

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 31, 2005 Commission File Number 000-50421

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

A Delaware Corporation 06-1672840
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

3295 College Street
Beaumont, Texas 77701
(409) 832-1696
(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
---- ----

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES X NO
---- ----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 26, 2005:

Class	Outstanding
Common stock, \$.01 par value per share	23,424,836

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	January 31, 2005	July 31, 2005
	-----	-----
Assets		
(unaudited)		
Current assets		
Cash and cash equivalents	\$ 7,027	\$ 19,049
Accounts receivable, net	26,135	20,822
Interests in securitized assets	105,159	115,393
Inventories	62,346	60,846
Deferred income taxes	4,901	6,613
Prepaid expenses and other assets	3,356	2,578
	-----	-----
Total current assets	208,924	225,301
Non-current deferred income tax asset	1,523	2,315
Property and equipment		
Land	2,919	4,701
Buildings	8,068	8,163
Equipment and fixtures	10,036	11,775
Transportation equipment	4,419	2,949
Leasehold improvements	56,926	63,051
	-----	-----
Subtotal	82,368	90,639
Less accumulated depreciation	(34,658)	(38,419)
	-----	-----
Total property and equipment, net	47,710	52,220
Goodwill, net	9,617	9,617
Debt issuance costs and other assets, net	229	160
	-----	-----
Total assets	\$268,003	\$289,613
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	\$5,500	\$-
Current portion of long-term debt	29	18
Accounts payable	26,912	33,510
Accrued compensation and related expenses	6,221	10,425
Accrued expenses	13,662	14,171
Deferred income taxes	966	570
Deferred revenues and allowances	7,383	8,403
Fair value of derivatives	177	-
	-----	-----
Total current liabilities	60,850	67,097
Long-term debt	5,003	-
Non-current deferred income tax liability	704	820
Deferred gain on sale of property	644	560
Stockholders' equity		
Preferred stock (\$0.01 par value, 1,000,000 shares authorized; none issued or outstanding)	-	-
Common stock (\$0.01 par value, 40,000,000 shares authorized; 23,267,596 and 23,388,235 shares issued and outstanding at January 31, 2005 and July 31, 2005, respectively)	233	234
Additional paid-in capital	84,257	85,347
Accumulated other comprehensive income	7,516	7,633
Retained earnings	108,796	127,922
	-----	-----
Total stockholders' equity	200,802	221,136
	-----	-----
Total liabilities and stockholders' equity	\$268,003	\$289,613
	=====	=====

See notes to consolidated financial statements.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
Revenues				
Product sales	\$ 108,305	\$130,867	\$216,808	\$258,142
Service maintenance agreement commissions, net	5,776	7,848	11,436	14,732
Service revenues	4,770	5,134	9,149	9,909
Total net sales	118,851	143,849	237,393	282,783
Finance charges and other	17,750	20,526	34,085	39,755
Total revenues	136,601	164,375	271,478	322,538
Cost and expenses				
Cost of goods sold, including warehousing and occupancy costs	85,704	103,579	170,479	204,496
Cost of parts sold, including warehousing and occupancy costs	1,092	1,236	2,195	2,461
Selling, general and administrative expense	37,521	44,700	72,383	84,182
Provision for bad debts	1,227	443	2,649	1,595
Total cost and expenses	125,544	149,958	247,706	292,734
Operating income	11,057	14,417	23,772	29,804
Interest expense, net	567	59	1,149	414
Income before minority interest and income taxes	10,490	14,358	22,623	29,390
Minority interest in limited partnership	131	-	246	-
Income before income taxes	10,359	14,358	22,377	29,390
Provision for income taxes				
Current	4,352	5,564	9,035	13,107
Deferred	(783)	(530)	(1,221)	(2,843)
Total provision for income taxes	3,569	5,034	7,814	10,264
Net income	\$ 6,790	\$ 9,324	\$ 14,563	\$ 19,126
Earnings per share				
Basic	\$ 0.29	\$ 0.40	\$ 0.63	\$ 0.82
Diluted	\$ 0.29	\$ 0.39	\$ 0.61	\$ 0.80
Average common shares outstanding				
Basic	23,179	23,366	23,163	23,337
Diluted	23,801	24,114	23,769	23,987

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Six Months Ended July 31, 2005
(unaudited)
(in thousands except descriptive shares)

	Common Stock ----- Shares	Stock ----- Amount	Accum. Other Compre- ----- hensive Income	Additional Paid-in ----- Capital	Retained ----- Earnings	Total -----
Balance January 31, 2005	23,268	\$ 233	\$ 7,516	\$84,257	\$108,796	\$200,802
Exercise of options to acquire 114,820 shares of common stock	114	1	-	1,003	-	1,004
Issuance of 5,820 shares of common stock under Employee Stock Purchase Plan	6	-	-	87	-	87
Net income	-	-	-	-	19,126	19,126
Reclassification adjustments on derivative instruments (net of tax of \$86)	-	-	160	-	-	160
Adjustment of fair value of securitized assets (net of tax of \$27), net of reclassification adjustments of \$4,621 (net of tax of \$2,499)	-	-	(43)	-	-	(43)
Total comprehensive income						19,243
Balance July 31, 2005	23,388	\$ 234	\$7,633	\$85,347	\$127,922	\$221,136

See notes to consolidated financial statements.

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

	Six Months Ended July 31,	
	2004	2005
Cash flows from operating activities		
Net income	\$14,563	\$19,126
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,972	5,407
Amortization	15	(131)
Provision for bad debts	2,649	1,595
Discounts on promotional credit	757	536
Accretion from interests in securitized assets	(7,636)	(7,120)
Provision for deferred income taxes	(1,221)	(2,843)
Loss (Gain) from sale of property and equipment	(14)	34
Loss (Gain) from derivatives	(36)	69
Changes in operating assets and liabilities:		
Accounts receivable	(13,687)	33
Inventory	(4,085)	1,500
Prepaid expenses and other assets	905	778
Accounts payable	6,409	6,598
Accrued expenses	(389)	4,713
Income taxes payable	(1,807)	-
Deferred revenue and allowances	201	1,101
Net cash provided by operating activities	596	31,396
Cash flows from investing activities		
Purchase of property and equipment	(9,047)	(9,964)
Proceeds from sale of property	15	13
Net cash used in investing activities	(9,032)	(9,951)
Cash flows from financing activities		
Proceeds from stock issued under employee benefit plans, including tax benefit	687	1,091
Net borrowings (payments) under lines of credit	1,049	(10,500)
Increase in debt issuance costs	(70)	-
Payment of promissory notes	(34)	(14)
Net cash provided by (used in) financing activities	1,632	(9,423)
Impact on cash of consolidation of SRDS	190	-
Net change in cash	(6,614)	12,022
Cash and cash equivalents		
Beginning of the year	12,942	7,027
End of period	\$6,328	\$19,049

See notes to consolidated financial statements.

Conn's, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
July 31, 2005

1. Significant Accounting Policies

Basis of Presentation. The accompanying unaudited, condensed, consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Operating results for the three and six month periods ended July 31, 2005 are not necessarily indicative of the results that may be expected for the year ending January 31, 2006. The financial statements should be read in conjunction with the Company's (as defined below) audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K filed on April 5, 2005.

The Company's balance sheet at January 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial presentation. Please see the Company's Form 10-K for the fiscal year ended January 31, 2005 for a complete presentation of the audited financial statements at that date, together with all required footnotes, and for a complete presentation and explanation of the components and presentations of the financial statements.

Principles of Consolidation. The consolidated financial statements include the accounts of Conn's, Inc. and its subsidiaries, limited liability companies and limited partnerships, all of which are wholly-owned (the "Company"). All material intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements additionally include the financial statements of a single purpose entity meeting one or more of the standards of Financial Accounting Standards Board ("FASB") Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51 ("FIN 46"), as described below.

The Company enters into securitization transactions to sell its retail installment and revolving customer receivables. These securitization transactions are accounted for as sales in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, because the Company has relinquished control of the receivables. The resulting assets are valued on a revolving pool basis. Additionally, the Company has transferred such receivables to a qualifying special purpose entity ("QSPE"). Accordingly, neither the transferred receivables nor the accounts of the QSPE are included in the consolidated financial statements of the Company.

Application of FIN 46. In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, Consolidation of Variable Interest Entities, An Interpretation of Accounting Research Bulletin No. 51, or FIN 46. FIN 46 requires entities, generally, to be consolidated by a company when it has a controlling financial interest through ownership, direct or indirect, of a majority voting interest in an entity with which it conducts business. The Company evaluated the effects of the issuance of FIN 46 on the accounting for its leases with Specialized Realty Development Services, LP ("SRDS") and determined that it was appropriate to consolidate the balance sheet of SRDS with the Company as of January 31, 2004. As of January 31, 2005, the Company no longer leased any of its facilities from SRDS and therefore FIN 46 no longer applies and the Company no longer consolidates SRDS's balance sheet or statement of operations. However, the operations of SRDS are consolidated with those of the Company commencing on February 1, 2004 through the last effective date of the Company's leases with SRDS of January 30, 2005. The effect of such consolidation on the Company's Statement of Operations for the three months ended July 31, 2004 was to reduce "Selling, general and administrative expense" by \$0.3 million, to increase "Interest expense" by \$0.2 million and to reduce "Income before income taxes" by \$0.1 million for "Minority interest in limited partnership". The effect of such consolidation on the Company's Statement of Operations for the six months ended July 31, 2004 was to reduce "Selling, general and administrative expense" by \$0.6 million, to increase "Interest expense" by \$0.4 million and to reduce "Income before income taxes" by \$0.2 million for "Minority interest in limited partnership". The Company had no exposure to losses incurred by SRDS.

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

Earnings Per Share. In accordance with SFAS No. 128, Earnings per Share, the Company calculates basic earnings per share by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share include the dilutive effects of any stock options granted calculated under the treasury method. The following table sets forth the shares outstanding for the earnings per share calculations:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
Common stock outstanding, beginning of period	23,172,798	23,351,044	23,101,772	23,267,596
Weighted average common stock issued in stock option exercises	5,813	13,699	60,725	67,066
Weighted average common stock issued to employee stock purchase plan	780	1,040	394	2,451
Shares used in computing basic earnings per share	23,179,391	23,365,783	23,162,891	23,337,113
Dilutive effect of stock options, net of assumed repurchase of treasury stock	621,344	747,971	606,127	649,688
Shares used in computing diluted earnings per share	23,800,735	24,113,754	23,769,018	23,986,801

Goodwill. Goodwill represents the excess of purchase price over the fair market value of net assets acquired. Effective February 1, 2002, the Company adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets, whereby goodwill is no longer amortized, but rather the Company assesses the potential future impairment of goodwill on an annual basis, or at any other time when impairment indicators exist. The Company concluded at January 31, 2005 and July 31, 2005 that no impairment of goodwill existed.

Stock-Based Compensation. As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company follows the intrinsic value method of accounting for stock-based compensation issued to employees, as prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Since all options outstanding at July 31, 2005 were granted at or above fair value at the date of grant, no compensation expense has been recognized under the Company's stock option plan for any of the financial statements presented. Additionally, as the employee stock purchase plan is a qualified plan, no compensation expense has been recognized in the financial statements presented.

If compensation expense for the Company's stock option and employee stock purchase plans had been recognized using the fair value method of accounting under SFAS No. 123, net income available for common stockholders for the three months ended July 31, 2004 and 2005 would have decreased by 3.7% and 3.5%, respectively; net income available for common stockholders for the six months ended July 31, 2004 and 2005 would have decreased by 3.2% and 3.4%, respectively. For post-IPO stock option grants, the Company has used the Black-Scholes model to determine fair value. Prior to the IPO, the fair value of the options issued was estimated using the minimum valuation option-pricing model. Fair value compensation expense for the employee stock purchase plan was computed as the 15% discount from fair market value the employee receives when purchasing the shares. The following table presents the impact to earnings per share as if the Company had adopted the fair value recognition provisions of SFAS No. 123 (dollars in thousands except per share data):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
Net income available for common stockholders as reported	\$6,790	\$9,324	\$14,563	\$19,126
Stock-based compensation, net of tax, that would have been reported under SFAS 123	(252)	(330)	(473)	(654)
Pro forma net income	\$6,538	\$8,994	\$14,090	\$18,472
Earnings per share-as reported:				
Basic	\$ 0.29	\$ 0.40	\$ 0.63	\$ 0.82
Diluted	\$ 0.29	\$ 0.39	\$ 0.61	\$ 0.80
Pro forma earnings per share:				
Basic	\$ 0.28	\$ 0.38	\$ 0.61	\$ 0.79
Diluted	\$ 0.27	\$ 0.37	\$ 0.59	\$ 0.77

Application of APB 21 to Promotional Credit Programs that Exceed One Year in Duration: In February 2004, the Company began offering promotional credit payment plans, on certain products, that extend beyond one year. In accordance with APB 21, Interest on Receivables and Payables, such sales are discounted to their fair value resulting in a reduction in sales and receivables and the amortization of the discount amount over the term of the deferred interest payment plan. The difference between the gross sale and the discounted amount is reflected as a reduction of Product sales in the consolidated statements of operations and the amount of the discount being amortized in the current period is recorded in Finance charges and other. For the three months ended July 31, 2004 and 2005, Product sales were reduced by \$716,000 and \$1.0 million, respectively, and Finance charges and other was increased by \$143,000 and \$577,000, respectively, to effect the adjustment to fair value and to reflect the appropriate amortization of the discount. For the six months ended July 31, 2004 and 2005, Product sales were reduced by \$929,000 and \$1.6 million, respectively, and Finance charges and other was increased by \$172,000 and \$1.1 million, respectively, to effect the adjustment to fair value and to reflect the appropriate amortization of the discount

Recent Accounting Pronouncements. In December 2004, SFAS No. 123R, Share-Based Payment, was issued. The statement is a revision of SFAS No. 123 and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. This statement establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions, and does not change the previous accounting guidance for share-based payment transactions with parties other than employees. This statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and record that cost over the period during which the employee is required to provide service in exchange for the award. Additionally, employee services received in exchange for liability awards will be measured at fair value and re-measured at each reporting date, with changes in the fair value recorded as compensation cost over that period.

This statement applies to all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. The cumulative effect of initially applying this statement, if any, is recognized as of the required effective date. As of the required effective date, all public entities will apply this statement using a modified version of prospective application, which requires recognition of compensation cost on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered. For periods before the required effective date, entities may elect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by Statement No. 123. This statement was originally effective for public companies, beginning with the first interim or annual period beginning after June 15, 2005. However, in April 2005, the Securities and Exchange Commission changed the required effective date for public companies to the first fiscal year beginning after June 15, 2005. The Company is currently analyzing the impact this statement will have on its consolidated results of operations and its financial position.

Reclassifications. Certain reclassifications have been made in the prior year's financial statements to conform to current year's presentation.

2. Supplemental Disclosure of Revenue and Comprehensive Income

The following is a summary of the classification of the amounts included as Finance charges and other for the three and six months ended July 31, 2004 and 2005 (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
Securitization income	\$11,922	\$14,744	\$22,745	\$27,782
Income from receivables not sold	300	304	595	584
Insurance commissions	4,450	4,292	8,761	8,958
Other	1,078	1,186	1,984	2,431
Finance charges and other	<u>\$17,750</u>	<u>\$20,526</u>	<u>\$34,085</u>	<u>\$39,755</u>

The components of total comprehensive income for the three and six months ended July 31, 2004 and 2005 are presented in the table below (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
Net income	\$6,790	\$9,324	\$14,563	\$19,126
Unrealized gain on derivative instruments	278	-	556	246
Taxes on unrealized gain on derivatives	(98)	-	(196)	(86)
Adjustment of fair value of securitized assets	521	1,530	1,323	(70)
Taxes on adjustment of fair value	(184)	(533)	(467)	27
Total comprehensive income	<u>\$7,307</u>	<u>\$10,321</u>	<u>\$15,779</u>	<u>\$19,243</u>

During the three months ended July 31, 2005, the Company revised its assumption for credit losses to 3.0%, from 3.4%, to more closely reflect its historical loss experience over the past twelve months. This change had the impact of increasing the fair value of the Interests in securitized assets and had no impact on Income before income taxes. The Company's credit losses are computed net of all recoveries. Credit losses in the future will be impacted by the average age of the loans in the revolving loan pool, the economic environment in the regions we serve and the effectiveness of our loan underwriting and collection efforts. If the average age of the loans in the revolving loan pool increases, economic conditions in our markets decline or our underwriting or collection efforts become less effective, we would expect our estimate for credit losses to increase.

3. Supplemental Disclosure Regarding Managed Receivables

The following tables present quantitative information about the receivables portfolios managed by the Company (in thousands):

	Total Principal Amount of Receivables		Principal Amount 60 Days or More Past Due (1)	
	January 31, 2005	July 31, 2005	January 31, 2005	July 31, 2005
Primary portfolio:				
Installment	\$328,042	\$352,785	\$16,636	\$16,140
Revolving	30,210	36,777	867	924
Subtotal	358,252	389,562	17,503	17,064
Secondary portfolio:				
Installment	70,448	83,126	5,640	5,951
Total receivables managed	428,700	472,688	23,143	23,015
Less receivables sold	419,172	462,940	21,540	21,408
Receivables not sold	9,528	9,748	\$1,603	\$1,607
Non-customer receivables	16,607	11,074		
Total accounts receivable, net	\$26,135	\$20,822		

	Average Balances		Net Credit Losses (2)	
	Three Months Ended July 31,		Three Months Ended July 31,	
	2004	2005	2004	2005
Primary portfolio:				
Installment	\$285,108	\$344,728		
Revolving	23,946	33,237		
Subtotal	309,054	377,965	\$2,266	\$3,084
Secondary portfolio:				
Installment	62,802	80,632	692	418
Total receivables managed	371,856	458,597	2,958	3,502
Less receivables sold	362,537	449,081	2,626	3,450
Receivables not sold	\$9,319	\$9,516	\$332	\$52

	Average Balances		Net Credit Losses (2)	
	Six Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
Primary portfolio:				
Installment	\$279,428	\$338,315		
Revolving	23,981	32,025		
Subtotal	303,409	370,340	\$4,990	\$5,739
Secondary portfolio:				
Installment	60,933	77,679	1,328	1,039
Total receivables managed	364,342	448,019	6,318	6,778
Less receivables sold	354,941	438,533	5,649	6,536
Receivables not sold	\$9,401	\$9,486	\$669	\$242

(1) Amounts are based on end of period balances. The principal amount 60 days or more past due relative to total receivables managed is not necessarily indicative of relative balances expected at other times during the year due to seasonal fluctuations in delinquency,

(2) Amounts represent total loan loss provision, net of recoveries, on total receivables.

4. Fair Value of Derivatives

The Company held interest rate swaps and collars with notional amounts totaling \$20.0 million as of July 31, 2004, which expired on April 15, 2005, and were held for the purpose of hedging against variable interest rate risk, primarily related to cash flows from the Company's interest-only strip as well as variable rate debt.

In fiscal 2004, hedge accounting was discontinued for the \$20.0 million of swaps. In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, at the time hedge accounting was discontinued, the Company began to recognize changes in fair value of the swaps as a reduction to interest expense and to amortize the amount of accumulated other comprehensive loss related to those derivatives as interest expense over the period that the forecasted transactions affected the consolidated statements of operations. During the three months ended July 31, 2004 and 2005, the Company reclassified \$278,000 and \$0, respectively, of losses previously recorded in accumulated other comprehensive income into the consolidated statements of operations and recorded \$(316,000) and \$0, respectively, of interest reductions in the consolidated statements of operations because of the change in fair value of the swaps. During the six months ended July 31, 2004 and 2005, the Company reclassified \$556,000 and \$246,000, respectively, of losses previously recorded in accumulated other comprehensive income into the consolidated statements of operations and recorded \$(621,000) and \$(177,000), respectively, of interest reductions in the consolidated statements of operations because of the change in fair value of the swaps.

5. Letters of Credit

The Company utilizes unsecured letters of credit to secure a portion of the QSPE's asset-backed securitization program, deductibles under the Company's insurance programs and international product purchases. At January 31, 2005 and July 31, 2005, the Company had outstanding unsecured letters of credit of \$12.1 million and \$12.4 million, respectively. These letters of credit were issued under the three following facilities:

- o The Company has a \$5.0 million sublimit provided under its revolving line of credit for stand-by and import letters of credit. At July 31, 2005, \$1.9 million of letters of credit were outstanding and callable at the option of the Company's insurance carrier if the Company does not honor its requirement to fund deductible amounts as billed under its insurance program.
- o The Company has arranged for a \$10.0 million stand-by letter of credit to provide assurance to the trustee of the asset-backed securitization program that funds collected by the Company would be remitted as required under the base indenture and other related documents. The letter of credit has a term of one year expiring in August 2005, which the Company is in the process of renewing.

- o The Company obtained a \$1.5 million commitment for trade letters of credit to secure product purchases under an international arrangement. At July 31, 2005, \$497,000 of letters of credit were outstanding under this commitment. The letter of credit commitment has expired and the Company is in the process of renewing the agreement.

The maximum potential amount of future payments under these letter of credit facilities is considered to be the aggregate face amount of each letter of credit commitment, which total \$16.5 million as of July 31, 2005.

6. Contingencies

Legal Proceedings. The Company is involved in routine litigation incidental to its business from time to time. Currently, the Company does not expect the outcome of any of this routine litigation to have a material effect on its financial condition or results of operations. However, the results of these proceedings cannot be predicted with certainty, and changes in facts and circumstances could impact the Company's estimate of reserves for litigation.

Service Maintenance Agreement Obligations. In November 2002, FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness of Other, was issued. Among other things, this interpretation requires enhanced disclosures made by a guarantor about its obligations under certain guarantees it has issued. The Company sells service maintenance agreements under which it is the obligor for payment of qualifying claims. The Company is responsible for administering the program, including setting the pricing of the agreements sold and paying the claims. The typical term for these agreements is between 12 and 36 months. The pricing is set based on historical claims experience and expectations about future claims. While the Company is unable to estimate maximum potential claim exposure, it has a history of overall profitability upon the ultimate resolution of agreements sold. The revenues related to the agreements sold are deferred at the time of sale and recorded in revenues in the statement of operations over the life of the agreements. The revenues deferred related to these agreements totaled \$3.9 million and \$4.0 million, respectively, as of January 31, 2005 and July 31, 2005, and are included on the face of the balance sheet in Deferred revenues and allowances.

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

Forward-Looking Statements

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

- o the success of our growth strategy and plans regarding opening new stores and entering adjacent and new markets, including our plans to continue expanding into the Dallas/Fort Worth Metroplex, and the South Texas Rio Grande Valley;
- o our ability to update or expand existing stores;
- o our ability to obtain capital for required capital expenditures and costs related to the opening of new stores or to update or expand existing stores;
- o our cash flows from operations, borrowings from our revolving line of credit and proceeds from securitizations to fund our operations, debt repayment and expansion;
- o rising interest rates may increase our cost of borrowing or reduce securitization income;
- o technological and market developments, growth trends and projected sales in the home appliance and consumer electronics industry, including digital products like HDTV, and other new products, and our ability to capitalize on such growth;
- o the potential for price erosion or lower unit sales points that could result in declines in revenues;
- o increasing oil and gas prices could adversely affect our customers' shopping decisions and patterns;
- o changes in laws and regulations and/or interest, premium and commission rates allowed by regulators on our credit, credit insurance and service maintenance agreements as allowed by those laws and regulations;
- o our relationships with key suppliers;
- o the adequacy of our distribution and information systems and management experience to support our expansion plans;
- o the accuracy of our expectations regarding competition and our competitive advantages;
- o the potential for market share erosion that could result in reduced revenues;
- o the accuracy of our expectations regarding the similarity or dissimilarity of our existing markets as compared to new markets we enter; and
- o the outcome of litigation affecting our business.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under "Risk Factors" in our Form 10-K filed with the Securities Exchange Commission on April 5, 2005. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report might not happen.

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

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

General

The following discussion and analysis is intended to provide you with a more meaningful understanding of our financial condition and performance in the indicated periods, including an analysis of those key factors that contributed to our financial condition and performance and that are, or are expected to be, the key drivers of our business.

We are a specialty retailer that sells major home appliances, including refrigerators, freezers, washers, dryers and ranges, a variety of consumer electronics, including projection, plasma, DLP and LCD televisions, camcorders, VCRs, DVD players, portable audio and home theater products, lawn and garden products, mattresses and furniture. We also sell home office equipment, including computers and computer accessories and continue to introduce additional product categories for the consumer and home to help increase same store sales and to respond to our customers' product needs. We require all our sales associates to be knowledgeable of all of our products, but to specialize in certain specific product categories.

We currently operate 54 retail locations in Texas and Louisiana, and expect to open two to four additional stores during the current fiscal year. We plan to open and operate an expanded distribution center in the Dallas/Fort Worth market beginning in the third quarter of this fiscal year, which will serve that immediate market and permit us to explore markets within a 200+ mile radius of such facility.

Unlike many of our competitors, we provide flexible in-house credit options for our customers. In the last three years, we financed, on average, approximately 56% of our retail sales through our internal credit programs. We finance a large portion of our customer receivables through an asset-backed securitization facility, and we derive servicing fee income and interest income from these assets. As part of our asset-backed securitization facility, we have created a qualifying special purpose entity, which we refer to as the QSPE or the issuer, to purchase customer receivables from us and to issue asset-backed and variable funding notes to third parties. We transfer receivables, consisting of retail installment and revolving account receivables, extended to our customers, to the issuer in exchange for cash and subordinated securities. To finance its acquisition of these receivables, the issuer has issued notes to third parties.

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

Our business is somewhat seasonal, with a greater portion of our revenues realized during the quarter ending January 31, due to the holiday selling season, the major collegiate bowl season and the National Football League playoffs and Super Bowl. Additionally, we generally realize a greater portion of our pretax and net income during the quarters ended January 31 and April 30, due to the factors discussed above and the impact of our promotional efforts during these periods.

Executive Overview

This narrative is intended to provide an executive level overview of our operations for the three and six months ended July 31, 2005. A detailed explanation of the changes in our operations for these periods as compared to the prior year is included beginning on page 17. As explained in that section, our pretax income for the quarter and the six months ended July 31, 2005 increased approximately 38.6% and 31.3%, respectively, primarily as a result of higher revenues and gross margin dollars, lower selling, general and administrative expenses as a percentage of revenues and lower interest expense. Some of the more specific issues that impacted our operating and pretax income are:

- o Same store sales for the quarter grew 12.1% and for the six months same store sales grew 10.0% over the same period for the prior year. We believe that we were able to achieve this favorable increase by continuing our emphasis on sales of our primary product categories, with the appliance and the consumer electronics categories being key drivers during both periods. It is our strategy to continue this combination of emphasizing our primary product categories and focusing on specialty product categories throughout the balance of fiscal 2006.
- o Our entry into the Dallas/Fort Worth and the South Texas markets had a positive impact on our revenues. Approximately \$17.1 million and \$29.9 million of our product sales increase for the quarter and six months ended July 31, 2005, respectively, resulted from the opening of nine new stores in these markets, since February 2004. Our plans provide for the opening of additional stores in existing markets during the balance of fiscal 2006 as we focus on opportunities in markets in which we have existing infrastructure.
- o Part of our increase in same store sales during the quarter resulted from the continuation of deferred interest and "same as cash" plans on certain products that extend beyond one year. For the three months and six months ended July 31, 2005, \$11.2 million and \$17.9 million, respectively, in gross product sales were financed by extended deferred interest and "same as cash" plans. We expect to continue to offer this type of extended term promotional credit in the future.
- o Our gross margin for the quarter decreased from 36.5% to 36.2% for the three months ended July 31, 2005 when compared to the same period in the prior year, primarily as a result of reduced insurance sales penetration. Our gross margin for the six months decreased from 36.4% to 35.8% for the six months ended July 31, 2005 when compared to the same period in the prior year, primarily due to price discounting during the first quarter of fiscal year 2006 and reduced insurance commissions during the second quarter of fiscal year 2006.
- o Operating margin, on the other hand, increased from 8.1% to 8.8% for the three months ended July 31, 2005 when compared to the same period in the prior year due in part to our ability to reduce Selling, general and administrative (SG&A) expenses as a percent of revenues. The reduced SG&A expenses as a percent of revenues also benefited the operating margin for the six months ended July 31, 2005 which increased to 9.2% from 8.7% during the same period in the prior year. During the three months ended July 31, 2005, we decreased SG&A expense as a percent of revenues to 27.2% from 27.5% when compared to the prior year, primarily from decreases in payroll and payroll related expenses and net advertising expense as a percent of revenues. Partially offsetting these reductions were higher occupancy costs and general insurance costs. Additionally, our operating margin benefited from a decrease in the Provision for bad debts as a percent of revenues from 0.9% to 0.3%. The trends for the six months ended July 31, 2005 are consistent with those discussed for the three months ended July 31, 2005.

Operational Changes and Resulting Outlook

During the quarter, we opened two new stores in the Dallas/Fort Worth market and one in Harlingen, Texas just after the end of the quarter. We continue to be satisfied with the results in the Dallas/Fort Worth market and continue to expand the number of stores and plan to add additional distribution capability in the next few weeks. We opened a new store in McAllen, Texas in early September 2004 and it has performed above our expectations. We believe that this South Texas market is substantially underserved and provides great potential for our company and are expecting good performance from the new store in Harlingen, Texas. We have several other locations in Texas, Louisiana and neighboring states that we believe are promising and are in various stages of development for opening either in the current fiscal year or the next.

The consumer electronics industry depends on new products to drive increased consumer interest. Typically, these new products, such as digital televisions (e.g., plasma, LCD, and DLP) and DVD players, are introduced at relatively high price points that are then gradually reduced as the product becomes more mainstream. To sustain positive same store sales growth, unit sales must increase at a rate greater than the decline in product prices. The affordability of the product helps the 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 volumes to increase, combined with rapid price erosion in the industry, retailers are challenged to maintain overall gross margin levels and positive same store sales. This has historically been our experience and we continue to adjust our marketing strategies to address this challenge through the introduction of new product categories and new products within our existing categories.

Application of Critical Accounting Policies

In applying the accounting policies that we use to prepare our consolidated financial statements, we necessarily make accounting estimates that affect our reported amounts of assets, liabilities, revenues and expenses. Some of these accounting estimates require us to make assumptions about matters that are highly uncertain at the time we make the accounting estimates. We base these assumptions and the resulting estimates on authoritative pronouncements, historical information and other factors that we believe to be reasonable under the circumstances, and we evaluate these assumptions and estimates on an ongoing basis. We could reasonably use different accounting estimates, and changes in our accounting estimates could occur from period to period, with the result in each case being a material change in the financial statement presentation of our financial condition or results of operations. We refer to accounting estimates of this type as "critical accounting estimates." We believe that the critical accounting estimates discussed below are among those most important to an understanding of our consolidated financial statements as of July 31, 2005.

Transfers of Financial Assets. We transfer customer receivables to the QSPE that issues asset-backed securities to third party lenders using these accounts as collateral, and we continue to service these accounts after the transfer. We recognize the sale of these accounts when we relinquish control of the transferred financial asset in accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. As we transfer the accounts, we record an asset representing the interest only strip which is the difference between the interest earned on customer accounts and the cost associated with financing and servicing the transferred accounts, including a provision for bad debts associated with the transferred accounts (on a revolving pool basis) discounted to a market rate of interest. The gain or loss recognized on these transactions is based on our best estimates of key assumptions, including forecasted credit losses based on actual portfolio experience over the past twelve months, payment rates, forward yield curves, costs of servicing the accounts and appropriate discount rates. The use of different estimates or assumptions could produce different financial results. For example, if we had assumed a 10.0% reduction in net interest spread (which might be caused by rising interest rates or reductions in rates charged on the accounts transferred), our interest in securitized assets would have been reduced by \$4.3 million as of July 31, 2005, which may have an adverse effect on earnings. We recognize income from our interest in these transferred accounts as gains on the transfer of the asset, interest income and servicing fees. This income is recorded as Finance charges and other in our consolidated statements of operations. If the assumption used for estimating credit losses were changed by 0.5% from 3.0% to 3.5%, the impact to recorded Finance charges and other would have been a reduction in revenues and pretax income of \$1.8 million.

Deferred Tax Assets. We have significant net deferred tax assets (approximately \$7.5 million as of July 31, 2005), which are subject to periodic recoverability assessments. Realization of our net deferred tax assets may be dependent upon our ability to offset reversals against prior taxable income, changes in tax rates or our future taxable income. Changes in these assumptions, if any, may require material adjustments to these deferred tax asset balances. For example, if we had assumed that the future tax rate at which these deferred items would reverse was 34.5% rather than 35.1%, we would have reduced the net deferred tax asset account and net income by approximately \$129,000.

Intangible Assets. We have significant intangible assets related primarily to goodwill and the costs of obtaining various loans and funding sources. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgments. We test for potential impairment of goodwill annually based on judgments regarding ongoing profitability and cash flow of the underlying assets. Our testing includes using judgments to estimate the separate operations of our insurance agency and secondary credit portfolio, including allocations for interest, overhead and taxes. Once these separate operations have been estimated, we apply a multiple of earnings based on existing market conditions and estimated operating cash flow and compare the resulting estimated entity values to the recorded goodwill. Changes in strategy or market conditions could significantly impact these judgments and require adjustments to recorded asset balances. For example, if we had reason to believe that our recorded goodwill had become impaired due to decreases in the fair market value of the underlying business, we would have to take a charge to income for that portion of goodwill that we believe is impaired. Our goodwill balance at July 31, 2005 was \$9.6 million.

Property and Equipment. Our accounting policies regarding land, buildings, equipment and leasehold improvements include judgments regarding the estimated useful lives of such assets, the estimated residual values to which the assets are depreciated, and the determination as to what constitutes increasing the life of existing assets. These judgments and estimates may produce materially different amounts of depreciation and amortization expense that would be reported if different assumptions were used. These judgments may also impact the need to recognize an impairment charge on the carrying amount of these assets as the cash flows associated with the assets are realized. In addition, the actual life of the asset and residual value may be different from the estimates used to prepare financial statements in prior periods.

Revenue Recognition. Revenues from the sale of retail products are recognized at the time the product is delivered to the customer. Such revenues are recognized net of any adjustments for sales incentive offers such as discounts, coupons, rebates, or other free products or services and discounts of promotional credit sales that will extend beyond one year. We sell service maintenance agreements and credit insurance contracts on behalf of unrelated third parties. For contracts where the third parties are the obligors on the contract, commissions are recognized in revenues at the time of sale, and in the case of retrospective commissions, at the time that they are earned. Where we sell service maintenance renewal agreements in which we are deemed to be the obligor on the contract at the time of sale, revenue is recognized ratably, on a straight-line basis, over the term of the service maintenance agreement. These service maintenance agreements are renewal contracts that provide our customers protection against product repair costs arising after the expiration of the manufacturer's warranty and the third party obligor contracts. These agreements typically range from 12 months to 36 months. These agreements are separate units of accounting under Emerging Issues Task Force No. 00-21, Revenue Arrangements with Multiple Deliverables. The amount of service maintenance agreement revenue deferred at July 31, 2005 and January 31, 2005 was \$4.0 million and \$3.9 million, respectively, and is included in Deferred revenues and allowances in the accompanying balance sheets.

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

Recent Accounting Pronouncements. In December 2004, Statement of Financial Accounting Standards No. 123R, Share-Based Payment, was issued. This statement establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services, focusing primarily on accounting for transactions in which an entity obtains an employee's services. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments, based on the grant-date fair value of the award, and record that cost over the period during which the employee is required to provide service in exchange for the award. Additionally, the statement provides multiple options for adopting the requirements of the standard. We are currently analyzing the impact this statement will have on our consolidated results of operations and our financial position. We are required under existing accounting standards to provide supplemental disclosure in the footnotes to our financial statements as if our financial statements had been prepared using the fair value method of accounting for stock based compensation. See Note 1 to our financial statements for additional information.

Results of Operations

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2005	2004	2005
Revenues:				
Product sales	79.3 %	79.6 %	79.9 %	80.0 %
Service maintenance agreement commissions (net)	4.2	4.8	4.2	4.6
Service revenues	3.5	3.1	3.3	3.1
Total net sales	87.0	87.5	87.4	87.7
Finance charges and other	13.0	12.5	12.6	12.3
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses:				
Cost of goods sold, including warehousing and occupancy cost	62.7	63.0	62.8	63.4
Cost of parts sold, including warehousing and occupancy cost	0.8	0.7	0.8	0.8
Selling, general and administrative expense	27.5	27.2	26.7	26.1
Provision for bad debts	0.9	0.3	1.0	0.5
Total costs and expenses	91.9	91.2	91.3	90.8
Operating income	8.1	8.8	8.7	9.2
Interest expense, net	0.4	0.1	0.4	0.1
Income before minority interest and income taxes	7.7	8.7	8.3	9.1
Minority interest in limited partnership	0.1	0.0	0.1	0.0
Income before income taxes	7.6	8.7	8.2	9.1
Provision for income taxes	2.6	3.0	2.9	3.2
Net income	5.0 %	5.7 %	5.3 %	5.9 %

The table above identifies several changes in our operations for the current quarter, including changes in revenue and expense categories expressed as a percentage of revenues. These changes are discussed in the Executive Overview section on page 14 and in more detail in the discussion of operating results beginning in the analysis below.

Same store sales growth is calculated by comparing the reported sales by store for all stores that were open throughout a period to reported sales by store for all stores that were open throughout the prior year period. Sales from closed stores have been removed from each period. Sales from relocated stores have been included in each period because each store was relocated within the same general geographic market. Sales from expanded stores have been included in each period.

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

Three Months Ended July 31, 2005 Compared to Three Months Ended July 31, 2004

Revenues. Total revenues increased by \$27.8 million, or 20.3%, from \$136.6 million for the three months ended July 31, 2004 to \$164.4 million for the three months ended July 31, 2005. The increase was attributable to increases in net sales of \$25.0 million, or 21.0%, and \$2.8 million, or 15.6%, in finance charges and other revenue.

The \$25.0 million increase in net sales was made up of the following:

- o a \$13.8 million same store sales increase of 12.1%. Increased sales of appliances, consumer electronics and furniture accounted for most of the increase in same store sales,
- o an \$11.1 million increase generated by seven retail locations that were not open for three consecutive months in each period, net of reductions related to the closing of one location,
- o a \$286,000 decrease resulted from an increase in discounts of promotional credit sales, and
- o a \$363,000 increase resulted from an increase in service revenues.

The components of the \$25.0 million increase in net sales, were a \$22.6 million increase in product sales and a \$2.4 million net increase in service maintenance agreement commissions and service revenues. The \$22.6 million increase in product sales resulted from the following:

- o approximately \$13.7 million was attributable to increases in unit sales, due to increased appliances, consumer electronics, furniture and track sales, and
- o approximately \$8.9 million was attributable to increases in unit price points. The price point impact was driven primarily by consumers selecting higher priced consumer electronics products, as the new technology becomes more affordable. Also, contributing to the price point impact were higher prices on appliances.

The following table presents the makeup of net sales by product category in each quarter, including service maintenance agreement commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales. Classification of sales has been adjusted from previous filings to ensure comparability between the categories.

Category	Three Months Ended July 31,				Percent Increase
	2004		2005		
	Amount	Percent	Amount	Percent	
Major home appliances	\$44,846	37.7 %	\$53,624	37.3 %	19.6 % (1)
Consumer electronics	32,692	27.5	39,728	27.6	21.5 (1)
Track	18,643	15.7	21,501	14.9	15.3 (1)
Delivery	1,937	1.6	2,317	1.6	19.6 (2)
Lawn and garden	5,507	4.6	5,779	4.0	4.9 (3)
Bedding	2,596	2.2	3,097	2.2	19.3 (1)
Furniture	1,260	1.1	3,771	2.6	199.3 (4)
Other	824	0.7	1,050	0.7	27.4
Total product sales	108,305	91.1	130,867	90.9	20.8
Service maintenance agreement commissions	5,776	4.9	7,848	5.5	35.9
Service revenues	4,770	4.0	5,134	3.6	7.6
Total net sales	\$118,851	100.0 %	\$143,849	100.0 %	21.0 %

(1) These increases are consistent with overall increase in product sales and improved unit prices.

(2) This increase is due primarily to the increase in total product sales.

(3) Extremely dry weather negatively impacted our sales in this category.

(4) This increase is due to the increased emphasis on the sales of furniture, primarily sofas, recliners and entertainment centers, and new product lines added to this category.

Revenue from Finance charges and other increased by approximately \$2.7 million, or 15.6%, from \$17.8 million for the three months ended July 31, 2004 to \$20.5 million for the three months ended July 31, 2005. This increase in revenue resulted primarily from increases in securitization income of \$2.8 million. These increases are attributable to higher product sales and increases in our retained interest in assets transferred to the QSPE, due primarily to increases in the transferred balances. During the quarter ended July 31, 2005, we changed our process related to selling credit insurance on promotional credit programs resulting in a decline in insurance sales penetration. While we expect this reduced penetration level to continue to impact insurance commission revenues in the short term, ultimately we expect this change to result in increased insurance commission revenues in the future.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by \$17.9 million, or 20.9%, from \$85.7 million for the three months ended July 31, 2004 to \$103.6 million for the three months ended July 31, 2005. This increase was generally consistent with the 20.8% increase in net product sales during the three months ended July 31, 2005. Cost of products sold was 79.1% of net product sales in the quarter ended July 31, 2004 and the quarter ended July 31, 2005.

Cost of Parts Sold. Cost of parts sold, including warehousing and occupancy cost, increased approximately \$145,000, or 13.3%, for the three months ended July 31, 2005 as compared to the three months ended July 31, 2004, due to increases in parts sales.

Selling, General and Administrative Expense. While Selling, general and administrative expense increased by \$7.2 million, or 19.1%, from \$37.5 million for the three months ended July 31, 2004 to \$44.7 million for the three months ended July 31, 2005, it decreased as a percentage of total revenue from 27.5% to 27.2%. The decrease in expense as a percentage of total revenues resulted primarily from decreased payroll and payroll related expenses and net advertising expense, as a percent of revenues, that were partially offset by higher occupancy costs and general insurance costs.

Provision for Bad Debts. The provision for bad debts on receivables retained by the Company and not transferred to the QSPE and other non-credit portfolio receivables decreased by \$784,000, or 63.9%, during the three months ended July 31, 2005 as compared to the three months ended July 31, 2004, primarily as a result of changes in the loss history and provision adjustments, based on favorable loss experience during the last twelve months, and revised loss allocations between receivables retained by us and those transferred to the QSPE, which were offset in Finance charges and other. See Note 3 to the financial statements for information regarding the performance of the credit portfolio.

Interest Expense, net. Net interest expense decreased by \$508,000, or 89.6%, from \$567,000 for the three months ended July 31, 2004 to \$59,000 for the three months ended July 31, 2005. The net decrease in interest expense was attributable to the following factors:

- o expiration of \$20.0 million in our interest rate hedges and the discontinuation of hedge accounting for derivatives resulted in a net decrease in interest expense of approximately \$257,000; and
- o the deconsolidation of SRDS (previously consolidated as a VIE according to FIN 46) resulted in a decrease of interest expense of \$215,000,

The remaining decrease in interest expense of \$36,000 resulted from lower average outstanding debt balances and higher interest income from invested funds.

Minority Interest. As a result of FIN 46, for the quarter ended July 31, 2004, we eliminated the pretax operating profit contributed from the consolidation of SRDS through the minority interest line item in our consolidated statement of operations (see Note 1 of Notes to the Financial Statements).

Provision for Income Taxes. The provision for income taxes increased by \$1.5 million, or 41.0%, from \$3.5 million for the three months ended July 31, 2004 to \$5.0 million for the three months ended July 31, 2005, consistent with the increase in pretax income of 38.6%.

Net Income. As a result of the above factors, Net income increased \$2.5 million, or 37.3%, from \$6.8 million for the three months ended July 31, 2004 to \$9.3 million for the three months ended July 31, 2005.

Six Months Ended July 31, 2005 Compared to Six Months Ended July 31, 2004

Revenues. Total revenues increased by \$51.0 million, or 18.8%, from \$271.5 million for the six months ended July 31, 2004 to \$322.5 million for the six months ended July 31, 2005. The increase was attributable to increases in net sales of \$45.4 million, or 19.1%, and \$5.7 million, or 16.6%, in finance charges and other revenue.

The \$45.4 million increase in net sales was made up of the following:

- o a \$22.2 million increase resulted from a same store sales increase of 10.0%. Increased sales of appliances, consumer electronics, computers and other product categories included in the track, and furniture accounted for most of the increase in same store sales,
- o a \$23.1 million increase generated by nine retail locations that were not open for six consecutive months in each period, net of reductions related to the closing of one location,
- o a \$668,000 decrease resulted from an increase in discounts of promotional credit sales, and
- o a \$760,000 increase resulted from an increase in service revenues.

The components of the \$45.4 million increase in net sales were a \$41.3 million increase in product sales and a \$4.1 million net increase in service maintenance agreement commissions and service revenues. The \$41.3 million increase in product sales resulted from the following:

- o approximately \$24.9 million was attributable to increases in unit sales, due to increased appliances, track, furniture, and consumer electronics sales, and

- o approximately \$16.4 million was attributable to increases in unit price points. The price point impact was driven primarily by consumers selecting higher priced consumer electronics products, as the new technology becomes more affordable.

The following table presents the makeup of net sales by product category in each quarter, including service maintenance agreement commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales. Classification of sales has been adjusted from previous filings to ensure comparability between the categories.

Category	Six Months Ended July 31,				Percent Increase
	2004		2005		
	Amount	Percent	Amount	Percent	
Major home appliances	\$86,808	36.6 %	\$100,122	35.5 %	15.3 % (1)
Consumer electronics	70,314	29.6	83,382	29.5	18.6 (1)
Track	36,684	15.5	44,653	15.8	21.7 (1)
Delivery	3,785	1.6	4,338	1.5	14.6
Lawn and garden	10,052	4.2	11,062	3.9	10.0
Bedding	4,864	2.0	6,004	2.1	23.4 (2)
Furniture	2,801	1.2	6,767	2.4	141.6 (3)
Other	1,500	0.6	1,814	0.6	20.9 (1)
Total product sales	216,808	91.3	258,142	91.3	19.1
Service maintenance agreement commissions	11,436	4.8	14,732	5.2	28.8
Service revenues	9,149	3.9	9,909	3.5	8.3
Total net sales	\$237,393	100.0 %	\$282,783	100.0 %	19.1 %

- (1) These increases are consistent with overall increase in product sales and improved unit prices.
- (2) This increase reflects the emphasis on this emerging product category and the change in vendor relationships.
- (3) This increase is due to the increased emphasis on the sales of furniture, primarily sofas, recliners and entertainment centers, and new product lines added to this category.

Revenue from Finance charges and other increased by approximately \$5.7 million, or 16.6%, from \$34.1 million for the six months ended July 31, 2004 to \$39.8 million for the six months ended July 31, 2005. This increase in revenue resulted primarily from increases in securitization income of \$5.0 million, and increases in insurance commissions and other revenues of \$644,000. These increases are attributable to higher product sales and increases in our retained interest in assets transferred to the QSPE, due primarily to increases in the transferred balances.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by \$34.0 million, or 20.0%, from \$170.5 million for the six months ended July 31, 2004 to \$204.5 million for the six months ended July 31, 2005. This increase was generally consistent with the 19.1% increase in net product sales during the six months ended July 31, 2005. Cost of products sold was 78.6% of net product sales in the six months ended July 31, 2004 and 79.2% in the six months ended July 31, 2005. The decline was due to price discounting during the first quarter of fiscal 2006 to drive same store sales.

Cost of Parts Sold. Cost of parts sold, including warehousing and occupancy cost, increased approximately \$266,000, or 12.1%, for the six months ended July 31, 2005 as compared to the six months ended July 31, 2004, due to increases in parts sales.

Selling, General and Administrative Expense. While Selling, general and administrative expense increased by \$11.8 million, or 16.3%, from \$72.4 million for the six months ended July 31, 2004 to \$84.2 million for the six months ended July 31, 2005, it decreased as a percentage of total revenue from 26.7% to 26.1%. The decrease in expense as a percentage of total revenues resulted primarily from decreased payroll and payroll related expenses and net advertising expense, as a percent of revenues, that were partially offset by higher occupancy costs and general insurance costs.

Provision for Bad Debts. The provision for bad debts on receivables retained by the Company and not transferred to the QSPE and other non-credit portfolio receivables decreased by \$1.1 million, or 39.8%, during the six months ended July 31, 2005 as compared to the six months ended July 31, 2004, primarily as a result of changes in the loss history and provision adjustments based on favorable loss experience during the last twelve months, and revised loss allocations between receivables retained by us and those transferred to the QSPE, which were offset in Finance charges and other. See Note 3 to the financial statements for information regarding the performance of the credit portfolio.

Interest Expense, net. Net interest expense decreased by \$735,000, or 64.0%, from \$1.1 million for the six months ended July 31, 2004 to \$414,000 for the six months ended July 31, 2005. The net decrease in interest expense was attributable to the following factors:

- o expiration of \$20.0 million in our interest rate hedges and the discontinuation of hedge accounting for derivatives resulted in a net decrease in interest expense of approximately \$285,000; and
- o the deconsolidation of SRDS (previously consolidated as a VIE according to FIN 46) resulted in a decrease of interest expense of \$429,000,

The remaining decrease in interest expense of \$21,000 resulted from lower average outstanding debt balances and higher interest income from invested funds.

Minority Interest. As a result of FIN 46, for the quarter ended July 31, 2004, we eliminated the pretax operating profit contributed from the consolidation of SRDS through the minority interest line item in our consolidated statement of operations (see Note 1 of Notes to the Financial Statements).

Provision for Income Taxes. The provision for income taxes increased by \$2.5 million, or 31.4%, from \$7.8 million for the six months ended July 31, 2004 to \$10.3 million for the six months ended July 31, 2005, consistent with the increase in pretax income of 31.3%.

Net Income. As a result of the above factors, Net income increased \$4.5 million, or 31.3%, from \$14.6 million for the six months ended July 31, 2004 to \$19.1 million for the six months ended July 31, 2005.

Liquidity and Capital Resources

Current Activities

Historically we have financed our operations through a combination of cash flow generated from operations, and external borrowings, including primarily bank debt, extended terms provided by our vendors for inventory purchases, acquisition of inventory under consignment arrangements and transfers of receivables to our asset-backed securitization facilities. As of July 31, 2005, we had \$33.1 million under the revolving line of credit (based on qualifying assets) and \$8.0 million under our unsecured bank line of credit available to us for general corporate purposes, \$14.5 million under extended vendor terms for purchases of inventory and \$102.0 million in commitments available for the transfer of receivables to our QSPE.

A summary of the significant financial covenants that govern our bank credit facility compared to our actual compliance status at July 31, 2005, is presented below:

	Actual	Required Minimum/ Maximum
	-----	-----
Debt service coverage ratio must exceed required minimum	3.56 to 1.00	2.00 to 1.00
Total adjusted leverage ratio must be lower than required maximum	1.80 to 1.00	3.00 to 1.00
Consolidated net worth must exceed required minimum	\$213.5 million	\$125.0 million
Charge-off ratio must be lower than required maximum	0.03 to 1.00	0.05 to 1.00
Extension ratio must be lower than required maximum	0.02 to 1.00	0.04 to 1.00
Delinquency ratio must be lower than required maximum	0.07 to 1.00	0.12 to 1.00

Note: All terms in the above table are defined by the bank credit facility and may or may not agree directly to the financial statement captions in this document.

We will continue to finance our operations and future growth through a combination of cash flow generated from operations and external borrowings, including primarily bank debt, extended vendor terms for purchases of inventory, acquisition of inventory under consignment arrangements and the QSPE's asset-backed securitization facilities. Based on our current operating plans, we believe that cash generated from operations, available borrowings under our bank credit facility and unsecured credit line, extended vendor terms for purchases of inventory, acquisition of inventory under consignment arrangements and access to the unfunded portion of the variable funding portion of the QSPE's asset-backed securitization program will be sufficient to fund our operations, store expansion and updating activities and capital programs through at least January 31, 2006. However, there are several factors that could decrease cash provided by operating activities, including:

- o reduced demand for our products;
- o more stringent vendor terms on our inventory purchases;
- o loss of ability to acquire inventory on consignment;
- o increases in product cost that we may not be able to pass on to our customers;
- o reductions in product pricing due to competitor promotional activities;
- o changes in inventory requirements based on longer delivery times of the manufacturers or other requirements which would negatively impact our delivery and distribution capabilities;
- o increases in the retained portion of our receivables portfolio under our current QSPE's asset-backed securitization program as a result of changes in performance or types of receivables transferred (promotional versus non-promotional);
- o inability to expand our capacity for financing our receivables portfolio under new or replacement QSPE asset-backed securitization programs or a requirement that we retain a higher percentage of the credit portfolio under such new programs;

- o increases in program costs (interest and administrative fees relative to our receivables portfolio associated with the funding of our receivables); and
- o increases in personnel costs required for us to stay competitive in our markets.

During the six months ended July 31, 2005, net cash provided by operating activities increased \$30.8 million from \$0.6 million provided in the 2004 period to \$31.4 million provided in the 2005 period. The net increase in cash provided from operations resulted primarily from increased net income, a smaller increase in the retained interest in the asset backed securitization program, the timing of payments of accounts payable and compensation, and a reduction of inventory levels during the period, as opposed to an increase in the prior year. The change in amounts realized from the asset backed securitization were driven by the amendment to the program during October 2004, which resulted in allowing the inclusion of certain promotional credit programs in the eligible asset base, providing partial funding of these receivables. We believe that the available balances under our bank credit facility and asset-backed securitization program are sufficient to fund the increase in receivables or any increase in credit enhancement that we expect through the end of fiscal 2006.

As noted above, we offer promotional credit programs to certain customers that provide for "same as cash" interest free periods of varying terms, generally three, six, or 12 months; in fiscal year 2005 we increased these terms to include 18 or 24 months that are eligible to be partially funded through our asset-backed securitization program. In the second quarter of fiscal 2005, we began offering deferred interest programs with 36-month terms. In the second quarter of fiscal 2006, we began offering deferred interest programs with 24-month terms. The three, six, 12, 18, 24 and 36 month "same as cash" promotional accounts and deferred interest program accounts are eligible for securitization up to the limits provided for in our securitization agreements. This limit is currently 30.0% of eligible securitized receivables. If we exceed this 30.0% limit, we would be required to use some of our other capital resources to carry the unfunded balances of the receivables for the promotional period. The percentage of eligible securitized receivables represented by promotional receivables was 22.4% as of July 31, 2005. At July 31, 2004, this percentage, computed on a consistent basis with the July 31, 2005 calculation, would have been 16.2%. This increase was the result of sales with the use of promotional credit versus lower prices at retail. The weighted average promotional period was 10.8 months and 12.7 months for promotional receivables outstanding as of July 31, 2004 and 2005, respectively. The weighted average remaining term on those same promotional receivables was 6.4 months and 8.2 months, respectively. While overall these promotional receivables have a much shorter weighted average term than non-promotional receivables, we receive less income as a result of a reduced net interest margin used in the calculation of the gain on the sale of receivables. As a result, the existence of the interest free extended payment terms negatively impacts the gains as compared to other receivables.

Net cash used by investing activities increased by \$1.0 million, from \$9.0 million for the six months ended July 31, 2004 to \$10.0 million for the six months ended July 31, 2005. The increase in cash used in investing activities resulted primarily from an increase in the purchase of property and equipment of \$0.9 million. The cash expended for property and equipment was used primarily for construction of new stores and the reformatting of existing stores to better support our current product mix. Based on current plans, we expect to increase expenditures for property and equipment in the balance of fiscal 2006 as we open additional stores.

Net cash from financing activities decreased by \$11.0 million from \$1.6 million for the three months ended July 31, 2004 to (\$9.4) million for the three months ended July 31, 2005. The increase in cash used by financing activities resulted primarily from increases in payments on various debt instruments of \$11.5 million, which was partially offset by increased proceeds from stock issued under employee benefit plans.

Off-Balance Sheet Financing Arrangements

Since we extend credit in connection with a large portion of our retail, service maintenance and credit insurance sales, we have created a qualified special purpose entity, which we refer to as the QSPE or the issuer, to purchase customer receivables from us and to issue asset-backed and variable funding notes to third parties to obtain cash for these purchases. We transfer receivables, consisting of retail installment contracts and revolving accounts extended to our customers, to the issuer in exchange for cash and unsecured promissory notes. To finance its acquisition of these receivables, the issuer has issued the notes and bonds described below to third parties. The unsecured promissory notes issued to us are subordinate to these third party notes and bonds.

At July 31, 2005, the issuer had issued two series of notes and bonds: a Series A variable funding note in the amount of \$250 million purchased by Three Pillars Funding LLC and three classes of Series B bonds in the aggregate amount of \$200 million, of which \$8.0 million was required to be placed in a restricted cash account for the benefit of the bondholders. If the net portfolio yield, as defined by the Series B agreements, falls below 5.0%, then the issuer may be required to fund a cash reserve in addition to the \$8.0 million restricted cash account. At July 31, 2005, the net portfolio yield for purposes of this requirement was 10.3%. Private institutional investors, primarily insurance companies, purchased the Series B bonds at a weighted fixed rate of 5.1%.

We continue to service the transferred accounts for the QSPE, and we receive a monthly servicing fee, so long as we act as servicer, in an amount equal to .0025% multiplied by the average aggregate principal amount of receivables serviced plus the amount of average aggregate defaulted receivables. The issuer records revenues equal to the interest charged to the customer on the receivables less losses, the cost of funds, the program administration fees paid in connection with either Three Pillars Funding LLC or the Series B bond holders, the servicing fee and additional earnings to the extent they are available.

The Series A variable funding note permits the issuer to borrow funds up to \$250 million to purchase receivables from us, thereby functioning as a "basket" to accumulate receivables. When issuer borrowings under the Series A variable funding note approach \$250 million, the issuer intends to request an increase in the Series A amount or issue a new series of bonds and use the proceeds to pay down the then outstanding balance of the Series A variable funding note, so that the basket will once again become available to accumulate new receivables. As of July 31, 2005, borrowings under the Series A variable funding note were \$148.0 million.

We are not directly liable to the lenders under the asset-backed securitization facility. If the issuer is unable to repay the Series A note and Series B bonds due to its inability to collect the transferred customer accounts, the issuer could not pay the subordinated notes it has issued to us in partial payment for transferred customer accounts, and the Series B bond holders could claim the balance in its \$8.0 million restricted cash account. We are also contingently liable under a \$10.0 million letter of credit that secures our performance of our obligations or services under the servicing agreement as it relates to the transferred assets that are part of the asset-backed securitization facility.

The issuer is subject to certain affirmative and negative covenants contained in the transaction documents governing the Series A variable funding note and the Series B bonds, including covenants that restrict, subject to specified exceptions: the incurrence of non-permitted indebtedness and other obligations and the granting of additional liens; mergers, acquisitions, investments and disposition of assets; and the use of proceeds of the program. The issuer also makes representations and warranties relating to compliance with certain laws, payment of taxes, maintenance of its separate legal entity, preservation of its existence, protection of collateral and financial reporting. In addition, the program requires the issuer to maintain a minimum net worth.

A summary of the significant financial covenants that govern the Series A variable funding note compared to actual compliance status at July 31, 2005, is presented below:

	Actual	Required Minimum/ Maximum
Issuer interest must exceed required minimum	\$42.8 million	\$39.4 million
Gross loss rate must be lower than required maximum	3.4%	10.0%
Net portfolio yield must exceed required minimum	10.3%	2.0%
Payment rate must exceed required minimum	6.4%	3.0%

Note: All terms in the above table are defined by the asset backed credit facility and may or may not agree directly to the financial statement captions in this document.

Events of default under the Series A variable funding note and the Series B bonds, subject to grace periods and notice provisions in some circumstances, include, among others: failure of the issuer to pay principal, interest or fees; violation by the issuer of any of its covenants or agreements; inaccuracy of any representation or warranty made by the issuer; certain servicer defaults; failure of the trustee to have a valid and perfected first priority security interest in the collateral; default under or acceleration of certain other indebtedness; bankruptcy and insolvency events; failure to maintain certain loss ratios and portfolio yield; change of control provisions and certain other events pertaining to us. The issuer's obligations under the program are secured by the receivables and proceeds.

Securitization Facilities

We finance most of our customer receivables through asset-backed securitization facilities

		Series A Note
	-->	\$250 million
		Credit Rating: P1/A2
		Three Pillars Funding Corp.
Customer Receivables		-----
Retail Sales Entity		
Qualifying Special Purpose Entity ("QSPE")		
1. Cash Proceeds		Series B Bonds
2. Subordinated Securities		\$200 million
3. Right to Receive Cash Flows Equal to Interest Rate Spread		Private Institutional Investors
	-->	Class A: \$120 mm (Aaa)
		Class B: \$57.8 mm (A2)
		Class C: \$22.2 mm (Baa2)

Both the bank credit facility and the asset-backed securitization program are significant factors relative to our ongoing liquidity and our ability to meet the cash needs associated with the growth of our business. Our inability to use either of these programs because of a failure to comply with their covenants would adversely affect our continued growth. Funding of current and future receivables under the QSPE's asset-backed securitization program can be adversely affected if we exceed certain predetermined levels of re-aged receivables, size of the secondary portfolio, the amount of promotional receivables, write-offs, bankruptcies or other ineligible receivable amounts. If the funding under the QSPE's asset-backed securitization program was reduced or terminated, we would have to draw down our bank credit facility more quickly than we have estimated.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rates under our bank credit facility (as amended November 15, 2004) are variable and are determined, at our option, as the base rate, which is the greater of prime rate or federal funds rate plus 0.50% plus the base rate margin, which ranges from 0.00% to 0.75%, or LIBOR plus the LIBOR margin, which ranges from 1.00% to 2.00%. Accordingly, changes in the prime rate, the federal funds rate or LIBOR, which are affected by changes in interest rates generally, will affect the interest rate on, and therefore our costs under, our bank credit facility. We are also exposed to interest rate risk associated with our interest only strip and the subordinated securities we receive from our sales of receivables to the QSPE.

We held interest rate swaps and collars with notional amounts totaling \$20.0 million as of January 31, 2005, which expired on April, 15 2005. The swaps and collars were held for the purpose of hedging against variable interest rate risk, primarily related to cash flows from our interest-only strip as well as our variable rate debt. There have been no material changes in our interest rate risks since January 31, 2005.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures (as defined in 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to our Company (including its consolidated subsidiaries) required to be included in our periodic filings with the Securities and Exchange Commission. There have been no changes in our internal control over financial reporting that occurred during the quarter ended July 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in routine litigation incidental to our business from time to time. Currently, we do not expect the outcome of any of this routine litigation to have a material effect on our financial condition or results of operation. However, the results of these proceedings cannot be predicted with certainty, and changes in facts and circumstances could impact our estimate of reserves for litigation.

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

At the Annual Meeting of Stockholders held on May 26, 2005, the following proposals were submitted to stockholders with the following results:

1. Election of five directors

	Number of Shares	
	For	Withheld
Marvin D. Brailsford	22,020,986	40,418
Jon E. M. Jacoby	22,019,320	42,084
Bob L. Martin	22,024,786	36,618
Scott L. Thompson	22,024,786	36,618
William T. Trawick	19,117,174	2,944,230

In addition to the above individuals, the following individuals are directors of the Company and their terms expire at the Company's Annual Meeting of Stockholders in 2006: Thomas J. Frank, Sr., Douglas H. Martin and Theodore M. Wright.

2. Approval of an amendment to the Executive Employment Agreement of Thomas J. Frank, Sr. to approve the cash bonus provisions of the agreement to ensure cash compensation paid will be deductible under Section 162(m) of the Internal Revenue Code.

	Number of Shares

For	21,859,131
Against	197,773
Abstain	4,500
Broker Nonvotes	0

Item 5. Other Information

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

Item 6. Exhibits

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

SIGNATURE

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

CONN'S, INC.

By: /s/ David L. Rogers

David L. Rogers
Chief Financial Officer
(Principal Financial Officer and
duly authorized to sign this
report on behalf of the
registrant)

Date: August 30, 2005

INDEX TO EXHIBITS

Exhibit Number -----	Description -----
2	Agreement and Plan of Merger dated January 15, 2003, by and among Conn's, Inc., Conn Appliances, Inc. and Conn's Merger Sub, Inc. (incorporated herein by reference to Exhibit 2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.1	Certificate of Incorporation of Conn's, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.1.1	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. dated June 3, 2004 (incorporated herein by reference to Exhibit 3.1.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2004 (File No. 000-50421) as filed with the Commission on June 7, 2004).
3.2	Bylaws of Conn's, Inc. (incorporated herein by reference to Exhibit 3.2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.2.1	Amendment to the Bylaws of Conn's, Inc. (incorporated herein by reference to Exhibit 3.2.1 to Conn's Form 10-Q for the quarterly period ended July 31, 2004 (File No. 000-50421) as filed with the Commission on June 7, 2004).
4.1	Specimen of certificate for shares of Conn's, Inc.'s common stock (incorporated herein by reference to Exhibit 4.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).
10.1	Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t
10.1.1	Amendment to the Conn's, Inc. Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1.1 to Conn's Form 10-Q for the quarterly period ended July 31, 2004 (File No. 000-50421) as filed with the Commission on June 7, 2004).t
10.1.2	Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.1.2 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Commission on April 5, 2005).t
10.2	2003 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t
10.2.1	Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.2.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Commission on April 5, 2005).t
10.3	Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t
10.4	Conn's 401(k) Retirement Savings Plan (incorporated herein by reference to Exhibit 10.4 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t

- 10.5 Shopping Center Lease Agreement dated May 3, 2000, by and between Beaumont Development Group, L.P., f/k/a Fiesta Mart, Inc., as Lessor, and CAI, L.P., as Lessee, for the property located at 3295 College Street, Suite A, Beaumont, Texas (incorporated herein by reference to Exhibit 10.5 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.5.1 First Amendment to Shopping Center Lease Agreement dated September 11, 2001, by and among Beaumont Development Group, L.P., f/k/a Fiesta Mart, Inc., as Lessor, and CAI, L.P., as Lessee, for the property located at 3295 College Street, Suite A, Beaumont, Texas (incorporated herein by reference to Exhibit 10.5.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.6 Industrial Real Estate Lease dated June 16, 2000, by and between American National Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 8550-A Market Street, Houston, Texas (incorporated herein by reference to Exhibit 10.6 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.6.1 First Renewal of Lease dated November 24, 2004, by and between American National Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 8550-A Market Street, Houston, Texas (incorporated herein by reference to Exhibit 10.6.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Commission on April 5, 2005).
- 10.7 Lease Agreement dated December 5, 2000, by and between Prologis Development Services, Inc., f/k/a The Northwestern Mutual Life Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 4810 Eisenhower Road, Suite 240, San Antonio, Texas (incorporated herein by reference to Exhibit 10.7 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.7.1 Lease Amendment No. 1 dated November 2, 2001, by and between Prologis Development Services, Inc., f/k/a The Northwestern Mutual Life Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 4810 Eisenhower Road, Suite 240, San Antonio, Texas (incorporated herein by reference to Exhibit 10.7.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.8 Lease Agreement dated June 24, 2005, by and between Cabot Properties, Inc., as Lessor, and CAI, L.P., as Lessee, for the property located at 1132 Valwood Parkway, Carrollton, Texas (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (file no. 000-50421) as filed with the Securities and Exchange Commission on June 29, 2005).
- 10.9 Credit Agreement dated April 24, 2003, by and among Conn Appliances, Inc. and the Borrowers thereunder, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Bank of America, N.A., as Syndication Agent, and SunTrust Bank, as Documentation Agent (incorporated herein by reference to Exhibit 10.9 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.9.1 First Amendment to Credit Agreement dated April 7, 2004 by and among Conn Appliances, Inc. and CAI Credit Insurance Agency, Inc., collectively the Borrowers, each of the Lenders which is or may from time to time become a party thereto, and JPMorgan Chase Bank, as Administrative Agent (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Commission on April 23, 2004).
- 10.9.2 Second Amendment to Credit Agreement dated November 12, 2004 by and among Conn Appliances, Inc. and CAI Credit Insurance Agency, Inc., collectively the Borrowers, each of the Lenders which is or may from time to time become a party thereto, and JPMorgan Chase Bank, as Administrative Agent (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Commission on November 17, 2004).

- 10.9.3 Letter of Credit Agreement dated November 12, 2004 by and between Conn Appliances, Inc. and CAI Credit Insurance Agency, Inc., the financial institutions listed on the signature pages thereto, and JPMorgan Chase Bank, as Administrative Agent (incorporated herein by reference to Exhibit 99.2 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Commission on November 17, 2004).
- 10.10 Receivables Purchase Agreement dated September 1, 2002, by and among Conn Funding II, L.P., as Purchaser, Conn Appliances, Inc. and CAI, L.P., collectively as Originator and Seller, and Conn Funding I, L.P., as Initial Seller (incorporated herein by reference to Exhibit 10.10 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.11 Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.11 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.11.1 First Supplemental Indenture dated October 29, 2004 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Commission on November 4, 2004).
- 10.12 Series 2002-A Supplement to Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.12 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.12.1 Amendment to Series 2002-A Supplement dated March 28, 2003, by and between Conn Funding II, L.P. as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.12.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Commission on April 5, 2005).
- 10.12.2 Amendment No. 2 to Series 2002-A Supplement dated July 1, 2004, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.12.2 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Commission on April 5, 2005).
- 10.13 Series 2002-B Supplement to Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.13 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.13.1 Amendment to Series 2002-B Supplement dated March 28, 2003, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.13.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Commission on April 5, 2005).
- 10.14 Servicing Agreement dated September 1, 2002, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 10.14.1 First Amendment to Servicing Agreement dated June 24, 2005, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee.

- 10.15 Form of Executive Employment Agreement (incorporated herein by reference to Exhibit 10.15 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).t
- 10.15.1 First Amendment to Executive Employment Agreement between Conn's, Inc. and Thomas J. Frank, Sr., Approved by the stockholders May 26, 2005. t
- 10.16 Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.16 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t
- 10.17 2006 Bonus Program (incorporated herein by reference to Form 8-K (file no. 000-50421) filed with the Securities and Exchange Commission on April 4, 2005).t
- 10.18 Description of Compensation Payable to Non-Employee Directors (incorporated herein by reference to Form 8-K (file no. 000-50421) filed with the Securities and Exchange Commission on June 2, 2005).t
- 11.1 Statement re: computation of earnings per share is included under Note 1 to the financial statements.
- 21 Subsidiaries of Conn's, Inc. (incorporated herein by reference to Exhibit 21 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).
- 31.2 Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).
- 32.1 Section 1350 Certification (Chief Executive Officer and Chief Financial Officer) (furnished herewith).
- 99.1 Subcertification by Chief Operating Officer in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).
- 99.2 Subcertification by Treasurer in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).
- 99.3 Subcertification by Secretary in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).
- 99.4 Subcertification of Chief Operating Officer, Treasurer and Secretary in support of Section 1350 Certifications (Chief Executive Officer and Chief Financial Officer) (furnished herewith).
- t Management contract or compensatory plan or arrangement.

FIRST AMENDMENT TO SERVICING AGREEMENT

This FIRST AMENDMENT (this "Amendment"), dated as of June 24, 2005, is among CONN FUNDING II, L.P., a special purpose limited partnership established under the laws of Texas, as issuer (the "Issuer"), CAI, L.P., a Texas limited partnership, as servicer (the "Servicer"), and WELLS FARGO BANK, NATIONAL ASSOCIATION (successor by merger to Wells Fargo Bank Minnesota, National Association), a banking association organized and existing under the laws of the United States of America, as trustee under the Indenture (the "Trustee").

RECITALS

1. Issuer, Servicer, and Trustee are the parties to the Servicing Agreement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified through the date hereof, the "Agreement"). Capitalized terms used herein but not defined herein shall have the meanings set forth in the Agreement.

2. Issuer, Servicer, and Trustee desire to amend the Agreement as hereinafter set forth.

3. Pursuant to Section 7.01(b) of the Agreement, this Amendment requires the consent of the Required Persons of each outstanding Series.

4. Pursuant to Section 7.3 of the Series 2002-A Note Purchase Agreement, the Rating Agency Condition has been satisfied.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Amendments to the Agreement.

SECTION 1.1. Section 2.02(e) (i) of the Agreement is hereby amended and restated in its entirety as follows:

(e) (i) On or before 120 days after the end of each January 31 and on or before 90 days after the end of each July 31, the Servicer shall cause a firm of nationally recognized independent public accountants (as used in this subsection 2.02(e), the "accountants") (who may also render other services to the Servicer, the Issuer or any Affiliates of the foregoing) to perform certain agreed upon procedures set forth in Exhibit D attached hereto, as they relate to the Servicer's internal accounting control procedures and processing functions relating to the Servicer's credit policies and originations, collections, aging and charge-off functions which are based on a statistically significant sample of Receivables and include one Monthly Servicer Report (such Monthly Servicer Report to be in a format similar to Exhibit A-1 attached hereto). The Servicer shall cause the accountants to furnish a report to the Issuer, Trustee, Enhancement Providers and Notice Person (so long as each such Notice Person is either an addressee on the report or has signed an access agreement in a form acceptable to the accountants permitting access to such report) describing the procedures performed and their related findings in a format similar to Exhibit D attached hereto.

SECTION 1.2 Exhibit D to the Agreement is hereby amended and restated in its entirety as attached hereto.

SECTION 2. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof upon the execution and delivery to the Trustee of this Amendment by each of the parties hereto and all of the consenting Noteholders (whether by facsimile or otherwise).

SECTION 3. Representations and Warranties. Each of the Issuer and Servicer represents and warrants as of the effectiveness of this Amendment that:

(a) no event or condition has occurred and is continuing which would constitute a Servicer Default or would constitute a Servicer Default but for the requirement that notice be given or time elapsed or both, and

(b) after giving effect to this Amendment, its representations and warranties set forth in the Agreement and the other Transaction Documents to which it is a party are true and correct as of the date hereof, as though made on and as of such date (except to the extent such representations and warranties relate solely to an earlier date and then as of such earlier date), and such representations and warranties shall continue to be true and correct (to such extent) after giving effect to the transactions contemplated hereby.

SECTION 4. Effect of Amendment; Ratification. Except as specifically amended hereby, the Agreement is hereby ratified and confirmed in all respects, and all of its provisions shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement (or in any other Transaction Document) to "the Servicing Agreement", "this Agreement", "hereof",

"herein", or words of similar effect, in each case referring to the Agreement, shall be deemed to be references to the Agreement as amended hereby. This Amendment shall not be deemed to expressly or impliedly waive, amend, or supplement any provision of the Agreement other than as specifically set forth herein.

SECTION 5. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to any otherwise applicable conflict of laws principles (other than Section 5-1401 of The New York General Obligations Law).

SECTION 7. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Agreement or any provision hereof or thereof.

[REMAINDER OF PAGE INTENTIONALLY BLANK; SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

CONN FUNDING II, L.P.,
as Issuer

By: Conn Funding II GP, L.L.C.,
its general partner

By:/s/ David R. Atnip

Name: David R. Atnip
Title: Treasurer

CAI, L.P.,
as Servicer

By: Conn Appliances, Inc.,
its general partner

By:/s/ David R. Atnip

Name: David R. Atnip
Title: Treasurer

S-2 CONN Servicing Agreement Amendment #1

WELLS FARGO BANK, NATIONAL ASSOCIATION,
not in its individual capacity, but solely
as Trustee

By:/s/ Kristi L. Puttin

Name: Kristen L. Puttin
Title: Corporate Trust Officer

S-3 CONN Servicing Agreement Amendment #1

ACCEPTED AND AGREED:

THREE PILLARS FUNDING LLC, as a Series
2002-A Noteholder

By: /s/ Doris J. Hearn

Title: Vice President

S-4 CONN Servicing Agreement Amendment #1

FIRST AMENDMENT TO
EXECUTIVE EMPLOYMENT AGREEMENT

This First Amendment to Executive Employment Agreement (this "Amendment") is made and entered into as of 22d day of April, 2005, by and between Conn's Inc, a Delaware corporation ("Conn's"), and Thomas J. Frank, Sr., an Individual (the "Executive").

WHEREAS, the Executive is employed as Conn's Chairman of the Board and Chief Executive Officer; pursuant to that certain Executive Employment Agreement made as of November 19, 2003, by and between Conn's and the Executive (the "Agreement"); and

WHEREAS, The Board of Directors of Conn's and the Executive desire to extend the term of the Agreement from January 31, 2006 to January 31, 2008 and adopt certain other amendments to the Agreement to ensure that compensation paid under the Agreement following this Amendment will continue to be considered performance-based compensation that is excluded from the \$1 million deduction limit of Section 162(m) of the Internal Revenue Code and therefore remains fully deductible.

1. Amendment to Agreement. Subject to the terms of this Amendment, the Agreement is hereby amended in the following respects:

1.1 Section A. of the Agreement is amended by changing the end date of the initial Employment Period to January 31, 2008.

1.2 The first sentence of Section C.2. of the Agreement (relating to annual incentive compensation) is deleted and the following sentences are inserted in lieu thereof:

"With respect to each fiscal year during the Employment Period, Executive shall be eligible to receive an annual cash bonus (the "Incentive Compensation"), the amount of such bonus to be determined by the Compensation Committee in accordance with a pre-established performance goal which satisfies the requirements of Section 1.162-27(e)(2) of the Treasury regulations, taking into account any one or more of the following criteria with respect to Conn's or any affiliates or divisions of Conn's: (a) total revenues or any component thereof; (b) operating income, pre-tax or after-tax income, EBITA, EBITDA or net income; (c) cash flow, free cash flow or net cash form operations; (d) earnings per share; (e) value of the Conn's stock or total return to stockholders; and (f) any combination of any or all of the foregoing criteria, in each case on an absolute or relative basis. The Incentive Compensation award for any year may not exceed \$1,920,000."

2. Stockholder Approval. This Amendment is entered into subject to and shall become effective upon approval by the stockholders of Conn's at their 2005 annual meeting.

3. Miscellaneous. Except as herein modified and amended, all the terms and conditions of the Agreement shall remain in full force and effect, and the execution of this Amendment shall in no event be deemed to constitute a waiver of any right or claim of any of the parties hereto under, or by virtue of, the Agreement. This Amendment shall be governed by the laws of the State of Texas, without resort to the conflict of law principles thereof. This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same agreement. A facsimile shall be deemed an original for all purposes hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

EXECUTIVE

CONN'S, INC.

/s/ Thomas J. Frank, Sr.

Thomas J. Frank, Sr.

By: /s/ William C. Nylin, Jr.

William C. Nylin, Jr.
President and Chief Operating Officer

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

I, Thomas J. Frank, Sr., certify that:

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

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

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

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

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

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

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

/s/ Thomas J. Frank, Sr.

Thomas J. Frank, Sr.
Chairman of the Board
and Chief Executive Officer

Date: August 30, 2005

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

I, David L. Rogers, certify that:

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

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

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

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

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

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

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

/s/ David L. Rogers

David L. Rogers
Chief Financial Officer

Date: August 30, 2005

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

In connection with the Quarterly Report of Conn's, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Thomas J. Frank, Sr., Chairman of the Board and Chief Executive Officer of the Company and David L. Rogers, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

/s/ Thomas J. Frank Sr.

Thomas J. Frank, Sr.
Chairman of the Board and
Chief Executive Officer

/s/ David L. Rogers

David L. Rogers
Chief Financial Officer

Dated: August 30, 2005

A signed original of this written statement required by Section 906 has been provided to Conn's, Inc. and will be retained by Conn's, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

SUBCERTIFICATION OF CHIEF OPERATING OFFICER IN SUPPORT OF RULE
13a-14(a)/15d-14(a) CERTIFICATION (CHIEF EXECUTIVE OFFICER)

I, William C. Nylin Jr., certify that:

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

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

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

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

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

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

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

/s/ William C. Nylin, Jr.

William C. Nylin, Jr.
President and Chief Operating Officer

Date: August 30, 2005

SUBCERTIFICATION OF TREASURER IN SUPPORT OF RULE 13a-14(a)/15d-14(a)
 CERTIFICATION (CHIEF FINANCIAL OFFICER)

I, David R. Atnip, certify that:

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

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

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

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

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

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

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

/s/ David R. Atnip

 David R. Atnip
 Senior Vice President and Treasurer

Date: August 30, 2005

SUBCERTIFICATION OF SECRETARY IN SUPPORT OF RULE 13a-14(a)/15d-14(a)
 CERTIFICATION (CHIEF EXECUTIVE OFFICER)

I, Sydney K. Boone, Jr., certify that:

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

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

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

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

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

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

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

/s/ Sydney K. Boone, Jr.

 Sydney K. Boone, Jr.
 Corporate General Counsel and Secretary

Date: August 30, 2005

SUBCERTIFICATION OF CHIEF OPERATING OFFICER,
TREASURER AND SECRETARY IN SUPPORT OF
18 U.S.C. SECTION 1350 CERTIFICATION,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Conn's, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, William C. Nylin, Jr., President and Chief Operating Officer of the Company, David R. Atnip, Senior Vice President and Treasurer of the Company, and Sydney K. Boone, Jr., Corporate General Counsel and Secretary of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

/s/ William C. Nylin, Jr.

William C. Nylin, Jr.
President and Chief Operating Officer

/s/ David R. Atnip

David R. Atnip
Senior Vice President and Treasurer

/s/ Sydney K. Boone, Jr.

Sydney K. Boone, Jr.
Corporate General Counsel and Secretary

Dated: August 30, 2005

A signed original of this written statement has been provided to Conn's, Inc. and will be retained by Conn's, Inc. The foregoing certification is being furnished solely to support certifications pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.