

RENT A CENTER INC DE

Form 10-Q/A

July 30, 2004

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended March 31, 2004

Commission File Number 0-25370

RENT-A-CENTER, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-0491516
(I.R.S. Employer
Identification No.)

5700 Tennyson Parkway, Third Floor
Plano, Texas 75024
(972) 801-1100
(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive offices)

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

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

YES NO

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

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 2004:

Class

Outstanding

Common stock, \$.01 par value per share

80,421,963

Table of Contents**EXPLANATORY NOTE**

The registrant is filing this Amendment No. 1 on Form 10-Q/A (this Form 10-Q/A) to its Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed with the SEC on May 3, 2004 (the Form 10-Q) for the purpose of deleting a reference to a third party in Note 11 of the Consolidated Financial Statements. The deletion was in response to a comment by the SEC staff to two of our registration statements on Form S-3s, which requested that we delete the reference to the third party or have the third party file a consent to be named as an expert in such registration statements. This Form 10-Q/A continues to speak as of the date that the initial Form 10-Q was filed with the SEC, and we have not updated the disclosures herein to reflect any information or events subsequent to the filing of the initial Form 10-Q. For a discussion of events and developments thereafter, please see our reports filed with the SEC since May 3, 2004, including the Quarterly Report on Form 10-Q for the quarter ended June 30, 2004. Other than revisions to the signature pages as permitted by Rule 12b-15, the remainder of this Form 10-Q/A is unchanged and all subsequent references to Form 10-Q shall refer to the initial Form 10-Q, as amended by this Form 10-Q/A.

TABLE OF CONTENTS

	<u>Page No.</u>
PART I.	
FINANCIAL INFORMATION	
Item 1.	
Consolidated Financial Statements	
<u>Consolidated Statements of Earnings for the three months ended March 31, 2004 and 2003</u>	3
<u>Consolidated Balance Sheets as of March 31, 2004 and December 31, 2003</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2004 and 2003</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 2.	
<u>Quantitative and Qualitative Disclosure About Market Risk</u>	24
Item 3.	
<u>Controls and Procedures</u>	24
Item 4.	
PART II.	
OTHER INFORMATION	
Item 1.	
<u>Legal Proceedings</u>	25
Item 2.	
<u>Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	30
Item 6.	
<u>Exhibits and Reports on Form 8-K</u>	30
SIGNATURES	
<u>Agreement and Plan of Merger - April 28, 2004</u>	
<u>Second Supplemental Indenture</u>	
<u>Second Amendment to Amended/Restated Franchisee Financing Agreement</u>	
<u>Subsidiaries</u>	
<u>Certification Pursuant to Section 302 - Mark E. Speese</u>	
<u>Certification Pursuant to Section 302 - Robert D. Davis</u>	
<u>Certification Pursuant to Section 906 - Mark E. Speese</u>	
<u>Certification Pursuant to Section 906 - Robert D. Davis</u>	

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EARNINGS**

(In thousands, except per share data)	Three months ended March 31,	
	2004	2003
	Unaudited	
Revenues		
Store		
Rentals and fees	\$504,290	\$493,419
Merchandise sales	59,423	52,664
Installment sales	6,698	6,045
Other	1,080	715
Franchise		
Merchandise sales	12,464	12,072
Royalty income and fees	1,425	1,491
	<hr/>	<hr/>
	585,380	566,406
Operating expenses		
Direct store expenses		
Depreciation of rental merchandise	108,315	106,660
Cost of merchandise sold	39,611	36,548
Cost of installment sales	3,145	3,231
Salaries and other expenses	309,084	292,496
Franchise cost of merchandise sold	11,892	11,551
	<hr/>	<hr/>
	472,047	450,486
General and administrative expenses	18,186	16,756
Amortization of intangibles	2,488	2,873
	<hr/>	<hr/>
Total operating expenses	492,721	470,115
Operating profit	92,659	96,291
Interest expense	10,359	13,523
Interest income	(1,503)	(771)
	<hr/>	<hr/>
Earnings before income taxes	83,803	83,539
Income tax expense	31,594	32,580
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NET EARNINGS	52,209	50,959
Preferred dividends	<u> </u>	<u> </u>
Net earnings allocable to common stockholders	<u>\$ 52,209</u>	<u>\$ 50,959</u>
Basic earnings per common share	<u>\$ 0.65</u>	<u>\$ 0.58</u>
Diluted earnings per common share	<u>\$ 0.63</u>	<u>\$ 0.57</u>

See accompanying notes to consolidated financial statements.

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)	March 31, 2004	December 31, 2003
	Unaudited	
ASSETS		
Cash and cash equivalents	\$ 273,391	\$ 143,941
Accounts receivable, net	15,506	14,949
Prepaid expenses and other assets	42,444	70,702
Rental merchandise, net		
On rent	557,484	542,909
Held for rent	140,418	139,458
Property assets, net	120,831	121,909
Goodwill, net	796,779	788,059
Intangible assets, net	7,821	9,375
	<u>\$1,954,674</u>	<u>\$1,831,302</u>
LIABILITIES		
Accounts payable trade	\$ 96,124	\$ 72,708
Accrued liabilities	208,798	132,844
Deferred income taxes	108,383	132,918
Senior debt	397,000	398,000
Subordinated notes payable, net of discount	300,000	300,000
Redeemable convertible voting preferred stock	2	2
	<u>1,110,307</u>	<u>1,036,472</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Common stock, \$.01 par value; 125,000,000 shares authorized; 101,571,531 and 101,148,417 shares issued in 2004 and 2003, respectively	1,016	1,012
Additional paid-in capital	578,318	572,628
Retained earnings	662,139	609,930
Treasury stock, 21,292,591 and 21,020,041 shares at cost in 2004 and 2003, respectively	(397,106)	(388,740)
	<u>844,367</u>	<u>794,830</u>

\$1,954,674

\$1,831,302

See accompanying notes to consolidated financial statements.

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended March 31,	
	2004	2003
(In thousands)	Unaudited	
Cash flows from operating activities		
Net earnings	\$ 52,209	\$ 50,959
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	108,315	106,660
Depreciation of property assets	11,249	10,120
Amortization of intangibles	2,488	2,873
Amortization of financing fees	212	262
Deferred income taxes	(24,535)	(10,430)
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(119,650)	(117,896)
Accounts receivable, net	(557)	(3,525)
Prepaid expenses and other assets	28,294	15,422
Accounts payable trade	23,416	35,931
Accrued liabilities	75,954	34,414
	<hr/>	<hr/>
Net cash provided by operating activities	157,395	124,790
Cash flows from investing activities		
Purchase of property assets	(13,418)	(9,245)
Proceeds from sale of property assets	3,246	223
Acquisitions of businesses, net of cash acquired	(14,101)	(91,065)
	<hr/>	<hr/>
Net cash used in investing activities	(24,273)	(100,087)
Cash flows from financing activities		
Purchase of treasury stock	(8,366)	(13,438)
Exercise of stock options	5,694	6,163
Repayments of debt	(1,000)	
	<hr/>	<hr/>
Net cash used in financing activities	(3,672)	(7,275)
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,450	17,428
Cash and cash equivalents at beginning of period	143,941	85,723
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 273,391	\$ 103,151

Supplemental cash flow information

Cash paid during the period for:

Interest	\$ 3,727	\$ 20,839
Income taxes	\$ 592	\$ 2,569
Supplemental schedule of non-cash investing and financing activities		
Fair value of assets acquired	\$ 14,101	\$ 91,065
Cash paid	\$ 14,101	\$ 91,065

During the first three months of 2004 and 2003, the Company paid dividends on its preferred stock of approximately \$19 in cash.

See accompanying notes to consolidated financial statements.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Commission's rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. We suggest that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K/A for the year ended December 31, 2003. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.
2. *Stock Split.* On July 28, 2003, we announced that our Board of Directors had approved a 5 for 2 stock split on our common stock to be paid in the form of a stock dividend. Each common stockholder of record on August 15, 2003 received 1.5 additional shares of common stock for each share of common stock held on that date. No fractional shares were issued in connection with the stock dividend. Each stockholder who would otherwise have received a fractional share received an additional share of common stock. The distribution date for the stock dividend was August 29, 2003. The effect of the stock split has been recognized retroactively in the stockholder's equity accounts and in all share data in the consolidated statements of earnings, notes to the consolidated financial statements and management's discussion and analysis, unless otherwise noted.
3. *Principles of Consolidation and Nature of Operations.* These financial statements include the accounts of Rent-A-Center and its direct and indirect wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Unless the context indicates otherwise, references to Rent-A-Center refer only to Rent-A-Center, Inc., the parent, and references to we, us and our refer to the consolidated business operations of Rent-A-Center and all of its direct and indirect subsidiaries.

At March 31, 2004, we operated 2,671 company-owned stores nationwide and in Canada and Puerto Rico, including 22 stores in Wisconsin operated by a subsidiary, Get It Now, LLC, under the name Get It Now, and five stores in Canada operated by a subsidiary, Rent-A-Centre Canada, Ltd., under the name Rent-A-Centre. Rent-A-Center's primary operating segment consists of leasing household durable goods to customers on a rent-to-own basis. Get It Now offers merchandise on an installment sales basis in Wisconsin.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At March 31, 2004, ColorTyme had 323 franchised stores operating in 40 states. ColorTyme's primary source of revenues is the sale of rental merchandise to its franchisees, who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenues is generated primarily from royalties based on franchisees' monthly gross revenues.

4. *Reconciliation of Rental Merchandise.*

Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
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	(in thousands)	
Beginning merchandise value	\$ 682,367	\$ 631,724
Inventory additions through acquisitions	4,200	50,364
Purchases	177,261	172,500
Depreciation of rental merchandise	(108,315)	(106,660)
Cost of goods sold	(42,756)	(39,779)
Skips and stolens	(12,613)	(10,469)
Other inventory deletions ⁽¹⁾	(2,242)	(4,356)
	<u> </u>	<u> </u>
Ending merchandise value	<u>\$ 697,902</u>	<u>\$ 693,324</u>

(1) Other inventory deletions include loss/damage waiver claims and unrepairable and missing merchandise, as well as acquisition write-offs.

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**5. *Intangibles.*

Amortization of intangibles consists primarily of the amortization of customer relationships and non-compete agreements.

Intangibles consist of the following (in thousands):

	Avg. Life (years)	March 31, 2004		December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets					
Franchise network	10	\$ 3,000	\$ 2,325	\$ 3,000	\$ 2,250
Non-compete agreements	4	5,014	1,984	5,275	1,788
Customer relationships	1.5	21,893	17,777	20,699	15,561
		<u>29,907</u>	<u>22,086</u>	<u>28,974</u>	<u>19,599</u>
Total Intangible assets not subject to amortization					
Goodwill		895,941	99,162	887,221	99,162
		<u>895,941</u>	<u>99,162</u>	<u>887,221</u>	<u>99,162</u>
Total intangibles		<u>\$925,848</u>	<u>\$121,248</u>	<u>\$916,195</u>	<u>\$118,761</u>

The estimated remaining amortization expense, assuming current intangible balances and no new acquisitions, for each of the years ending December 31, is as follows:

	Estimated Amortization Expense
	(In thousands)
2004	\$4,398
2005	2,116
2006	1,216
2007	91
2008	<u> </u>
Total	<u>\$7,821</u>

Changes in the net carrying amount of goodwill are as follows:

	At March 31, 2004	At December 31, 2003
	<u> </u>	<u> </u>
	(in thousands)	
Balance as of January 1,	\$788,059	\$ 736,395
Additions from acquisitions	8,594	48,445
Post purchase price allocation adjustments	126	3,219
	<u> </u>	<u> </u>
Balance as of the end of the period	<u>\$796,779</u>	<u>\$ 788,059</u>

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**6. *Stock Based Compensation.*

Rent-A-Center's Amended and Restated Long-Term Incentive Plan (the Plan) for the benefit of certain employees, consultants and directors provides the Board of Directors broad discretion in creating equity incentives. Under the Plan, 14,562,865 shares of Rent-A-Center's common stock were reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to our employees under the Plan generally become exercisable over a period of one to four years from the date of grant and may be exercised up to a maximum of 10 years from the date of grant. Options granted to directors are immediately exercisable. There have been no grants of stock appreciation rights and all options have been granted with fixed prices. At March 31, 2004, there were 10,308,850 shares available for issuance under the Plan, of which 5,811,540 shares were allocated to options currently outstanding. However, pursuant to the terms of the Plan, when an optionee leaves our employ, unvested options granted to that employee terminate and become available for re-issuance under the Plan. Vested options not exercised within 90 days from the date the optionee leaves the Company's employ terminate and become available for re-issuance under the Plan.

Rent-A-Center accounts for the Plan under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net earnings, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net earnings and earnings per share if Rent-A-Center had applied the fair value recognition provisions of Financial Accounting Standards Board (FASB) Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	Three months ended March 31,	
	2004	2003
	(In thousands, except per share data)	
Net earnings allocable to common stockholders		
As reported	\$ 52,209	\$ 50,959
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related tax expense	3,176	3,704
Pro forma	<u>\$ 49,033</u>	<u>\$ 47,255</u>
Basic earnings per common share		
As reported	\$ 0.65	\$ 0.58
Pro forma	\$ 0.61	\$ 0.54
Diluted earnings per common share		
As reported	\$ 0.63	\$ 0.57
Pro forma	\$ 0.59	\$ 0.53

The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected volatility of 55.2%, risk-free interest rates of 2.9% and 3.7% and expected lives of four years and seven years in 2004 and 2003, respectively, and no dividend yield.

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**7. *Earnings Per Share.*

Basic and diluted earnings per common share is computed based on the following information:

(In thousands, except per share data)	Three months ended March 31, 2004		
	Net earnings	Shares	Per share
Basic earnings per common share	\$52,209	80,285	\$ 0.65
Effect of dilutive stock options		2,602	
Diluted earnings per common share	\$52,209	82,887	\$ 0.63

	Three months ended March 31, 2003		
	Net earnings	Shares	Per share
Basic earnings per common share	\$50,959	87,240	\$ 0.58
Effect of dilutive stock options		2,600	
Diluted earnings per common share	\$50,959	89,840	\$ 0.57

For the three months ended March 31, 2004 and 2003, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 64,750 and 2,330,000, respectively.

8. *Subsidiary Guarantors.*

11% Senior Subordinated Notes. In December 2001, Rent-A-Center East issued \$100.0 million of 11% senior subordinated notes (the "11% Notes"), maturing on August 15, 2008, under an indenture dated as of December 19, 2001 among Rent-A-Center East, its subsidiary guarantors and The Bank of New York, as trustee. On May 2, 2002, Rent-A-Center East closed an exchange offer for, among other things, approximately \$175.0 million of senior subordinated notes issued by it under a previous indenture, such that, on that date, all senior subordinated notes were governed by the terms of the 2001 indenture. The 2001 indenture contained covenants that limited Rent-A-Center East's ability to, among other things, incur additional debt, grants liens to third parties, and pay dividends or repurchase stock. On May 6, 2003, Rent-A-Center East repurchased approximately \$183.0 million of

its then outstanding 11% Notes. On August 15, 2003, Rent-A-Center East redeemed the remaining outstanding 11% Notes.

7 1/2% Senior Subordinated Notes. On May 6, 2003, Rent-A-Center issued \$300.0 million in senior subordinated notes due 2010, bearing interest at 7 1/2% (the 7 1/2% Notes), pursuant to an indenture dated May 6, 2003, among Rent-A-Center, Inc., its subsidiary guarantors (the Subsidiary Guarantors) and The Bank of New York, as trustee. The proceeds of this offering were used to fund the repurchase and redemption of the then outstanding 11% Notes.

The 2003 indenture contains covenants that limit Rent-A-Center's ability to:

incur additional debt;

sell assets or its subsidiaries;

grant liens to third parties;

pay dividends or repurchase stock; and

engage in a merger or sell substantially all of its assets.

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that Rent-A-Center defaults in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding \$50.0 million.

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES****8. Subsidiary Guarantors** (continued)

The 7½% Notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The 7½% Notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require Rent-A-Center to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facility.

Rent-A-Center and the Subsidiary Guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to the 7½% Notes. The only direct or indirect subsidiaries of Rent-A-Center that are not guarantors are minor subsidiaries. There are no restrictions on the ability of any of the Subsidiary Guarantors to transfer funds to Rent-A-Center in the form of loans, advances or dividends, except as provided by applicable law.

Set forth below is certain condensed consolidating financial information as of March 31, 2004 and December 31, 2003 and for the three months ended March 31, 2004 and 2003. The financial information includes the Subsidiary Guarantors from the dates they were acquired or formed by Rent-A-Center and Rent-A-Center East and is presented using the push-down basis of accounting.

Condensed Consolidating Statements of Operations (in thousands)

	Parent Company	Subsidiary Guarantors	Total
Three Months Ended March 31, 2004 (unaudited)			
Total revenues	\$	\$585,380	\$585,380
Direct store expenses		460,155	460,155
Other expenses		73,016	73,016
	-	-	-
Net earnings	\$	\$ 52,209	\$ 52,209
	-	-	-
Three Months Ended March 31, 2003 (unaudited)			
Total revenues	\$	\$400,263	\$566,406
Direct store expenses		297,466	438,935
Other expenses		50,274	76,512
	-	-	-
Net earnings (loss)	\$	\$ 52,523	\$ 50,959
	-	-	-

	Parent Company	Rent-A- Center East	Subsidiary Guarantors	Total
Three Months Ended March 31, 2003 (unaudited)				
Total revenues	\$	\$400,263	\$166,143	\$566,406
Direct store expenses		297,466	141,469	438,935
Other expenses		50,274	26,238	76,512
	-	-	-	-
Net earnings (loss)	\$	\$ 52,523	\$ (1,564)	\$ 50,959
	-	-	-	-

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**8. *Subsidiary Guarantors* (continued)**Condensed Consolidating Balance Sheets (in thousands)**

	Parent Company	Subsidiary Guarantors	Consolidating Adjustments	Totals
March 31, 2004 (unaudited)				
Rental merchandise, net	\$	\$ 697,902	\$	\$ 697,902
Intangible assets, net		804,600		804,600
Other assets	878,977	307,465	(734,270)	452,172
Total assets	\$878,977	\$1,809,967	\$(734,270)	\$1,954,674
Senior debt	\$397,000	\$	\$	\$ 397,000
Other liabilities	300,002	805,833	(392,528)	713,307
Stockholders' equity	181,975	1,004,134	(341,742)	844,367
Total liabilities and equity	\$878,977	\$1,809,967	\$(734,270)	\$1,954,674
	Parent Company	Subsidiary Guarantors	Consolidating Adjustments	Totals
December 31, 2003				
Rental merchandise, net	\$	\$ 682,367	\$	\$ 682,367
Intangible assets, net		797,434		797,434
Other assets	882,876	231,893	(763,268)	351,501
Total assets	\$882,876	\$1,711,694	\$(763,268)	\$1,831,302
Senior debt	\$398,000	\$	\$	\$ 398,000
Other liabilities	300,002	759,996	(421,526)	638,472
Stockholders' equity	184,874	951,698	(341,742)	794,830
Total liabilities and equity	\$882,876	\$1,711,694	\$(763,268)	\$1,831,302

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**8. *Subsidiary Guarantors* (continued)**Condensed Consolidating Statements of Cash Flows (in thousands)**

	Parent Company	Subsidiary Guarantors	Total
	<u> </u>	<u> </u>	<u> </u>
Three months ended March 31, 2004 (unaudited)			
Net cash provided by operating activities	\$	\$ 157,395	\$ 157,395
	<u> </u>	<u> </u>	<u> </u>
Cash flows from investing activities			
Purchase of property assets		(13,418)	(13,418)
Acquisitions of businesses, net of cash acquired		(14,101)	(14,101)
Proceeds from sale of property assets		3,246	3,246
	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities		(24,273)	(24,273)
Cash flows from financing activities			
Purchase of treasury stock	(8,366)		(8,366)
Exercise of stock options	5,694		5,694
Repayments of debt	(1,000)		(1,000)
Intercompany advances	139,585	(139,585)	
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) financing activities	135,913	(139,585)	(3,672)
	<u> </u>	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	135,913	(6,463)	129,450
Cash and cash equivalents at beginning of period	61,006	82,935	143,941
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	\$ 196,919	\$ 76,472	\$ 273,391
	<u> </u>	<u> </u>	<u> </u>

	Parent Company	Rent-A- Center East	Subsidiary Guarantors	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Three months ended March 31, 2003 (unaudited)				
Net cash provided by operating activities	\$	\$ 89,864	\$ 34,926	\$ 124,790
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows from investing activities				
Purchase of property assets		(6,730)	(2,515)	(9,245)
Acquisitions of businesses, net of cash acquired		(60,504)	(30,561)	(91,065)

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Other	<u> </u>	<u>163</u>	<u>60</u>	<u>223</u>
Net cash used in investing activities		(67,071)	(33,016)	(100,087)
Cash flows from financing activities				
Purchase of treasury stock	(13,438)			(13,438)
Exercise of stock options	6,163			6,163
Intercompany advances	<u>7,275</u>	<u>(5,365)</u>	<u>(1,910)</u>	<u> </u>
Net cash used in financing activities	<u> </u>	<u>(5,365)</u>	<u>(1,910)</u>	<u>(7,275)</u>
Net increase in cash and cash equivalents		17,428		17,428
Cash and cash equivalents at beginning of period	<u> </u>	<u>85,723</u>	<u> </u>	<u>85,723</u>
Cash and cash equivalents at end of period	<u>\$</u>	<u>\$103,151</u>	<u>\$</u>	<u>\$ 103,151</u>

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**9. *Comprehensive Income.*

Comprehensive income includes net earnings and items of other comprehensive income or loss. The following table provides information regarding comprehensive income, net of tax:

	Three months ended March 31,	
	(in thousands)	
	2004	2003
Net earnings	\$ 52,209	\$ 50,959
Other comprehensive (loss) income:		
Unrealized gain on derivatives held as cash flow hedges:		
Change in unrealized gain during period		3,986
Reclassification adjustment for loss included in net earnings		(2,611)
	_____	_____
Other comprehensive income		1,375
	_____	_____
Comprehensive income	\$ 52,209	\$ 52,334
	_____	_____

10. *Common and Preferred Stock Transactions.*

In April 2000, we announced that our Board of Directors had authorized a program to repurchase, from time to time, in the open market and in privately negotiated transactions up to an aggregate of \$25.0 million of our common stock. In October 2002, our Board of Directors increased the amount of repurchases authorized under our common stock repurchase program from \$25.0 million to \$50.0 million. In March 2003, our Board of Directors again increased such amount from \$50.0 million to \$100.0 million. On August 1, 2003, we agreed to purchase an aggregate of 440,000 shares of our common stock (on a pre-split basis) at \$73 per share (on a pre-split basis), 200,000 of which were repurchased from Mark E. Speese, our Chairman of the Board and Chief Executive Officer, 200,000 of which were repurchased from Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (Apollo), and 40,000 of which were repurchased from Mitchell E. Fadel, our President and Chief Operating Officer. On October 24, 2003 we announced our Board of Directors had rescinded our old common stock repurchase program and authorized a new \$100 million common stock repurchase program. Through that date, we repurchased a total of 1.6 million shares (on a pre-split basis) of our common stock for an aggregate of \$91.5 million under the old common stock repurchase program. Under our new common stock repurchase program, we have the ability to repurchase up to \$100 million in aggregate purchase price of our common stock, from time to time, in open market and privately negotiated transactions. As of March 31, 2004, we had purchased a total of 1,101,900 shares of our common stock for an aggregate of \$35.2 million under our new common stock repurchase program. Please see Changes in Securities, Use of Proceeds and Issuer Purchases

of Equity Securities later in this report.

11. *Acquisitions.*

On February 8, 2003, the Company completed the acquisition of substantially all of the assets of 295 rent-to-own stores from Rent-Way, Inc. for an aggregate purchase price of \$100.4 million in cash. Of the aggregate purchase price, the Company held back \$10.0 million to pay for various indemnified liabilities and expenses, if any, of which \$5.0 million was remitted in the second quarter of 2003 and the remaining amount, up to \$5.0 million, the Company expects to remit in August 2004. The Company funded the acquisition entirely from cash on hand. Of the 295 stores, 176 were subsequently merged with the Company's existing store locations. The Company entered into this transaction seeing it as an opportunistic acquisition that would allow it to expand its store base in conjunction with its strategic growth plans. The acquisition price was determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total. The value is based upon the fair value assigned to the tangible and identifiable intangible assets acquired and is based upon the present value of future cash flows, historic longevity of like-kind customer base, historic profitability of like-kind customer base and the number of customer relationships acquired. The excess of purchase consideration over the fair value of tangible assets and identifiable intangible assets acquired was assigned to goodwill. The final purchase price allocation resulted in a \$4.0 million decrease in the value assigned to customer relationships and a \$4.0 million increase in the value placed on the non-compete agreement as compared to the Company's original estimates as disclosed in its 2002 Annual Report on Form 10-K. The table below summarizes the allocation of the purchase price based on the fair values of the assets acquired:

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**

	Fair Values (in thousands)
Inventory	\$ 50,100
Property assets	4,300
Customer relationships	7,900
Non-compete agreement	4,300
Goodwill	33,800
	<hr/>
Total assets acquired	\$ 100,400
	<hr/>

Customer relationships are amortized utilizing the straight-line method over an 18 month period. The non-compete agreement is amortized using the straight-line method over a four year period and, in accordance with SFAS 142, the goodwill associated with the acquisition will not be amortized, but will be deductible for tax purposes.

On February 4, 2004, we announced that we entered into a definitive agreement to acquire Rainbow Rentals, Inc., a rent-to-own operator, for \$16.00 in cash per share of Rainbow common stock. The acquisition consists of 124 rent-to-own stores in 15 states. The agreement also provides that each holder of options of Rainbow will receive an amount equal to the difference between \$16.00 and the exercise price of the option. We intend to fund the acquisition primarily with cash on hand. The acquisition, which is expected to be completed in the second quarter of 2004, is conditioned upon customary closing conditions for a transaction of this nature, including the receipt of requisite regulatory approval and approval of Rainbow's shareholders.

On March 5, 2004, we completed the purchase of five Canadian rent-to-own stores for \$3.2 million Canadian dollars (\$2.4 million U.S dollars). The five stores are located in the cities of Edmonton and Calgary in the province of Alberta. This acquisition marked the commencement of our business operations in Canada.

Furthermore, during the first quarter of 2004, we acquired 18 additional stores, accounts from 19 additional locations, opened 22 new stores, and closed 22 stores. Of the closed stores, 16 were merged with existing store locations, and six stores were sold. The additional stores and acquired accounts were the result of 14 separate transactions for an aggregate price of approximately \$11.7 million in cash.

13. *Guarantees.*

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Guarantees of Indebtedness of Others*. FIN 45 requires a liability be recorded on the guarantor's balance sheet upon issuance of a guarantee and requires disclosures about the guarantees that an entity has issued. The adoption of FIN 45 did not have a material impact on our results of operations, financial condition or cash flows.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., who provides \$50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their

average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional \$15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of \$65.0 million, of which \$30.1 million was outstanding as of March 31, 2004.

We also provide assurance to our insurance providers that if they are not able to draw funds from us for claims paid, they have the ability to draw against our letters of credit. One of our letters of credit is renewed automatically every year unless we notify the institution not to renew. The other letter of credit expires in August 2004. At March 31, 2004, we had \$109.7 million in outstanding letters of credit. Of the \$109.7 million, \$80.0 million is supported by our additional term loan facility. Under this additional term loan facility, in the event that a letter of credit is drawn upon, we have the right to either repay the additional term loan facility lenders the amount withdrawn or request a loan in that amount. Interest on any requested additional term loan facility accrues at the adjusted prime rate plus 1.25% or, at our option, at the Eurodollar Rate plus 2.25%, with the entire amount of the additional term loan facility due on May 28, 2009. The remaining \$29.7 million reduces the amount available under our \$120.0 million revolving facility.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

14. *Recapitalization.*

In April 2003, we announced and commenced a program to recapitalize a portion of our financial structure in a series of transactions. The recapitalization consisted of the tender offer for all of Rent-A-Center East's \$272.25 million 11% Notes, the redemption of the 11% Notes, the issuance of \$300.0 million 7½% Notes, the refinancing of our senior debt and the repurchase of shares of our common stock.

On May 6, 2003, we repurchased approximately \$183.0 million principal amount of 11% Notes pursuant to a debt tender offer announced on April 23, 2003. On August 15, 2003, we redeemed all of the remaining outstanding 11% Notes in accordance with the terms of the indenture governing the 11% Notes, at the applicable redemption price of 105.5% of the principal amount, plus accrued and unpaid interest to that date. The total aggregate redemption price for the 11% Notes was approximately \$93.75 million, including \$4.65 million in accrued interest and \$4.65 million in redemption premium. Proceeds from the offering of \$300 million in 7½% Notes were used to pay for the redemption.

On April 25, 2003, we announced that we had entered into an agreement with Apollo which provided for the repurchase of a number of shares of Rent-A-Center's common stock sufficient to reduce Apollo's aggregate record ownership to 19.00% after consummation of Rent-A-Center's planned tender offer at the price per share paid in the tender offer. On April 28, 2003, we commenced a tender offer to purchase up to 2.2 million shares of Rent-A-Center's common stock (on a pre-split basis) pursuant to a modified Dutch Auction. On June 25, 2003, we closed the tender offer and purchased 1,769,960 shares of Rent-A-Center's common stock (on a pre-split basis) at \$73 per share (on a pre-split basis) for approximately \$129.2 million. On July 11, 2003, we closed the Apollo transaction and purchased 774,547 shares of Rent-A-Center's common stock (on a pre-split basis) at \$73 per share (on a pre-split basis) for approximately \$56.5 million. As contemplated by the Apollo agreement, Apollo also exchanged their shares of Series A preferred stock for shares of Series C preferred stock. As a result, no shares of Series A preferred stock remain outstanding. The terms of the Series A preferred stock and Series C preferred stock are substantially similar, except the Series C preferred stock does not have the right to directly elect any members of Rent-A-Center's Board of Directors.

On May 6, 2003, Rent-A-Center issued \$300.0 million in 7½% Notes, the proceeds of which were used, in part, to fund the repurchase and redemption of the 11% Notes.

On May 28, 2003 we refinanced our then existing senior debt by entering into a new \$600.0 million senior credit facility, consisting of a \$400.0 million term loan, a \$120.0 million revolving credit facility and an \$80.0 million additional term loan.

15. *Subsequent Events.*

On April 28, 2004, we announced that we had entered into a definitive agreement to acquire Rent Rite, Inc., a Tennessee corporation, which currently operates approximately 90 stores in 11 states. The agreement provides for the merger of Rent Rite with and into a newly-formed subsidiary of ours. Pursuant to the agreement, we have agreed to acquire Rent Rite for 12.75 times Rent Rite's average three month recurring revenue, or approximately \$58.4 million based on Rent Rite's recurring revenue for the three month period ended March 31, 2004. Under the terms of the agreement, we have agreed to assume the debt and other liabilities of Rent Rite. Approximately one half the purchase price will be paid in our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite's stock options and retirement of Rent Rite's outstanding debt. We intend to fund the acquisition primarily with cash on hand for the portion of the purchase price to be paid in cash. The acquisition,

which is expected to be completed in early May 2004, is conditioned upon customary closing conditions for a transaction of the nature, including the receipt of approval of Rent Rite's shareholders.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

The statements, other than statements of historical facts, included in this report are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, would, expect, intend, could, estimate, should, anticipate or believe. We believe that the expectations reflected in our forward-looking statements are accurate. However, we cannot assure you that these expectations will occur. Our actual future performance could differ materially from such statements. Factors that could cause or contribute to these differences include, but are not limited to:

- uncertainties regarding the ability to open new stores;
- our ability to acquire additional rent-to-own stores on favorable terms;
- our ability to enhance the performance of these acquired stores;
- our ability to control store level costs;
- our ability to realize benefits from our margin enhancement initiatives;
- the results of our litigation;
- the passage of legislation adversely affecting the rent-to-own industry;
- interest rates;
- our ability to collect on our rental purchase agreements;
- changes in our effective tax rate;
- changes in our stock price and the number of shares of common stock that we may or may not repurchase; and
- the other risks detailed from time to time in our SEC reports.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under Risk Factors in our Annual Report on Form 10-K/A for our fiscal year ended December 31, 2003. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

Our Business

We are the largest rent-to-own operator in the United States with an approximate 32% market share based on store count. At March 31, 2004, we operated 2,671 company-owned stores nationwide and in Puerto Rico, including 22 stores located in Wisconsin and operated by our subsidiary Get It Now, LLC under the name Get It Now and five

stores located in Canada and operated by our subsidiary Rent-A-Centre Canada, Ltd., under the name Rent-A-Centre. Another of our subsidiaries, ColorTyme, is a national franchisor of rent-to-own stores. At March 31, 2004, ColorTyme had 323 franchised stores in 40 states, 311 of which operated under the ColorTyme name and 12 stores of which operated under the Rent-A-Center name. Our stores generally offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. These rental purchase agreements are designed to appeal to a wide variety of customers by allowing them to obtain merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. These agreements also cater to customers who only have a temporary need or who simply desire to rent rather than purchase the merchandise.

We have pursued an aggressive growth strategy since 1989. We have sought to acquire underperforming stores to which we could apply our operating model as well as open new stores. As a result, acquired stores have generally experienced more significant revenue growth during the initial periods following their acquisition than in subsequent periods. Because of significant growth since our formation, our historical results of operations and period-to-period comparisons of such results and other financial data, including the rate of earnings growth, may not be meaningful or indicative of future results.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

We plan to accomplish our future growth through selective and opportunistic acquisitions, with an emphasis on new store development. Typically, a newly opened store is profitable on a monthly basis in the ninth to twelfth month after its initial opening. Historically, a typical store has achieved cumulative break-even profitability in 18 to 24 months after its initial opening. Total financing requirements of a typical new store approximate \$450,000, with roughly 70% of that amount relating to the purchase of rental merchandise inventory. A newly opened store historically has achieved results consistent with other stores that have been operating within the system for greater than two years by the end of its third year of operation. As a result, our quarterly earnings are impacted by how many new stores we opened during a particular quarter and the quarters preceding it. There can be no assurance that we will open any new stores in the future or as to the number, location or profitability thereof.

In addition, to provide any additional funds necessary for the continued pursuit of our operating and growth strategies, we may incur, from time to time, additional short or long-term bank indebtedness and may issue, in public or private transactions, equity and debt securities. The availability and attractiveness of any outside sources of financing will depend on a number of factors, some of which will relate to our financial condition and performance, and some of which are beyond our control, such as prevailing interest rates and general economic conditions. There can be no assurance additional financing will be available, or if available, will be on terms acceptable to us.

Recent Developments

Rent Rite Acquisition. On April 28, 2004, we announced that we had entered into a definitive agreement to acquire Rent Rite, Inc., a Tennessee corporation, which currently operates approximately 90 stores in 11 states. The agreement provides for the merger of Rent Rite with and into a newly-formed subsidiary of ours. Pursuant to the agreement, we have agreed to acquire Rent Rite for 12.75 times Rent Rite's average three month recurring revenue, or approximately \$58.4 million based on Rent Rite's recurring revenue for the three month period ended March 31, 2004. Under the terms of the agreement, we have agreed to assume the debt and other liabilities of Rent Rite. Approximately one half the purchase price will be paid in our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite's stock options and retirement of Rent Rite's outstanding debt. We intend to fund the acquisition primarily with cash on hand for the portion of the purchase price to be paid in cash. The acquisition, which is expected to be completed in early May 2004, is conditioned upon customary closing conditions for a transaction of the nature, including the receipt of approval of Rent Rite's shareholders.

As of April 30, 2004, we have acquired one additional store and accounts from three additional locations, opened four new stores and merged two stores into existing locations during the second quarter of 2004. It is our intention to increase the number of stores we operate by an average of approximately 5 to 10% per year over the next several years.

Critical Accounting Policies Involving Critical Estimates, Uncertainties or Assessments in Our Financial Statements

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. As you might expect, the actual results or outcomes are generally different than the estimated or assumed amounts. These differences are usually minor and are included in our consolidated financial statements as soon as they are known. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates

inherent in the financial reporting process, actual results could differ from those estimates.

Actual results related to the estimates and assumptions made by us in preparing our consolidated financial statements will emerge over periods of time, such as estimates and assumptions underlying the determination of our self-insurance liabilities. These estimates and assumptions are closely monitored by us and periodically adjusted as circumstances warrant. For instance, our liability for our self-insured retentions related to our workers compensation, general liability, medical and auto liability may be adjusted based on higher or lower actual loss experience. Although there is greater risk with respect to the accuracy of these estimates and assumptions because of the period over which actual results may emerge, such risk is mitigated by our ability to make changes to these estimates and assumptions over the same period.

In preparing our financial statements at any point in time, we are also periodically faced with uncertainties, the outcomes of which are not within our control and will not be known for prolonged periods of time. As discussed in Part II, Item 1 Legal Proceedings and the notes to our consolidated financial statements included in our Annual Report on Form 10-K/A, we are involved in actions relating to claims that our rental purchase agreements constitute installment sales contracts, violate state

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

usury laws or violate other state laws enacted to protect consumers, claims asserting violations of wage and hour laws in our employment practices, as well as claims we violated the federal securities laws. We, together with our counsel, make estimates of our probable liabilities, if determinable or reasonably estimatable, and record such amounts in our consolidated financial statements. These estimates represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to liabilities to reflect current facts and circumstances.

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe that our consolidated financial statements provide a meaningful and fair perspective of our company. However, we do not suggest that other general risk factors, such as those discussed in our Annual Report on Form 10-K/A as well as changes in our growth objectives or performance of new or acquired stores, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Other Significant Accounting Policies

Our significant accounting policies are summarized below and in Note A to our consolidated financial statements included in our Annual Report on Form 10-K/A.

Revenue. Merchandise is rented to customers pursuant to rental-purchase agreements which provide for weekly or monthly rental terms with non-refundable rental payments. Generally, the customer has the right to acquire title either through a purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term. No revenue is accrued because the customer can cancel the rental contract at any time and we cannot enforce collection for non-payment of rents. Get It Now's revenue from the sale of merchandise through an installment credit sale is recognized at the time of the sale, as is the cost of the merchandise sold, net of a provision for uncollectable accounts.

Franchise Revenue. Revenue from the sale of rental merchandise is recognized upon shipment of the merchandise to the franchisee. Franchise fee revenue is recognized upon completion of substantially all services and satisfaction of all material conditions required under the terms of the franchise agreement.

Depreciation of Rental Merchandise. We depreciate our rental merchandise using the income forecasting method. The income forecasting method of depreciation we use does not consider salvage value and does not allow the depreciation of rental merchandise during periods when it is not generating rental revenue. The objective of this method of depreciation is to provide for consistent depreciation expense while the merchandise is on rent. We accelerate the depreciation on computers that are 21 months old or older and which have become idle using the straight-line method for a period of at least six months. The purpose is to better reflect the depreciable life of a computer in our stores and to encourage the sale of older computers.

General and Administrative Expenses. General and administrative expenses include all corporate overhead expenses related to our headquarters such as salaries, taxes and benefits, occupancy, administrative and other operating expenses, as well as regional directors' salaries, travel and office expenses.

Amortization of Intangibles. Amortization of intangibles consists primarily of the amortization of customer relationships and non-compete agreements resulting from acquisitions.

Results of Operations

Three Months Ended March 31, 2004 compared to Three Months Ended March 31, 2003

Store Revenue. Total store revenue increased by \$18.7 million, or 3.4%, to \$571.5 million for the three months ended March 31, 2004 as compared to \$552.8 million for the three months ended March 31, 2003. The increase in total store revenue is primarily attributable to an increase in cash sales and early purchase options, new stores, and incremental revenues related to acquisitions, offset by a decrease in same store sales of 1.3%.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending March 31, 2004 and 2003, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues decreased by \$6.1 million, or 1.3%, to \$455.2 million for the three months ended March 31, 2004 as compared to \$461.3 million in 2003. The decrease in same store revenues was primarily attributable to a decrease in the average number of customers on a per store basis during the first quarter of 2004 versus the first quarter of 2003 offset by an increase in the average revenue per customer. Merchandise sales for all stores increased \$6.7 million, or 12.8%, to \$59.4 million for the three months ended March 31, 2004 as compared to \$52.7 million in 2003. The increase in merchandise sales was primarily attributable to an increase in the number of items sold in the first quarter of

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

2004 (approximately 348,000) from the number of items sold in 2003 (approximately 318,000). This increase in the number of items sold in 2004 versus the same period in 2003 was primarily the result of an increase in the number of stores operating during the first quarter of 2004 as compared to 2003.

Franchise Revenue. Total franchise revenue increased by \$326,000, or 2.4%, to \$13.9 million for the three months ended March 31, 2004 as compared to \$13.6 million in 2003. This increase was primarily attributable to an increase in merchandise sales to franchise locations as a result of more franchised locations operating in the first quarter of 2004 as compared to the first quarter of 2003.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by \$1.6 million, or 1.6%, to \$108.3 million for the three months ended March 31, 2004 as compared to \$106.7 million in 2003. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue decreased to 21.5% in 2004 from 21.6% for the same period in 2003. The slight decrease was primarily attributable to a more normalized depreciation rate in the first quarter of 2004 as compared to 2003, which included the effect of the Rent-Way acquisition and the terms of their product.

Cost of Merchandise Sold. Cost of merchandise sold increased by \$3.1 million, or 8.4%, to \$39.6 million for the three months ended March 31, 2004 as compared to \$36.5 million in 2003. This increase was primarily a result of an increase in the number of items sold during the first quarter of 2004 as compared to the first quarter 2003. The gross margin percent of merchandise sales increased to 33.3% in 2004 from 30.6% in 2003. This percentage increase was primarily attributable to the sale of merchandise acquired from Rent-Way in February 2003, which caused a lower gross margin to occur in 2003 versus 2004.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 54.1% for the three months ended March 31, 2004 from 52.9% for the three months ended March 31, 2003. This increase was primarily attributable to the decrease in same store sales coupled with an increase in the average salary and other expenses in the first quarter of 2004 compared to the first quarter of 2003. In the first quarter of 2004, there were 31 more new stores and 77 more acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by \$341,000 or 3.0%, to \$11.9 million for the three months ended March 31, 2004 as compared to \$11.6 million in 2003. This increase was primarily attributable to an increase in merchandise sales to franchise locations as a result of more franchised locations operating in the first quarter of 2004 as compared to the first quarter of 2003.

General and Administrative Expenses. General and administrative expenses expressed as a percentage of total revenue increased to 3.1% for the three months ending March 31, 2004 as compared to 3.0% for the three months ending March 31, 2003.

Amortization of Intangibles. Amortization of intangibles decreased by \$385,000, or 13.4%, to \$2.5 million for the three months ended March 31, 2004 as compared to \$2.9 million for the three months ended March 31, 2003. This decrease was primarily attributable to the completed amortization of some intangibles.

Operating Profit. Operating profit decreased by \$3.6 million, or 3.8%, to \$92.7 million for the three months ended March 31, 2004 as compared to \$96.3 million in 2003. Operating profit as a percentage of total revenue decreased to 15.8% for the three months ended March 31, 2004, from 17.0% in 2003. These decreases were primarily attributable to the increase in salaries and other expenses and the decrease in same store sales during the first quarter of 2004

versus 2003 as discussed above. In the first quarter of 2004, there were 31 more new stores and 77 more acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

Net Earnings. Net earnings increased by \$1.2 million, or 2.5%, to \$52.2 million for the three months ended March 31, 2004 as compared to \$51.0 million in 2003. This increase is primarily attributable to growth in total revenues, a decrease in interest expense, and a lower effective tax rate during the first quarter of 2004 as compared to 2003.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

Liquidity and Capital Resources

Cash provided by operating activities increased by \$32.6 million to \$157.4 million for the three months ending March 31, 2004 as compared to \$124.8 million in 2003. This increase resulted primarily from a greater increase in accrued liabilities during the first quarter of 2004 as compared to 2003, consisting primarily of income taxes accrued for but not yet paid.

Cash used in investing activities decreased by \$75.8 million to \$24.3 million during the three month period ending March 31, 2004 as compared to \$100.1 million in 2003. This decrease is primarily attributable to the acquisition of 295 stores from Rent-Way in February 2003.

Cash used in financing activities decreased by \$3.6 million to \$3.7 million during the three month period ending March 31, 2004 as compared to \$7.3 million in 2003. This decrease is a result of fewer stock repurchases effected during the first quarter of 2004 as compared to 2003, offset by the \$1.0 million repayment on our term loans in 2004.

Liquidity Requirements. Our primary liquidity requirements are for debt service, rental merchandise purchases, capital expenditures and our store expansion program. Our primary sources of liquidity have been cash provided by operations, borrowings and sales of debt and equity securities. In the future, we may incur additional debt, or may issue debt or equity securities to finance our operating and growth strategies. The availability and attractiveness of any outside sources of financing will depend on a number of factors, some of which relate to our financial condition and performance, and some of which are beyond our control, such as prevailing interest rates and general economic conditions. There can be no assurance that additional financing will be available, or if available, that it will be on terms we find acceptable.

We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, rental merchandise purchases, capital expenditures and our store expansion programs into 2005. Our revolving credit facilities provide us with revolving loans in an aggregate principal amount not exceeding \$130.0 million, of which \$90.3 million was available at April 30, 2004. At April 30, 2004, we had approximately \$184.6 million in cash, of which approximately \$130.0 million we expect to be utilized to fund the Rainbow and Rent Rite acquisitions anticipated in May 2004. To the extent we have available cash that is not necessary for store openings or acquisitions, we intend to repurchase additional shares of our common stock as well as make payments to service our existing debt. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect.

Our senior credit facilities and the indenture governing our 7½% notes contain certain change in control provisions. A change in control would result in an event of default under our senior credit facilities, and, pursuant to the underlying indenture would also require us to offer to repurchase all of our 7½% notes at 101% of their principal amount, plus accrued interest to the date of repurchase. Provisions of our senior credit facilities restrict the repurchase of all of our 7½% notes. In the event a change in control occurs, we cannot be sure that we would have enough funds to immediately pay our accelerated senior credit facility obligations and all of the 7½% notes, or that we would be able to obtain financing to do so on favorable terms, if at all.

Deferred Taxes. On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30 percent of the basis of qualifying property is deductible in the year the property is placed in service, with the remaining 70 percent of the basis depreciated under the normal tax depreciation rules. For assets placed in service between May 6, 2003 and December 31, 2004, the Jobs

and Growth Tax Relief Reconciliation Act of 2003 increased the percent of the basis of qualifying property deductible in the year the property is placed in service from 30% to 50%. Accordingly, our cash flow will benefit from having a lower current cash tax obligation, which in turn will provide additional cash flows from operations until the deferred tax liabilities begin to reverse. We estimate that our operating cash flow will have increased by approximately \$103.4 million through 2004 before the deferred tax liabilities begin to reverse over a three year period beginning in 2005.

Rental Merchandise Purchases. We purchased \$177.3 million and \$172.5 million of rental merchandise during the three month periods ending March 31, 2004 and 2003, respectively.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent \$13.4 million and \$9.2 million on capital expenditures during the three month periods ending March 31, 2004 and 2003, respectively, and expect to spend approximately \$40.0 million for the remainder of 2004.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

Acquisitions and New Store Openings. For the first three months of 2004, we spent approximately \$14.1 million on acquiring stores and accounts. For the entire year ending December 31, 2004, we intend to add approximately 5-10% to our store base by opening approximately 80-120 new store locations as well as pursuing opportunistic acquisitions.

On February 4, 2004, we announced that we entered into a definitive agreement to acquire Rainbow Rentals, Inc., a rent-to-own operator, for \$16.00 in cash per share of Rainbow common stock. The acquisition consists of 124 rent-to-own stores in 15 states. The agreement also provides that each holder of options of Rainbow will receive an amount equal to the difference between \$16.00 and the exercise price of the option. We intend to fund the acquisition primarily with cash on hand. The acquisition, which is expected to be completed in mid to late May 2004, is conditioned upon customary closing conditions for a transaction of this nature, including the receipt of requisite regulatory approval and approval of Rainbow's shareholders.

On March 5, 2004, we completed the purchase of five Canadian rent-to-own stores for approximately \$3.2 million Canadian dollars (\$2.4 million U.S dollars). The five stores are located in the cities of Edmonton and Calgary in the province of Alberta. This acquisition marked the commencement of our business operations in Canada.

Furthermore, during the first quarter of 2004, we acquired 18 additional stores, accounts from 19 additional locations, opened 22 new stores, and closed 22 stores. Of the closed stores, 16 were merged with existing store locations, and six stores were sold. The additional stores and acquired accounts were the result of 14 separate transactions for an aggregate price of approximately \$11.7 million in cash. As of April 30, 2004, we have acquired one additional store and accounts from three additional locations, opened four new stores and merged two stores into existing locations during the second quarter of 2004. It is our intention to increase the number of stores we operate by an average of approximately 5 to 10% per year over the next several years.

On April 28, 2004, we announced that we had entered into a definitive agreement to acquire Rent Rite, Inc., a Tennessee corporation, which currently operates approximately 90 stores in 11 states. The agreement provides for the merger of Rent Rite with and into a newly-formed subsidiary of ours. Pursuant to the agreement, we have agreed to acquire Rent Rite for 12.75 times Rent Rite's average three month recurring revenue, or approximately \$58.4 million based on Rent Rite's recurring revenue for the three month period ended March 31, 2004. Under the terms of the agreement, we have agreed to assume the debt and other liabilities of Rent Rite. Approximately one half the purchase price will be paid in our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite's stock options and retirement of Rent Rite's outstanding debt. We intend to fund the acquisition primarily with cash on hand for the portion of the purchase price to be paid in cash. The acquisition, which is expected to be completed in early May 2004, is conditioned upon customary closing conditions for a transaction of the nature, including the receipt of approval of Rent Rite's shareholders.

The profitability of our stores tends to grow at a slower rate approximately five years from the time we open or acquire them. As a result, in order for us to show improvements in our profitability, it is important for us to continue to open stores in new locations or acquire under-performing stores on favorable terms. There can be no assurance that we will be able to acquire or open new stores at the rates we expect, or at all. Additionally, we cannot assure that the stores we do acquire or open will be profitable at the same levels that our current stores are, or at all.

Borrowings. The table below shows the scheduled maturity dates of our senior debt outstanding at March 31, 2004.

**YEAR ENDING
DECEMBER 31,**

(IN THOUSANDS)

2004	\$ 3,000
2005	4,000
2006	4,000
2007	4,000
2008	192,000
Thereafter	190,000
	<hr/>
	\$397,000
	<hr/>

Senior Credit Facilities. On May 28, 2003, we entered into a new senior credit facility provided by a syndicate of banks and other financial institutions led by Lehman Commercial Paper, Inc., as administrative agent. At March 31, 2004, we had a total of \$397.0 million outstanding under our senior credit facilities related to our term loans and \$90.3 million of availability under the revolving credit line portion of our senior credit facilities.

The senior credit facility also includes an \$80.0 million additional term loan facility. This facility is currently held to support our outstanding letters of credit. In the event that a letter of credit is drawn upon, we have the right to either repay the additional term loan facility lenders the amount withdrawn or request a loan in that amount. Interest on any requested

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

additional term loan facility loan accrues at an adjusted prime rate plus 1.25% or, at our option, at the Eurodollar base rate plus 2.25%, with the entire amount of the additional term loan facility due on May 28, 2009.

Borrowings under our senior credit facilities bear interest at varying rates equal to 2.25% over the Eurodollar rate, which was 1.09% at March 31, 2004. We also have a prime rate option under the facilities, but have not exercised it to date. We have not entered into any interest rate protection agreements with respect to the term loans under our senior credit facilities.

Our senior credit facilities are secured by a security interest in substantially all of our tangible and intangible assets, including intellectual property. Our senior credit facilities are also secured by a pledge of the capital stock of our U.S. subsidiaries, and a portion of the capital stock of our international subsidiaries.

The senior credit facilities contain covenants, including without limitation, covenants that generally limit our ability to:

incur additional debt (including subordinated debt) in excess of \$35 million at any one time outstanding;

repurchase our capital stock and 7½% notes;

incur liens or other encumbrances;

merge, consolidate or sell substantially all our property or business;

sell assets, other than inventory in the ordinary course of business;

make investments or acquisitions unless we meet financial tests and other requirements;

make capital expenditures; or

enter into a new line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio and a minimum fixed charge coverage ratio. At March 31, 2004, the maximum consolidated leverage ratio was 2.75:1, the minimum consolidated interest coverage ratio was 4.0:1, and the minimum fixed charge coverage ratio was 1.50:1. On that date, our actual ratios were 1.53:1, 6.73:1 and 2.51:1, respectively. In addition, we are generally required to use 25% of the net proceeds from equity offerings to repay our term loans.

Events of default under our senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facilities would occur if there is a change of control. This is defined to include the case where a third party becomes the beneficial owner of 35% or more of our voting stock or certain changes in our Board of Directors occurs.

7½% Senior Subordinated Notes. On May 6, 2003, we issued \$300.0 million in senior subordinated notes due 2010, bearing interest at 7½%, pursuant to an indenture dated May 6, 2003, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York, as trustee. The proceeds of this offering were used to fund the repurchase and redemption of the 11% senior subordinated notes.

The 2003 indenture contains covenants that limit Rent-A-Center's ability to:

incur additional debt;

sell assets or our subsidiaries;

grant liens to third parties;

pay dividends or repurchase stock; and

engage in a merger or sell substantially all of its assets.

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding \$50.0 million.

The 7½% Notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The 7½% Notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. If we do not comply with this repurchase obligation, this would trigger an event of default under our senior credit facilities.

Store Leases. We lease space for all of our stores as well as our corporate and regional offices under operating leases expiring at various times through 2011.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., who provides \$50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional \$15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, not considering the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of \$65.0 million, of which \$30.1 million was outstanding as of March 31, 2004. Mark E. Speese, Rent-A-Center's Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

Litigation. In 1998, we recorded an accrual of approximately \$125.0 million for estimated probable losses on litigation assumed in connection with the Thorn Americas acquisition. As of March 31, 2004, we have paid approximately \$125.0 million of this accrual in settlement of most of these matters and legal fees. These settlements were funded primarily from amounts available under our senior credit facilities, as well as from cash flow from operations.

Additional settlements or judgments against us on our existing litigation could affect our liquidity. Please refer to Note L of our consolidated financial statements included in our Annual Report on Form 10-K/A.

Sales of Equity Securities. During 1998, we issued 260,000 shares of our preferred stock at \$1,000 per share, resulting in aggregate proceeds of \$260.0 million. Dividends on our preferred stock accrue on a quarterly basis at the rate of 3.75%, or \$37.50 per annum. Prior to the conversion of all but two shares of our preferred stock in August 2002, we paid these dividends in additional shares of preferred stock because of restrictive provisions in our senior credit facilities. We have the ability to pay the dividends in cash and may do so under our senior credit facilities so long as we are not in default.

In connection with the repurchase of 774,547 shares of our common stock (on a pre-split basis) from Apollo in July 2003, Apollo exchanged their shares of Series A preferred stock for shares of Series C preferred stock. As a result, no shares of Series A preferred stock remain outstanding. The terms of the Series A preferred stock and Series C preferred stock are substantially similar, except the Series C preferred stock does not have the right to directly elect any members of our Board of Directors.

Repurchases of Outstanding Securities. On April 25, 2003, we announced that we entered into an agreement with Apollo which provided for the repurchase of a number of shares of our common stock sufficient to reduce Apollo's aggregate record ownership to 19.00% after consummation of our planned tender offer at the price per share paid in the tender offer. On April 28, 2003, we commenced a tender offer to purchase up to 2.2 million shares of our common stock (on a pre-split basis) pursuant to a modified Dutch Auction. On June 25, 2003, we closed the tender offer and purchased 1,769,960 shares of our common stock (on a pre-split basis) at \$73 per share (on a pre-split basis) for approximately \$129.2 million. On July 11, 2003, we closed the Apollo transaction and purchased 774,547 shares of

our common stock (on a pre-split basis) at \$73 per share (on a pre-split basis) for approximately \$56.5 million. As contemplated by the Apollo agreement, Apollo also exchanged their shares of Series A preferred stock for shares of Series C preferred stock.

In April 2000, we announced that our Board of Directors had authorized a program to repurchase, from time to time, in the open market and in privately negotiated transactions up to an aggregate of \$25.0 million of our common stock. In October 2002, our Board of Directors increased the amount of repurchases authorized under our common stock repurchase program from \$25.0 million to \$50.0 million. In March 2003, our Board of Directors again increased such amount from \$50.0 million to \$100.0 million. On August 1, 2003, we agreed to purchase an aggregate of 440,000 shares of our common stock (on a pre-split basis) at \$73 per share (on a pre-split basis), 200,000 of which were repurchased from Mark E. Speese, our Chairman of the Board and Chief Executive Officer, 200,000 of which were repurchased from Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P., and 40,000 of which were repurchased from Mitchell E. Fadel, our President and Chief Operating Officer. On October 24, 2003 we announced our Board of Directors had rescinded our old common stock repurchase program and authorized a new \$100 million common stock repurchase program. Through that date, we repurchased a total of 1.6 million shares (on a pre-split basis) of our common stock for an aggregate of \$91.5 million under

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

the old common stock repurchase program. Under our new common stock repurchase program, we have the ability to repurchase up to \$100 million in aggregate purchase price of our common stock, from time to time, in open market and privately negotiated transactions. As of March 31, 2004, we had purchased a total of 1,101,900 shares of our common stock for an aggregate of \$35.2 million under our new common stock repurchase program. Please see *Changes in Securities, Use of Proceeds and Issuer Purchase of Equity Securities* later in this report.

Economic Conditions. Although our performance has not suffered in previous economic downturns, we cannot assure you that demand for our products, particularly in higher price ranges, will not significantly decrease in the event of a prolonged recession.

Seasonality. Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year, primarily related to federal income tax refunds. Generally, our customers will more frequently exercise their early purchase option on their existing rental purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year. We expect this trend to continue in future periods. Furthermore, we tend to experience slower growth in the number of rental purchase agreements on rent in the third quarter of each fiscal year when compared to other quarters throughout the year. As a result, we would expect revenues for the third quarter of each fiscal year to remain relatively flat or slightly below the prior quarter. We expect this trend to continue in future periods unless we add significantly to our store base during the third quarter of future fiscal years as a result of new store openings or opportunistic acquisitions.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

As of March 31, 2004, we had \$300.0 million in subordinated notes outstanding at a fixed interest rate of 7½% and \$397.0 million in term loans outstanding at interest rates indexed to the Eurodollar rate. The fair value of the subordinated notes is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of the 7½% subordinated notes at March 31, 2004 was \$318.5 million which is \$18.5 million above their carrying value. Unlike the subordinated notes, the \$397.0 million in term loans have variable interest rates indexed to current Eurodollar rates. As of March 31, 2004, we have not entered into any interest rate swap agreements with respect to term loans under our senior credit facilities.

Market Risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest rates. Our primary market risk exposure is fluctuations in interest rates. Monitoring and managing this risk is a continual process carried out by our Board of Directors and senior management. We manage our market risk based on an ongoing assessment of trends in interest rates and economic developments, giving consideration to possible effects on both total return and reported earnings.

Interest Rate Risk

We hold long-term debt with variable interest rates indexed to prime or the Eurodollar rate that exposes us to the risk of increased interest costs if interest rates rise.

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, of the effectiveness of the design and operation of our disclosure controls and procedures 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 were effective. There have been no significant changes in our internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, our internal controls.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

PART II Other Information

Item 1. Legal Proceedings

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. Except as described below, we are not currently a party to any material litigation.

Colon v. Thorn Americas, Inc. The plaintiff filed this class action in November 1997 in New York state court. This matter was assumed by us in connection with the Thorn Americas acquisition, and appropriate purchase accounting adjustments were made for such contingent liabilities. The plaintiff acknowledges that rent-to-own transactions in New York are subject to the provisions of New York's Rental Purchase Statute but contends the Rental Purchase Statute does not provide Thorn Americas immunity from suit for other statutory violations. The plaintiff alleges Thorn Americas has a duty to disclose effective interest under New York consumer protection laws, and seeks damages and injunctive relief for Thorn Americas' failure to do so. This suit also alleges violations relating to excessive and unconscionable pricing, late fees, harassment, undisclosed charges, and the ease of use and accuracy of its payment records. In the prayer for relief, the plaintiff requested class certification, injunctive relief requiring Thorn Americas to cease certain marketing practices and price their rental purchase contracts in certain ways, unspecified compensatory and punitive damages, rescission of the class members contracts, an order placing in trust all moneys received by Thorn Americas in connection with the rental of merchandise during the class period, treble damages, attorney's fees, filing fees and costs of suit, pre- and post-judgment interest, and any further relief granted by the court. The plaintiff has not alleged a specific monetary amount with respect to the request for damages.

The proposed class includes all New York residents who were party to our rent-to-own contracts from November 26, 1994. In November 2000, following interlocutory appeal by both parties from the denial of cross-motions for summary judgment, we obtained a favorable ruling from the Appellate Division of the State of New York, dismissing the plaintiff's claims based on the alleged failure to disclose an effective interest rate. The plaintiff's other claims were not dismissed. The plaintiff moved to certify a state-wide class in December 2000. The plaintiff's class certification motion was heard by the court on November 7, 2001 and, on September 12, 2002, the court issued an opinion denying in part and granting in part the plaintiff's requested certification. The opinion grants certification as to all of the plaintiff's claims except the plaintiff's pricing claims pursuant to the Rental Purchase Statute, as to which certification was denied. The parties have differing views as to the effect of the court's opinion, and accordingly, the court granted the parties permission to submit competing orders as to the effect of the opinion on the plaintiff's specific claims. Both proposed orders were submitted to the court on March 27, 2003, and on May 30, 2003, the court held a hearing regarding such orders. No order has yet been entered by the court. Regardless of the determination of the final certification order by the court, we intend to pursue an interlocutory appeal of the court's certification order.

We believe these claims are without merit and will continue to vigorously defend ourselves in this case. However, we cannot assure you that we will be found to have no liability in this matter.

Terry Walker, et. al. v. Rent-A-Center, Inc., et. al. On January 4, 2002, a putative class action was filed against us and certain of our current and former officers and directors by Terry Walker in federal court in Texarkana, Texas. The complaint alleged that the defendants violated Sections 10(b) and/or Section 20(a) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder by issuing false and misleading statements and omitting material facts regarding our financial performance and prospects for the third and fourth quarters of 2001. The complaint purported to be brought on behalf of all purchasers of our common stock from April 25, 2001 through October 8, 2001 and sought

damages in unspecified amounts. Similar complaints were consolidated by the court with the Walker matter in October 2002.

On November 25, 2002, the lead plaintiffs in the *Walker* matter filed an amended consolidated complaint which added certain of our outside directors as defendants to the Exchange Act claims. The amended complaint also added additional claims that we, and certain of our current and former officers and directors, violated various provisions of the Securities Act as a result of alleged misrepresentations and omissions in connection with an offering in May 2001 and also added the managing underwriters in that offering as defendants.

On February 7, 2003, we, along with certain officer and director defendants, filed a motion to dismiss the matter as well as a motion to transfer venue. In addition, our outside directors named in the matter separately filed a motion to dismiss the Securities Act claims on statute of limitations grounds. On February 19, 2003, the underwriter defendants also filed a motion to dismiss the matter. The plaintiffs filed response briefs to these motions, to which we replied on May 21, 2003. A hearing was held by the court on June 26, 2003 to hear each of these motions.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

On September 30, 2003, the court granted our motion to dismiss without prejudice, dismissed without prejudice the outside directors and underwriters separate motions to dismiss and denied our motion to transfer venue. In its order on the motions to dismiss, the court granted the lead plaintiffs leave to replead the case within certain parameters. However, on October 9, 2003, the lead plaintiffs filed a motion for reconsideration with the court with respect to the Securities Act claims. In that motion, they indicated they intend to replead their claims. We filed our response to this motion on October 24, 2003. No decision on the lead plaintiffs motion has been entered by the court.

We believe the plaintiff s claims in this matter are without merit and intend to vigorously defend ourselves. However, we cannot assure you that we will be found to have no liability in this matter.

Gregory Griffin, et. al. v. Rent-A-Center, Inc. On June 25, 2002, a suit originally filed by Gregory Griffin in state court in Philadelphia, Pennsylvania was amended to seek relief both individually and on behalf of a class of customers in Pennsylvania, alleging that we violated the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. The amended complaint asserted that our rental purchase transactions are, in fact, retail installment sales transactions, and as such, are not governed by the Pennsylvania Rental-Purchase Agreement Act, which was enacted after the adoption of the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices Act. Griffin s suit sought class-wide remedies, including injunctive relief, unspecified statutory, actual and treble damages, as well as attorney s fees and costs.

On December 13, 2002, the trial court dismissed the plaintiffs claims in this matter. The plaintiffs subsequently appealed. On December 2, 2003, the appellate court issued an opinion finding that the trial court properly ruled that our rental purchase agreements are governed by the Pennsylvania Rental-Purchase Agreement Act and not the Pennsylvania Goods and Services Installment Sales Act. In doing so, the appellate court reversed the trial court s dismissal of the plaintiffs amended complaint and remanded the case back to the trial court to allow the plaintiffs an opportunity to file an amended complaint under the Pennsylvania Rental-Purchase Agreement Act. In April 2004, we settled this matter in principle with the plaintiffs for a nominal amount.

Benjamin Griego, et al. v. Rent-A-Center, Inc., et al. This matter is a state-wide class action originally filed in San Diego, California on January 21, 2002 by Benjamin Griego. A similar matter, entitled *Arthur Carrillo, et al. v. Rent-A-Center, Inc., et al.*, filed on April 12, 2002 in Los Angeles, California, was coordinated with *Griego* in the Superior Court for the County of San Diego on September 10, 2002.

On February 28, 2003, the plaintiffs filed a consolidated amended complaint alleging various claims, including that our cash sales prices exceed the pricing permitted under the California Rental Purchase Act, that the guaranteed merchandise replacement benefit in the third-party membership program offered by us to our customers in California violates the prohibitions in the Rental Purchase Act relating to the sale of loss damage waiver and property insurance, that the membership program prematurely offers service contracts to our customers, and that the fee for the membership program is excessive. In addition, the plaintiffs allege that portions of our form of rental purchase agreement in California do not strictly comply with the type-size requirements under the Rental Purchase Act. The plaintiffs further allege that our rental purchase documentation improperly references certain merchandise as previously rented rather than used, does not contain all of the required disclosures and terms of the transaction, and includes language that the plaintiffs interpret as affording us rights not permitted under the applicable California statutes.

In accordance with a previously issued opinion from the California Legislative Counsel, we believe that the pricing formula utilized by us in California complies with the Rental Purchase Act. In addition, we believe that under

California case law, courts have found that arrangements similar to the guaranteed merchandise replacement benefit offered to our customers do not constitute insurance.

Upon notification of the alleged violations, we promptly modified our rental purchase documentation in California, including increasing the type-size in the relevant portion of our rental purchase agreements from 9-point type to 10-point type and modifying the language in our rental purchase documentation to, among other things, refer to previously rented merchandise as used. In addition, we dispute plaintiffs' interpretation of the language in our rental purchase agreement and note that the rights the plaintiffs contend were granted to us were never asserted by us. In connection with the revisions described above, we also modified our rental purchase documentation to clarify our disclosures and the disputed language. As part of that process, we promptly communicated to our California customers that their statutory rights remained intact. Accordingly, we believe that no harm to our customers could have occurred as a result of these claims.

The plaintiffs have not alleged specific damages in the amended complaint, but contend that no proof of actual harm or damage on the part of the individual consumer is necessary to establish recovery for these claims, which we vigorously dispute. Under the Rental Purchase Act, a consumer damaged by a violation of the Rental Purchase Act is entitled to recover actual damages, statutory damages equal to twenty-five percent of an amount equal to the total amount of payments to obtain ownership if all payments were made under the rental purchase agreement (but not less than \$100 nor more than \$1,000),

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

reasonable attorney's fees and court costs, exemplary damages for intentional or willful violations, and equitable relief. The Rental Purchase Act also provides that with respect to certain violations, a rental purchase agreement is voidable by the consumer. Furthermore, the statute provides that if a lessor willfully discloses a cash price that exceeds the price permitted under the statute, the contract is void and the consumer is entitled to keep the merchandise and recover a full refund of all payments. A consumer who suffers any damage from a violation of the Consumer Legal Remedies Act is entitled to recover actual damages, injunctive relief, restitution, punitive damages, certain civil penalties and attorneys' fees and costs.

On October 17, 2003, the plaintiffs filed their motion for class certification. On October 24, 2003, we filed a motion to dismiss certain of the plaintiffs' claims and on October 31, 2003, filed our opposition to the plaintiffs' motion for class certification. The hearing on our motion to dismiss and plaintiffs' motion for class certification was held on November 14, 2003. On December 4, 2003, the court denied our motion to dismiss and granted the plaintiffs' motion for class certification. The class definition includes our customers in California from February 1, 1999 through January 31, 2002, and encompasses customers who entered into approximately 400,000 rental purchase agreements. Such customers also purchased approximately 167,000 memberships. With respect to such rental purchase agreements, we believe that twenty-five percent of the total amount of payments to obtain ownership (the maximum percentage applicable to statutory damages) was approximately \$600 per agreement on average. On February 20, 2004, the court ruled that it would enter an order certifying the class described above and, with respect to the cash price claims, a sub-class of our customers during the same time period who rented electronic appliances and entertainment equipment. We believe this sub-class encompasses customers who entered into approximately 245,000 of the 400,000 rental purchase agreements, with an average revenue of approximately \$500 per agreement. On March 16, 2004, the court entered the certification order.

On February 13, 2004, we filed motions seeking rulings by the court on a series of legal questions applicable to plaintiffs' claims. The plaintiffs subsequently filed a cross-motion with respect to one of the legal questions. On April 2, 2004, the court ruled with respect to these motions. These rulings include that there is no requirement that class members prove actual damages resulting from violations of the Rental Purchase Act, and that the pricing formula referenced in the Rental Purchase Act is merely evidence of permissible cash prices under the Rental Purchase Act as opposed to a statutory determination of permissible cash prices. The court also ruled, without prejudice, that our service contracts made available under our membership program are offered and sold in violation of the Rental Purchase Act but agreed to allow us to present evidence to the contrary later in the proceeding. The court also concurred with our position that the contract terms for the membership program need not be contained in the rental purchase agreement.

A mediation with the plaintiffs' counsel was held on April 23, 2004, and discovery in the case is continuing. At the hearing on April 2, the court, at the request of the parties, indicated a willingness to postpone the currently scheduled June 18, 2004 trial date to a later date.

In light of the recent decisions by the court, we are reviewing various options, including the prospect of seeking a writ of review from the California Court of Appeal on certain of the trial court's recent rulings, reviewing the extent to which the trial court rulings, such as that regarding permissible cash prices, indicate a predominance of individualized claims justifying decertification of the class and exploring opportunities for a reasonable settlement of the case. In addition, we anticipate seeking a ruling from the trial court that any allowable statutory damages are limited to rental purchase agreements entered into within the one-year period prior to the plaintiffs' January 31, 2002 filing date, rather than the three-year period contended by plaintiffs due to California law provisions so limiting the imposition of mandatory civil penalties.

We continue to believe the claims in the plaintiffs' complaint are unfounded, that we have meritorious defenses to the allegations made and that a class should not have been certified by the court. We will continue to vigorously defend ourselves in this case, while seeking reasonable opportunities to resolve this matter. Nevertheless, we cannot assure you that we will be found to have no liability in this matter.

Carey Duron, et. al. v. Rent-A-Center, Inc. This matter is a putative class action filed on August 29, 2003 in the District Court of Jefferson County, Texas by Carey Duron, who alleges we violated certain provisions of the Texas Business and Commerce Code relating to late fees charged by us under our rental purchase agreements in Texas. In the complaint, Duron alleges that her contract provided for a percentage late fee greater than that permitted by Texas law, that she was charged and paid a late fee in excess of the amount permitted by Texas law and that we had a policy and practice of assessing and collecting late fees in excess of that allowed by Texas law. Duron has not alleged specific damages in the complaint, but seeks to recover actual damages, statutory damages, interest, reasonable attorney's fees and costs of court.

When this matter was filed, we promptly investigated Duron's allegations, including the formula we use to calculate late fees in Texas. While we do not believe the formula utilized by us during this time period violated Texas law, in late 2003, we sent written notice to approximately 29,500 of our Texas customers for whom we had records and who were potentially adversely impacted by our calculation. We also refunded approximately \$37,000 in the aggregate to the customers we could

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

locate. In taking these measures, we believe we complied with the curative measures provided for under the Texas statute. We also reprogrammed our computer system in Texas to modify the formula by which late fees are calculated.

On November 26, 2003, we filed a motion for summary judgment in this matter. On December 4, 2003, Duron filed her motion for class certification. On March 11, 2004, we were notified that the court denied our summary judgment motion and granted Duron's motion for class certification. The certified class includes our customers in Texas from August 29, 1999 through March 5, 2004 who were charged and paid a late fee in excess of the amount permitted by Texas law.

Under the Texas statute, a consumer damaged by a violation is entitled to recover actual damages, statutory damages equal to twenty-five percent of an amount equal to the total amount of payments required to obtain ownership of the merchandise involved (but not less than \$250 nor more than \$1,000), reasonable attorney's fees and court costs. With respect to the approximately 29,500 Texas customers for whom we have records (representing approximately two years of the recently certified class), we believe that twenty-five percent of the total amount of payments to obtain ownership (the maximum percentage applicable to statutory damages) under those rental purchase agreements was approximately \$600 per agreement on average.

We believe the claims in Duron's complaint are unfounded and that we have meritorious defenses to the allegations made. We further believe that a class should not have been certified by the court, and have appealed the court's certification order, which we are entitled to do as a matter of right under applicable Texas law. This matter has been stayed pending the decision on appeal. Although we intend to vigorously defend ourselves in this case, we cannot assure you that we will be found to have no liability in this matter.

State Wage and Hour Class Actions. We are subject to various actions filed against us in the states of Oregon, California and Washington alleging we violated the wage and hour laws of such states. As of March 31, 2004, we operated 24 stores in Oregon, 161 stores in California and 41 stores in Washington.

Rob Pucci, et. al. v. Rent-A-Center, Inc. On August 20, 2001, this putative class action was filed against us in state court in Multnomah County, Oregon alleging we violated various provisions of Oregon state law regarding overtime, lunch and work breaks, that we failed to pay all wages due to our Oregon employees, and various contract claims that we promised but failed to pay overtime. Pucci seeks to represent a class of all present and former executive assistants, inside/outside managers and account managers employed by us within the six year period prior to the filing of the complaint as to the contract claims, and three years as to the statutory claims, and seeks class certification, payments for all unpaid wages under Oregon law, statutory and civil penalties, costs and disbursements, pre- and post-judgment interest in the amount of 9% per annum and attorneys fees. On July 25, 2002, the plaintiffs filed a motion for class certification and on July 31, 2002, we filed our motion for summary judgment. On January 15, 2003, the court orally granted our motion for summary judgment in part, ruling that the plaintiffs were prevented from recovering overtime payments at the rate of time and a half, but stated that the plaintiffs may recover straight-time to the extent plaintiffs could prove purported class members worked in excess of forty hours in a work week but were not paid for such time worked. The court denied our motion for summary judgment on the remaining claims. We strongly disagree with the court's rulings against our positions and requested that the court grant us interlocutory appeal on those matters. The plaintiffs filed a motion for summary judgment seeking to resolve certain factual issues related to the purported class, which was denied on July 1, 2003. On October 10, 2003, the court issued an opinion letter stating that it would certify a class and not permit an interlocutory appeal, and issued its written order to that effect on December 9, 2003. We subsequently filed a petition for a writ of mandamus with the Oregon Supreme Court, which was denied on January 24, 2004. We intend to continue to challenge the appropriateness of the court's class certification. Although we believe the court's certification ruling is inappropriate and that the claims remaining in this case are without merit,

we cannot assure you we will be found to have no liability in this matter.

Jeremy Burdusis, et al. v. Rent-A-Center, Inc., et al./Israel French, et al. v. Rent-A-Center, Inc. These matters pending in Los Angeles, California were filed on October 23, 2001, and October 30, 2001, respectively, and allege similar violations of the wage and hour laws of California as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in *Burdusis*. The *Burdusis* and *French* proceedings are pending before the same judge in California. On March 24, 2003, the *Burdusis* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On April 25, 2003, the plaintiffs in *Burdusis* filed a notice of appeal of that ruling, and on May 8, 2003, the *Burdusis* court, at our request, stayed further proceedings in *Burdusis* and *French* pending the resolution on appeal of the court's denial of class certification in *Burdusis*. On October 30, 2003, the plaintiffs' counsel in *Burdusis* and *French* filed a new non-class lawsuit in Orange County, California entitled *Kris Corso, et al. v. Rent-A-Center, Inc.* The plaintiffs' counsel later amended this complaint to add additional plaintiffs, totaling approximately 339 individuals. The claims made are substantially the same as those in *Burdusis*. On January 16, 2004, we

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

filed a demurrer to the complaint, arguing, among other things, that the plaintiffs in *Corso* were misjoined. On February 19, 2004, the court granted our demurrer on the misjoinder argument, with leave for the plaintiffs to replead. On March 8, 2004, the plaintiffs filed an amended complaint in *Corso*, increasing the number of plaintiffs to approximately 540. The claims in the amended complaint are substantially the same as those in *Burdusis*. We filed a demurrer with respect to the amended complaint on April 12, 2004.

Kevin Rose, et al. v. Rent-A-Center, Inc. et al. This matter pending in Clark County, Washington was filed on June 26, 2001, and alleges similar violations of the wage and hour laws of Washington as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in this matter. On May 14, 2003, the *Rose* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On June 3, 2003, the plaintiffs in *Rose* filed a notice of appeal. On September 8, 2003, the Commissioner appointed by the Court of Appeals denied review of the *Rose* court decision. On October 10, 2003, the *Rose* plaintiffs filed a motion seeking to modify the Commissioner's ruling, to which we responded on October 30, 2003. The Court of Appeals denied the plaintiffs' motion on November 26, 2003. Following the denial by the Court of Appeals, the plaintiffs' counsel filed 14 county-wide putative class actions in Washington with substantially the same claims as in *Rose*. The purported classes in these county-wide class actions range from approximately 20 individuals to approximately 100 individuals. In December 2003, we filed motions to dismiss the class allegations in each of the county-wide actions, arguing that the plaintiffs were collaterally estopped by virtue of the previous ruling in *Rose* denying state-wide class certification. Three of these motions were subsequently granted and one is still pending before the court. Accordingly, ten of the county-wide claims are proceeding as putative class actions, three are proceeding on an individual plaintiff basis and one has not been decided by the court. The plaintiffs have not filed motions to certify a class in any of the putative county-wide class actions. In the event they do so, we intend to vigorously oppose class certification.

Although the wage and hour laws and class certification procedures of Oregon, California and Washington contain certain differences that could cause differences in the outcome of the pending litigation in these states, we believe the claims of the purported classes involved in each are without merit. We cannot assure you, however, that we will be found to have no liability in these matters.

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES****Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

In October 2003, we eliminated our then current stock repurchase program and adopted a new stock repurchase program which allows us to repurchase up to \$100.0 million in aggregate purchase price of our common stock. As of March 31, 2004, we had repurchased \$35.2 million in aggregate purchase price of our common stock under our new stock repurchase program. In the first quarter of 2004, we effected the following repurchases of our common stock:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31	0	\$ 0.0000	0	\$73,163,267
February 1 through February 29	266,300	\$31.4663	266,300	\$64,783,791
March 1 through March 31	0	\$ 0.0000	0	\$64,783,791
Total	266,300	\$31.4663	266,300	\$64,783,791

Item 6. Exhibits and Reports on Form 8-K.**Current Reports on Form 8-K**

None.

Exhibits

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

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

By: /s/ Robert D. Davis
Robert D. Davis
Senior Vice President-Finance,
Chief Financial Officer and Treasurer

Date: July 30, 2004

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES****INDEX TO EXHIBITS**

Exhibit Number	Exhibit Description
2.1(1)	Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc. and Rent-Way, Inc., Rent-Way of Michigan, Inc. and Rent-Way of TTIG, L.P. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
2.2(2)	Letter Agreement, dated December 31, 2002
2.3(3)	Letter Agreement, dated January 7, 2003
2.4(4)	Letter Agreement, dated February 7, 2003
2.5(5)	Letter Agreement, dated February 10, 2003 (Pursuant to the rules of the SEC, the exhibit has been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.)
2.6(6)	Letter Agreement, dated March 10, 2003 (Pursuant to the rules of the SEC, the exhibit has been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.)
2.7(7)	Agreement and Plan of Merger, dated as of February 4, 2004, by and between Rent-A-Center, Inc., Eagle Acquisition Sub, Inc. and Rainbow Rentals, Inc. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
2.8*	Agreement and Plan of Merger, dated as of April 28, 2004, by and between Rent-A-Center, Inc., RAC RR, Inc. and Rent Rite, Inc. d/b/a Rent Rite Rental Purchase (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
3.1(8)	Certificate of Incorporation of Rent-A-Center, Inc., as amended
3.2(9)	Amended and Restated Bylaws of Rent-A-Center, Inc.
4.1(10)	Form of Certificate evidencing Common Stock
4.2(11)	Certificate of Elimination of Series A Preferred Stock
4.3(12)	Certificate of Designations, Preferences and relative Rights and Limitations of Series C Preferred Stock of Rent-A-Center, Inc.

- 4.4(13) Form of Certificate evidencing Series C Preferred Stock
- 4.5(14) Indenture, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and The Bank of New York, as Trustee
- 4.6(15) First Supplemental Indenture, dated as of December 4, 2003, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee
- 4.7* Second Supplemental Indenture, dated as of April 26, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee
- 4.8(16) Form of 2003 Exchange Note
- 10.1(17)+ Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan
- 10.2(18) Amended and Restated Credit Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, among Rent-A-Center, Inc., Rent-A-Center East, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent, and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent
- 10.3(19) First Amendment, dated as of April 22, 2003, to the Amended and Restated Credit Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, among Rent-A-Center, Inc., Rent-A-Center East, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent, and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent
- 10.4(20) Credit Agreement, dated as of May 28, 2003, among Rent-A-Center, Inc., Morgan Stanley Senior Funding Inc., as Documentation Agent, JPMorgan Chase Bank and Bear, Stearns & Co. Inc., each as Syndication Agent, and Lehman Commercial Paper Inc., as Administrative Agent
- 10.5(21) Guarantee and Collateral Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, made by Rent-A-Center, Inc., Rent-A-Center East, Inc. and certain of its

Table of Contents**RENT-A-CENTER, INC. AND SUBSIDIARIES**

Exhibit Number	Exhibit Description
	Subsidiaries in favor of JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent
10.6(22)	Guarantee and Collateral Agreement, dated as of May 28, 2003, made by Rent-A-Center, Inc., Rent-A-Center East, Inc. and certain of its Subsidiaries in favor of Lehman Commercial Paper Inc., as Administrative Agent
10.7(23)	First Amendment, dated as of May 28, 2003, to the Credit Agreement and the Guarantee and Collateral Agreement, both dated as of May 28, 2003, among Rent-A-Center, Inc., Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Remco America, Inc., Get It Now LLC, Rent-A-Center Texas, L.P., Rent-A-Center Texas, L.L.C. and Lehman Commercial Paper, Inc., as administrative agent.
10.8(24)	Second Amended and Restated Stockholders Agreement, dated as of August 5, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.9(25)	Third Amended and Restated Stockholders Agreement, dated as of December 31, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.10(26)	Fourth Amended and Restated Stockholders Agreement, dated as of July 11, 2003, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.11(27)	Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P.
10.12(28)	Second Amendment to Registration Rights Agreement, dated as of August 5, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
10.13(29)	Third Amendment to Registration Rights Agreement, dated as of December 31, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
10.14(30)	Fourth Amendment to Registration Rights Agreement, dated as of July 11, 2003, by and between Rent-A-Center, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P.
10.15(31)	Registration Rights Agreement, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and Lehman Commercial Paper Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., UBS Warburg LLC and Wachovia Securities, Inc., as Initial Purchasers
10.16(32)	

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Amended and Restated Franchisee Financing Agreement, dated March 27, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.

- 10.17(33) Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc.
- 10.18(34) First Amendment to Franchisee Financing Agreement, dated July 23, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
- 10.19(35) Second Amendment to Franchisee Financing Agreement, dated September 30, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
- 10.20(36) Third Amendment to Franchisee Financing Agreement, dated March 24, 2003, but effective as of December 31, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
- 10.21(37) Supplemental Letter Agreement to Franchisee Financing Amendment, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc.
- 10.22(38) Amended and Restated Franchise Financing Agreement, dated October 1, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc.
- 10.23(39) First Amendment to Amended and Restated Franchisee Financing Agreement, dated December 15, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc.
- 10.24* Second Amendment to Amended and Restated Franchisee Financing Agreement, dated as of March 1, 2004, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc.
- 10.25(40) Purchase Agreement, dated May 1, 2003, among Rent-A-Center, Inc., Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P., Rent-A-

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit Number	Exhibit Description
	Center Texas, L.L.C., Lehman Brothers Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., UBS Warburg LLC and Wachovia Securities, Inc. (Pursuant to the rules of the SEC, the schedules and annexes have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and annexes to the SEC.)
10.25(41)	Stock Purchase and Exchange Agreement, dated April 25, 2003, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and Rent-A-Center, Inc.
21.1*	Subsidiaries of Rent-A-Center, Inc.
31.1*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
31.2*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
32.2*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

* Filed herewith.

+ Management contract or compensatory plan or arrangement

- (1) Incorporated herein by reference to Exhibit 2.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (2) Incorporated herein by reference to Exhibit 2.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (3) Incorporated herein by reference to Exhibit 2.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (4) Incorporated herein by reference to Exhibit 2.5 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (5) Incorporated herein by reference to Exhibit 2.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (6) Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

- (7) Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003
- (8) Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002
- (9) Incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K dated as of December 31, 2002
- (10) Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-4 filed on January 11, 1999
- (11) Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
- (12) Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

- (13) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (14) Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003
- (15) Incorporated herein by reference to Exhibit 4.6 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003
- (16) Incorporated herein by reference to Exhibit 4.11 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (17) Incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
- (18) Incorporated herein by reference to Exhibit 10.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (19) Incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on form 10-Q for the quarter ended March 31, 2003
- (20) Incorporated herein by reference to Exhibit 10.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (21) Incorporated herein by reference to Exhibit 10.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (22) Incorporated herein by reference to Exhibit 10.6 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (23) Incorporated herein by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003
- (24) Incorporated herein by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002
- (25) Incorporated herein by reference to Exhibit 10.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (26) Incorporated herein by reference to Exhibit 10.15 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (27) Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (28) Incorporated herein by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

- (29) Incorporated herein by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (30) Incorporated herein by reference to Exhibit 10.10 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (31) Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003
- (32) Incorporated herein by reference to Exhibit 10.13 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

- (33) Incorporated herein by reference to Exhibit 10.14 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002
- (34) Incorporated herein by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002
- (35) Incorporated herein by reference to Exhibit 10.14 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002
- (36) Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
- (37) Incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (38) Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (39) Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003
- (40) Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003
- (41) Incorporated herein by reference to Exhibit 99(d)(1) to the registrant's Schedule TO filed on April 28, 2003