse change in related regulation could have a material adverse effect on us. New laws or regulations, or new interpretations of existing laws or regulations, could limit the amount of interest or fees that may be charged to our consumer, or impose limitations on our ability to collect on account balances, which could have a material adverse effect on us. Compliance with existing and future laws or regulations, including regulations that may be applicable to us under the Dodd- Frank Act, could require the expenditure of substantial resources. Failure to comply with these laws or regulations, even if inadvertent, could result in negative publicity, fines or additional licensing expenses, any of which could result in a material adverse effect on us. We have procedures and controls in place that we believe are reasonable to monitor compliance with the numerous federal and state laws and regulations and believe we are in compliance with such laws and regulations. However, these laws and regulations are complex, differ between jurisdictions and are often subject to interpretation. As we expand into additional jurisdictions and offer credit products such as our direct consumer loans and lease- to- own offerings, the complexities grow. Compliance with these laws and regulations is expensive and requires the time and attention of management. If we do not successfully comply with laws, regulations, or policies, we could incur fines or penalties, lose existing or new customers, or suffer damage to our reputation. Changes in these laws and regulations can significantly alter our business environment, limit business operations, and increase costs of doing business, and we may not be able to predict the impact such changes would have on our profitability. Regulatory agencies may reshape consumer financial laws and there continues to be uncertainty as to how such actions will impact our business. The Dodd- Frank Act comprehensively overhauled the financial services industry within the U. S. and established the CFPB. The CFPB has enforcement and rulemaking authority under certain federal consumer financial laws, including, but not limited to, the TILA, ECOA, FCRA, FDCPA, and GLBA. This means, for example, that the CFPB has the ability to adopt rules that interpret provisions of the FDCPA, potentially affecting all facets of debt collection. **The** ~~Recently the~~ CFPB published a revised final rule under the FDCPA that would, among other things, limit the timing and number of calls that can be made to a consumer debtor by a third- party collection agency. This rule could impact our ability to contact our consumers and collect amounts owed. In addition, the CFPB has issued guidance in the form of bulletins on debt collection and credit furnishing activities generally, including bulletins that address furnisher requirements and the application of the CFPB' s prohibition on " unfair, deceptive, or abusive " acts or practices with respect to debt collection. In addition, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to the products we offer. The system could inform future agency decisions with respect to regulatory, enforcement, or examination focus. The CFPB is authorized to collect fines and provide consumer restitution in the event of violations of certain consumer financial service laws, engage in consumer financial education, request data, and promote the availability of financial services to under- served consumers and communities. There continues to be uncertainty as to how, or if, the CFPB and its strategies and priorities will impact our businesses and our results of operations going forward and could result in new regulatory requirements and regulatory costs for us. Although we have committed substantial resources to enhancing our compliance programs, changes in regulatory expectations, interpretations or practices could increase the risk of enforcement actions, fines and penalties. Actions by the CFPB, FTC and various state agencies could result in requirements to alter our products and services that would make our products less attractive to consumers or impair our ability to offer them profitably. Future actions by regulators that discourage the use of products we offer or steer consumers to other products or services could result in reputational harm and a loss of customers. We expect the CFPB, FTC and various state agencies will continue their focus on alternative consumer financial services products, and, as a result, businesses transacting with subprime consumers, may be held to higher standards of monitoring, disclosure and reporting, regardless of whether new laws or regulations governing our industry are adopted. This increased attention may increase our compliance costs significantly, result in fines or monetary penalties or settlements due to future government investigations, and materially and adversely impact the manner in which we operate, which may be materially adverse to our business and financial results. In recent years, state regulatory authorities have been increasingly focused on the subprime financial marketplace, including the lease- to- own industry. Certain aspects of our business, such as the content of our advertising and other disclosures to customers about transactions, our data collection practices, the manner in which we contact customers, the decisioning process regarding whether we enter into a transaction with a potential customer, our credit reporting practices, and the manner in which we process and store certain customer, employee and other information are all subject to federal and state laws and regulatory oversight. We have incurred and will continue to incur substantial costs to comply with federal, state and local laws and regulations, including rapidly evolving consumer protection standards. In addition to compliance costs, we may incur substantial expenses to respond to regulatory and third- party investigations and enforcement actions, proposed fines and penalties, sanctions, and private litigation, as well as potential" headline risks" that may negatively impact our business. Consumer complaints with respect to our industry have resulted in, and may in the future result in, state, federal and local regulatory and other investigations. In addition, while we are not aware of any whistleblower claims regarding our specific business practices, such claims are on the rise generally. We believe these claims will likely continue and could have a material adverse effect on our business and financial results. Judicial or administrative decisions, CFPB rule- making or amendments to the Federal Arbitration Act could render the arbitration agreements we use illegal or unenforceable. Dispute arbitration provisions are commonplace in our customer credit arrangements. These provisions are designed to allow us to resolve customer disputes through individual arbitration rather than in court. Our arbitration provisions explicitly provide that all arbitrations will be conducted on an individual and not on a class basis. In the past, various courts and administrative authorities have concluded that arbitration agreements with class action waivers are unenforceable, particularly where a small dollar amount is in controversy on an individual basis. Any judicial or administrative decisions, federal legislation or final CFPB or other administrative rule that would impair our ability to enter into and enforce consumer dispute arbitration agreements with class action waivers could significantly increase our exposure to class action litigation as well as litigation in plaintiff- friendly jurisdictions. Such litigation could have a material adverse effect on us. We are required to comply with laws and regulations regulating extensions of credit, lease- to- own transactions and other dealings with customers and our failure to comply with applicable laws and regulations, or any adverse change in those laws or regulations, could have a negative impact on our business. A substantial portion of our customers finance purchases through our credit offerings or enter into lease- to- own transactions. The extension of credit to consumers, leasing and related collection efforts is a highly regulated area of our business. Numerous federal and state laws impose disclosure and other requirements on the origination, servicing and enforcement of credit accounts. These laws include, but are not limited to, TILA, ECOA, the Dodd- Frank Act, FCRA, GLBA, FTCA, FDCPA, MLA, SCRA, the Texas Debt Collection Act **, the Florida Consumer Collection Practices Act** and the Telephone Consumer Protection Act (“ TCPA ”). Our business practices, marketing and advertising terms, procedures and practices for credit and lease applications and underwriting, terms of credit extensions, leases and related disclosures, data privacy and protection practices, and collection practices, may be subject to periodic or special reviews by regulatory and enforcement authorities under the foregoing laws. These reviews could range from investigations of specific consumer complaints or concerns to broader inquiries into our practices generally. If, as part of these reviews, the regulatory authorities conclude that we are not complying with applicable laws or regulations, they could request or impose a wide range of sanctions and remedies including requiring changes in advertising and collection practices, changes in our credit application and underwriting practices, changes in our data privacy or protection practices, changes in the terms of our credit or other financial products (such as decreases in interest rates or fees), the imposition of fines or penalties, or the paying of restitution or the taking of other remedial action with respect to affected customers. They also could require us to stop offering some of our credit or other financial products within one or more states, or nationwide. Negative publicity relating to any specific inquiry or investigation, regardless of whether we have violated any applicable law or regulation or the extent of any such violation, could negatively affect our reputation, our brand and our stock price, which could have a material adverse effect on us. If any deficiencies or violations of law or regulations are identified by us or asserted by any regulator or other person, or if any regulatory or enforcement authority or court requires us to change any of our practices, the correction of such deficiencies or violations, or the making of such changes, could have a material adverse effect on us. We face the risk that restrictions or limitations resulting from the enactment, change, or interpretation of federal or state laws and regulations, such as the Dodd- Frank Act, could negatively affect our business activities, require us to make significant expenditures or effectively eliminate credit products or other financial products currently offered to customers. Any failure on our part to comply with legal requirements in connection with credit or other financial products, or in connection with servicing or collecting our accounts or otherwise dealing with consumers, could significantly impair our ability to collect the full amount of the account balances and could subject us to substantial liability for damages or penalties. The institution of any litigation of this nature, or the rendering of any judgment against us in any litigation of this nature, could have a material adverse effect on us. We may also expand into additional jurisdictions or offer new credit products in existing jurisdictions. We must comply with the laws of each jurisdiction we operate in, which are not uniform. New or different laws in new jurisdictions into which we expand, or changes to the laws in those jurisdictions or the ones in which we currently operate, could increase our compliance costs, expose us to litigation risk or otherwise have a material adverse effect on us. We face the risk of litigation resulting from calls and text messages in violation of the TCPA. Contacting current and prospective customers in connection with delinquent accounts and marketing efforts are parts of our business. The TCPA restricts certain calling and the use of automated SMS text messages without proper consent. This has resulted and may in the future result in civil claims against us. The scope and interpretation of the TCPA applicable to calling and texting are continuously evolving and developing, and there are differing interpretations of the TCPA among the jurisdictions in which we operate. In some cases, violations of the TCPA may be enforced by individual customers through class actions, and statutory penalties for TCPA violations range from $ 500 to $ 1, 500 per violation. If we do not comply with the TCPA or if we become liable under the TCPA, we could face direct liability and our business and financial condition could be materially adversely affected. A large number of our stores are located in the State of Texas **and the State of Florida** , which subjects us to concentrated regulatory risks. Negative or unexpected legislative or regulatory changes in Texas **or Florida** could have a material adverse effect on us **. We currently have 75 retail stores in Texas and 138 stores in Florida** . In Texas, the Office of the Consumer Credit Commissioner (“ OCCC ”) issues the consumer loan licenses that permit us to offer direct consumer loans. The OCCC also regulates us as a licensee. ~~We currently have 75 retail stores in Texas.~~ If we fail to establish or implement a proper regulatory infrastructure to comply with Texas' regulatory requirements, the OCCC could restrict or rescind our consumer loan licenses. **Similar regulation applies in Florida under the Florida Office of Financial Regulation (" FLOFR").** A restriction on or a loss of such licenses issued could have a material adverse effect on our financial performance and cause reputational harm. Failure on our part to comply with applicable consumer lending laws of the State of Texas **or the State of Florida** could also expose us to consumer litigation and regulatory enforcement action, possibly resulting in substantial penalties and claims for damages and, in certain circumstances, may subject us to injunctions, require us to refund finance charges already paid, forgo finance charges not yet paid under credit accounts, change our credit extension, servicing, collection, and marketing practices or a combination of the foregoing. Should Texas ~~or~~ **, Florida,** the OCCC **or FLOFR** change laws, regulations or codes related to consumer loans, or modify past regulatory guidance, our compliance costs and litigation exposure could increase. We believe that we are in substantial compliance with the applicable consumer credit laws in the State of Texas **and the State of Florida** . Our inability to maintain our insurance licenses requirements in the states in which we operate and changes in premium and commission rates on the insurance products we sell could have a material adverse effect on us. We derive a significant portion of our revenues and operating income from the commissions we earn from the sale of various insurance products of third- party insurers to our customers. These products include credit insurance, repair service agreements and product replacement policies. Most states and many local jurisdictions in which we operate require registration and licenses to sell these products or otherwise conduct our business. These states and local jurisdictions have, in many cases, established criteria we must satisfy in order to obtain, maintain and renew these licenses. For example, certain states or other jurisdictions require us to meet or exceed certain operational, advertising, disclosure, collection and recordkeeping requirements and to maintain a minimum amount of net worth or equity. From time to time, we are subject to audits in these jurisdictions to ensure we are satisfying the applicable requirements in order to maintain these necessary licenses. If, for any reason, we are unable to satisfy these requirements, we might be unable to maintain our insurance licenses in the states and other jurisdictions in which we operate, we might be subject to various fines and penalties or store closures, or our requests for new or renewed licenses may be denied, any of which consequences could have a material adverse effect on us. In addition, any material claims or future material litigation involving our credit insurance agreements, repair service agreements or product replacement policies, or any decline in the commissions we retain from our sales of these insurance products, may have a material adverse effect on us. Commissions earned on our credit insurance, repair service agreement or product replacement agreement products could also be materially adversely affected by changes in statutory premium rates, commission rates, adverse claims experience and other factors. General Risk Factors Stock market volatility may materially adversely affect the market price of our common stock. Our common stock price has been and is likely to continue to be subject to significant volatility. A variety of factors could cause the price of our common stock to fluctuate substantially, including: • General market fluctuations resulting from factors not directly related to our operations or the inherent value of our common stock; • State or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our operations; • **Our ability to integrate Badcock and realize anticipated synergies; •** Announcements of developments related to our business or our competitors; • Fluctuations in our operating results and the provision for bad debts; • General conditions in the consumer financial service industry, the domestic or global economy or the domestic or global credit or capital markets; • Changes in financial estimates by securities analysts; • Our failure to meet the expectations of securities analysts or investors; • Negative commentary regarding us and corresponding short- selling market behavior; • Adverse developments in our relationships with our customers or vendors; • Legal proceedings brought against us or our officers and directors; and • Changes in our senior management team. Due to the volatility of our stock price, we are and may be in the future the target of securities litigation. Such lawsuits generally result in the diversion of management' s time and attention away from business operations, which could materially adversely affect us. In addition, the costs of defense and any damages resulting from such litigation, a ruling against us, or a settlement of any such litigation could materially adversely affect our financial results. We may incur property, casualty or other losses not covered by insurance. We maintain a program of insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that we obtain vary from time to time, depending on availability, cost and our decisions with respect to risk retention. The insurance policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and may increase our expenses, which could harm our results of operations and financial condition.