UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

or

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

Commission File No. 0-25370

Rent-A-Center, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**45-0491516**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

5501 Headquarters Drive
Plano, Texas 75024
(Address, including zip code of registrant's principal executive offices)

Registrant's telephone number, including area code: **972-801-1100**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	**The Nasdaq Global Select Market, Inc.**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☑

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

Aggregate market value of the 58,202,180 shares of Common Stock held by non-affiliates of the registrant at the closing sales price as reported on The Nasdaq Global Select Market, Inc. on June 30, 2008	**$**	**1,197,218,843**
Number of shares of Common Stock outstanding as of the close of business on February 20, 2009:		**65,986,784**

Documents incorporated by reference:

Portions of the definitive proxy statement relating to the 2009 Annual Meeting of Stockholders of Rent-A-Center, Inc. are incorporated by reference into Part III of this report.

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PART I

Item 1. ***Business.***

Overview

Unless the context indicates otherwise, references to "we," "us" and "our" refers to the consolidated business operations of Rent-A-Center, Inc., the parent, and all of its direct and indirect subsidiaries.

We are the largest operator in the United States rent-to-own industry with an approximate 38% market share based on store count. At December 31, 2008, we operated 3,037 company-owned stores nationwide and in Canada and Puerto Rico, including 31 retail installment sales stores under the names "Get It Now" and "Home Choice" and eight rent-to-own stores located in Canada operating under the name "Rent-A-Centre." Our subsidiary, ColorTyme, is a national franchisor of rent-to-own stores. At December 31, 2008, ColorTyme had 222 franchised rent-to-own stores in 34 states. These franchise stores represent an additional 3% market share based on store count.

Our stores generally offer high quality, durable products such as major consumer 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. The rental purchase transaction is a flexible alternative for consumers to obtain the use and enjoyment of brand name merchandise without incurring debt. Key features of the rental purchase transaction include:

- convenient payment options — in-store or over the phone;
- no long-term obligations;
- right to terminate without penalty;
- no requirement of a credit history;
- set-up and delivery included at no additional charge;
- product maintenance;
- lifetime reinstatement; and
- flexible options to obtain ownership — 90 days same as cash, early purchase options, or payment through the term of the agreement.

We offer well known brands such as Sony, Philips, LG, Hitachi, Toshiba and Mitsubishi home electronics, Whirlpool appliances, Toshiba, Sony, Hewlett-Packard and Dell computers and Ashley, England and Klaussner furniture. We also offer high levels of customer service, including repair, pickup and delivery, generally at no additional charge. Our customers benefit from the ability to return merchandise at any time without further obligation and make payments that build toward ownership. We estimate that approximately 75% of our business is from repeat customers.

We also offer financial services products, such as short term secured and unsecured loans, debit cards, check cashing, tax preparation and money transfer services, in some of our existing rent-to-own stores under the trade names "RAC Financial Services" and "Cash AdvantEdge." As of December 31, 2008, we offered some or all of these financial services products in 351 Rent-A-Center store locations in 18 states.

We were incorporated in Delaware in 1986. Our principal executive offices are located at 5501 Headquarters Drive, Plano, Texas 75024. Our telephone number is (972) 801-1100 and our company website is www.rentacenter.com. We do not intend for information contained on our website to be part of this Form 10-K. We make available free of charge on or through our website our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Additionally, we voluntarily will provide electronic or paper copies of our filings free of charge upon request.

Industry Overview

According to the Association of Progressive Rental Organizations, the rent-to-own industry in the United States and Canada consists of approximately 8,500 stores and serves approximately 3.0 million households. We estimate that the two largest rent-to-own industry participants account for approximately 4,800 of the total number of stores, and the majority of the remainder of the industry consists of operations with fewer than 50 stores. The rent-to-own industry is highly fragmented and has experienced significant consolidation. We believe this consolidation trend in the industry will continue, presenting opportunities for us to continue to acquire additional stores or customer accounts on favorable terms.

The rent-to-own industry serves a highly diverse customer base. According to the Association of Progressive Rental Organizations, approximately 73% of rent-to-own customers have household incomes between $15,000 and $50,000 per year. The rent-to-own industry serves 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. The Association of Progressive Rental Organizations also estimates that 95% of customers have high school diplomas. According to an April 2000 Federal Trade Commission study, 75% of rent-to-own customers were satisfied with their experience with rent-to-own transactions. The study noted that customers gave a wide variety of reasons for their satisfaction, including “the ability to obtain merchandise they otherwise could not; the low payments; the lack of a credit check; the convenience and flexibility of the transaction; the quality of the merchandise; the quality of the maintenance, delivery, and other services; the friendliness and flexibility of the store employees; and the lack of any problems or hassles.”

Historical Growth

From 1993 to 2006, we pursued an aggressive growth strategy in which we sought to acquire underperforming rent-to-own stores to which we could apply our operating model as well as open new stores. Since March 1993, our company-owned store base has grown from 27 to 3,037 at December 31, 2008, primarily through acquisitions, including the acquisition in November 2006 of Rent-Way, Inc. (“Rent-Way”), which operated 782 stores in 34 states. During this period, we acquired over 3,600 stores, including approximately 400 of our franchised stores. These acquisitions occurred in approximately 240 separate transactions, including ten transactions where we acquired in excess of 50 stores. In addition, we strategically opened or acquired stores near market areas served by existing stores (“cannibalized”) to enhance service levels, gain incremental sales and increase market penetration.

The following table summarizes the store growth activity over the last three fiscal years:

	2008	2007	2006
Stores at beginning of period	3,081	3,406	2,760
New store openings	26	27	40
Acquired stores remaining open	5	14	646
Closed stores(1)			
Merged with existing stores	45	363	25
Sold or closed with no surviving store	30	3	15
Stores at end of period	3,037	3,081	3,406
Acquired stores closed and accounts merged with existing stores	38	36	164
Total approximate purchase price of acquisitions	$15.7 million	$20.1 million	$657.4 million

(1) Substantially all of the merged, sold or closed stores in 2008 and 2007 relate to our store consolidation plans discussed below and in more detail in Note F, Restructuring, in the Notes to the Consolidated Financial Statements on page 59.

Store Consolidation. We believe our aggressive store acquisition program and our planned cannibalization resulted in over penetration in some markets. We continually evaluate every market in which we operate by reviewing operating results, competitive positioning, and growth potential. As a result of such review in December 2007, we committed to a store consolidation plan pursuant to which we closed or merged 282 stores as of December 31, 2008.

Future Store Growth. We continue to believe there are attractive opportunities to expand our presence in the rent-to-own industry both nationally and internationally. We plan to continue opening new stores in targeted markets and acquiring existing rent-to-own stores and store account portfolios. We will focus new market penetration in adjacent areas or regions that we believe are underserved by the rent-to-own industry. In addition, we intend to pursue our acquisition strategy of targeting under-performing and under-capitalized rent-to-own stores. We also intend to continue to critically evaluate the markets in which we operate and will close, sell or merge underperforming stores.

Competitive Strengths

We believe the following competitive strengths position us well for continued growth:

Geographic Footprint. At December 31, 2008, we operated 3,037 stores nationwide and in Canada and Puerto Rico. In addition, our subsidiary, ColorTyme, franchised 222 stores in 34 states. We believe the number and location of our stores combined with the strength of our brand provides us with a unique platform from which to market additional products and services to our customer demographic. The following table shows the geographic distribution of our stores:

	Number of Stores		
Location	Company Owned	With Financial Services	Franchised
Alabama	60	—	5
Alaska	6	5	4
Arizona	58	6	—
Arkansas	39	—	1
California	139	—	5
Colorado	44	13	1
Connecticut	40	—	1
Delaware	20	—	—
District of Columbia	4	—	—
Florida	188	—	20
Georgia	88	—	12
Hawaii	11	7	5
Idaho	11	6	3
Illinois	110†	—	8
Indiana	101	—	4
Iowa	27	11	—
Kansas	34	13	8
Kentucky	67	20	3
Louisiana	45	—	5
Maine	28	—	9
Maryland	65	—	11
Massachusetts	69	—	1
Michigan	104	—	9
Minnesota	4*	—	—
Mississippi	35	—	1
Missouri	65	16	—
Montana	9	5	—
Nebraska	14	1	—
Nevada	23	4	—
New Hampshire	20	—	1
New Jersey	44	—	—
New Mexico	26	10	9
New York	178	—	3
North Carolina	133	—	15
North Dakota	3	—	—
Ohio	183	51	4
Oklahoma	44	—	6
Oregon	27	—	4
Pennsylvania	152	—	3
Puerto Rico	43	—	—
Rhode Island	16	—	2
South Carolina	67	—	6
South Dakota	4	—	—
Tennessee	91	37	4
Texas	292	113	35
Utah	16	8	—
Vermont	9	—	—
Virginia	70	—	11
Washington	44	25	3
West Virginia	33	—	—
Wisconsin	21*	—	—
Wyoming	5	—	—
Canada	8	—	—
TOTAL	3,037	351	222

* Retail installment stores

† Includes six retail installment stores

Management Expertise. Our management team at both the corporate and operational levels is highly experienced and motivated. Our executive management team has extensive experience in the rent-to-own industry with over 100 combined years of service with us and has demonstrated the ability to grow our business through their operational leadership and strategic vision.

Financial Strength. Historically, our operations have generated strong cash flow, averaging $210.2 million in operating cash flow per year since 1998. As a result, we have been able to invest in acquisitions and new business opportunities while maintaining a strong balance sheet.

Collections. The breadth of our store locations also provides us with the operational infrastructure to support our collection efforts. The ability to timely and personally contact customers through our local field personnel is critical to our ability to collect payments or regain possession of rented merchandise. In addition, we believe we have developed lasting relationships with our customers, as well as obtained extensive knowledge of our targeted customer demographic, through our collection experience.

Integration Experience. We have gained significant experience in the acquisition and integration of other rent-to-own operators and believe the fragmented nature of the rent-to-own industry will result in ongoing consolidation opportunities. Acquired stores benefit from our improved product mix, sophisticated management information system, purchasing power and administrative network.

Strategy

We intend to capitalize on our competitive strengths and continue to build our position as a leading provider of products and services to cash and credit constrained consumers by focusing our strategic efforts on the following:

- enhancing the operations, revenue and profitability of our store locations;
- seeking additional distribution channels for our products and services;
- leveraging our financial strength; and
- strengthening customer relationships through community involvement.

Enhancing the Operations, Revenue and Profitability of Our Store Locations

We continually seek to improve store performance through strategies intended to produce gains in operating efficiency, revenue and profitability. For example, we continue to focus our operational personnel on prioritizing store profit growth, including increasing store revenue and managing store level operating expenses.

We believe we will achieve further gains in revenues and operating margins in both existing and newly acquired stores by continuing to:

- use consumer focused advertising, including direct mail, television, radio and print media, which highlights the appealing features of our services to increase store traffic and expand our customer base;
- focus on the customer experience, both in our store locations, as well as on our website;
- focus on improving the operations in our existing financial services store locations;
- respond to competitive pressures on a market by market basis with specifically tailored action plans;
- acquire customer accounts;
- expand the offering of product lines to appeal to more customers to increase the number of transactions and grow our customer base;
- evaluate other growth strategies, including the entry into additional lines of business offering products and services designed to appeal to our customer demographic;
- employ strict store-level cost control;
- analyze and evaluate store operations against key performance indicators; and
- use a revenue and profit based incentive pay plan.

Seeking Additional Distribution Channels for Our Products and Services

We believe there are opportunities for us to obtain new customers through sources other than our existing rent-to-own stores. Through agreements with other retailers, we intend to offer the rent-to-own transaction to consumers who do not qualify for financing from such retailer, offering the consumer the opportunity to obtain the merchandise they want or need. There can be no assurance that we will be successful in our efforts to expand our distribution channels by entering into such agreements with other retailers, or that such operations, should they be added, will prove to be profitable.

Leveraging our Financial Strength

We believe we can leverage our financial strength by investing significantly in people, processes and technology to reduce our cost infrastructure. We are focused on lowering operating expenses through our investments in centralized inventory purchasing, centralized procurement, and enhanced information management systems. We believe the creation of a centralized inventory purchasing system will allow us to better manage our inventory at the store level while expanding availability of the most popular products. The development of an on-line procurement tool and careful review of our processes has allowed us to reduce many of our store-level expenses. We believe our financial strength allows us to pursue these and other initiatives while also making strategic use of our cash to enhance our balance sheet.

Strengthening Customer Relationships through Community Involvement

We seek to further strengthen relationships with our customers through community involvement both at the local store level and as a company through corporate donations and initiatives. We encourage the management of each of our stores to involve themselves with their respective local communities. In addition, we participate in various programs, including the following:

- Since 2002, co-workers at our headquarters facility in Plano, Texas have worked to fight hunger through the North Texas Food Bank. On a national basis, we have committed $500,000 over four years in the fight to end hunger.
- Each spring, we raise funds for Big Brothers Big Sisters of America. With a donation of $1 or more, customers, co-workers and the community sign their name on a paper spring egg to hang in our stores. Since 2003, we have donated more than $1.4 million.
- In 2004, we established the Make A Difference Scholarship which provides $50,000 annually to customers, their children and our co-workers' children who are pursuing an undergraduate degree at the college or university of their choice.
- Since 2005, we have teamed up with Boys & Girls Clubs to furnish special "RAC" Rooms to the centers that need them most. Each year, we create 20 new RAC Rooms around the country. Clubs choose the merchandise they need, including furniture, televisions, electronics and computers.
- We pledged $800,000 over four years in grants to Junior Achievement offices in communities across the U.S. as part of our commitment to promoting financial literacy in our communities. Our program with Junior Achievement assures that financial literacy programs will be taught to children in grades K-12 in schools where at least 51% of students qualify for free or reduced lunch.
- Random Acts of Caring brings unexpected gifts to people and organizations that serve others. Examples include furnishing rooms in three fire stations in New York and donating $5,000 to the FDNY Foundation, and providing Summit Academy, a school for children with special learning needs in Warren, Ohio, with six computers and two HDTV's.

Rent-A-Center Store Operations

Store Design

Our stores average approximately 4,700 square feet and are located primarily in strip centers. Because we utilize “just in time” inventory strategies, receiving merchandise shipments in relatively small quantities directly from vendors, we are able to dedicate approximately 75% of the store space to showroom floor, and also eliminate warehousing costs.

Product Selection

Our stores generally offer merchandise from four basic product categories: major consumer electronics, appliances, computers and furniture and accessories. Although we seek to maintain sufficient inventory in our stores to offer customers a wide variety of models, styles and brands, we generally limit inventory to prescribed levels to maintain strict inventory controls. We seek to provide a wide variety of high quality merchandise to our customers, and we emphasize high-end products from name-brand manufacturers. For the year ended December 31, 2008, consumer electronic products accounted for approximately 35% of our store rental revenue, furniture and accessories for 33% and appliances and computers for 16% each. Customers may request either new merchandise or previously rented merchandise. Previously rented merchandise is generally offered at the same weekly or monthly rental rate as is offered for new merchandise, but with an opportunity to obtain ownership of the merchandise after fewer rental payments.

Major consumer electronic products offered by our stores include high definition televisions, home theatre systems, video game consoles and stereos from top name-brand manufacturers such as Sony, Nintendo, Philips, LG, Hitachi, Toshiba and Mitsubishi. We offer major appliances manufactured by Whirlpool, including refrigerators, washing machines, dryers, freezers and ranges. We offer desktop and laptop computers from Toshiba, Sony, Hewlett Packard and Dell. We offer a variety of furniture products, including dining room, living room and bedroom furniture featuring a number of styles, materials and colors. We offer furniture made by Ashley, England and Klaussner and other top name-brand manufacturers. Accessories include pictures, lamps and tables and are typically rented as part of a package of items, such as a complete room of furniture. Showroom displays enable customers to visualize how the product will look in their homes and provide a showcase for accessories.

Rental Purchase Agreements

Our customers generally enter into weekly, semi-monthly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain title to the merchandise during the term of the rental purchase agreement. Ownership of the merchandise generally transfers to the customer if the customer has continuously renewed the rental purchase agreement for a period of seven to 30 months, depending upon the product type, or exercises a specified early purchase option. We do not conduct a formal credit investigation of each customer. We do require a potential customer to provide store management with sufficient personal information to allow us to verify their residence and sources of income. References listed by the customer are also contacted to verify the information contained in the customer’s rental purchase order form. Rental payments are generally made in the store or by telephone. We accept cash and credit or debit cards. Approximately 86% of our agreements are on a weekly term. Depending on state regulatory requirements, we may charge for the reinstatement of terminated accounts or collect a delinquent account fee, and collect loss/damage waiver fees from customers desiring product protection in case of theft or certain natural disasters. These fees are standard in the industry and may be subject to government-specified limits. Please read the section entitled “— Government Regulation.”

Product Turnover

On average, a minimum rental term of 18 months is generally required to obtain ownership of new merchandise. Approximately 25% of our initial rental purchase agreements are taken to the full term of the agreement. The average total life for each product is approximately 20 months, which includes the initial rental period, all re-rental periods and idle time in our system. To cover the relatively high operating expenses generated by greater product turnover, rental purchase agreements require higher aggregate payments than are generally charged under other types of purchase plans, such as installment purchase or credit plans.

Customer Service

We generally offer same day or 24-hour delivery and installation of our merchandise at no additional cost to the customer. We provide any required service or repair without additional charge, except for damage in excess of normal wear and tear. Repair services are provided through our national network of 24 service centers, the cost of which may be reimbursed by the vendor if the item is still under factory warranty. If the product cannot be repaired at the customer's residence, we provide a temporary replacement while the product is being repaired. Generally, the customer is fully liable for damage, loss or destruction of the merchandise, unless the customer purchases an optional loss/damage waiver covering the particular loss. Most of the products we offer are covered by a manufacturer's warranty for varying periods which, subject to the terms of the warranty, is transferred to the customer in the event that the customer obtains ownership.

Collections

Store managers use our management information system to track collections on a daily basis. For fiscal years 2008, 2007, and 2006, the average week ending past due percentages were 6.38%, 6.43% and 6.58%, respectively. Our goal was to have no more than 5.99% of our rental agreements past due one day or more each Saturday evening in the three years. For the 2009 fiscal year, our goal remains the same at 5.99%. If a customer fails to make a rental payment when due, store personnel will attempt to contact the customer to obtain payment and reinstate the agreement, or will terminate the account and arrange to regain possession of the merchandise. We attempt to recover the rental items as soon as possible following termination or default of a rental purchase agreement, generally by the seventh day. Collection efforts are enhanced by the personal and job-related references required of customers, the personal nature of the relationships between store employees and customers and the fact that, following a period in which a customer is temporarily unable to make payments on a piece of rental merchandise and must return the merchandise, that customer generally may re-rent a piece of merchandise of similar type and age on the terms the customer enjoyed prior to that period.

Pursuant to the rental purchase agreements, customers who become delinquent in their rental payments and fail to return the rented merchandise are or may over time become liable for accrued rent through the date the merchandise is finally returned or the amount of the early purchase option or, if the merchandise is not returned before expiration of the original term of weeks or months to ownership under the rental purchase agreement, then the total balance of payments necessary to acquire ownership of the merchandise. If the customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the ninetieth day following the time the account became past due. Charge offs in our rental stores due to customer stolen merchandise, expressed as a percentage of rental store revenues, were approximately 2.5% in 2008, 2.8% in 2007 and 2.4% in 2006.

Management

We organize our network of stores geographically with multiple levels of management. At the individual store level, each store manager is responsible for customer and account relations, delivery and collection of merchandise, inventory management, staffing, training store personnel and certain marketing efforts. Two times each week, store management is required to count the store's inventory on hand and compare the count to our accounting records, with the district manager performing a similar audit at least quarterly. In addition, our individual store managers track their daily store performance for revenue collected as compared to the projected performance of their store. Each store manager reports to a district manager within close proximity who typically oversees six to eight stores. Typically, a district manager focuses on developing the personnel in his or her district and ensuring all stores meet our quality, cleanliness and service standards. In addition, a district manager routinely audits numerous areas of the stores' operations. A significant portion of a district manager's and store manager's compensation is dependent upon store revenues and profits.

At December 31, 2008, we had 483 district managers who, in turn, reported to 76 regional directors. Regional directors monitor the results of their entire region, with an emphasis on developing and supervising the district managers in their region. Similar to the district managers, regional directors are responsible for ascertaining whether stores are following the operational guidelines. The regional directors report to 10 division vice presidents located throughout the country. The regional directors and division vice presidents receive a significant amount of their compensation based on the revenue and profitability of the stores under their management.

Our executive management team at the home office oversees field operations, with an overall strategic focus. The executive management team directs and coordinates advertising, purchasing, financial planning and controls, employee training, personnel matters, acquisitions and new store initiatives. The centralization and coordination of such operational matters allows our store managers to focus on individual store performance. A portion of our executive management compensation is determined by the profits generated by us.

Management Information Systems

Through a licensing agreement with High Touch, Inc., we utilize an integrated management information and control system. Each store is equipped with a computer system utilizing point of sale software developed by High Touch. This system tracks individual components of revenue, each item in idle and rented inventory, total items on rent, delinquent accounts, items in service and other account information. We electronically gather each day’s activity report, which provides our executive management with access to all operating and financial information concerning any of our stores, markets or regions and generates management reports on a daily, weekly, month-to-date and year-to-date basis for each store and for every rental purchase transaction. The system enables us to track all of our merchandise and rental purchase agreements, which often include more than one unit of merchandise. In addition, our bank reconciliation system performs a daily sweep of available funds from our stores’ depository accounts into our central operating account based on a formula from bank balances that is reconciled back to the balances reported by the stores. Our system also includes extensive management software, report-generating capabilities and a virtual private network. The virtual private network allows us to communicate with the stores more effectively and efficiently. Utilizing the management information system, our executive management, division vice presidents, regional directors, district managers and store managers closely monitor the productivity of stores under their supervision according to our prescribed guidelines.

The integration of our management information system, developed by High Touch, with our accounting system, developed by Lawson Software, Inc., facilitates the production of our internal financial statements. These financial statements are distributed monthly to all stores, markets, regions and our executive management team for their review.

Purchasing and Distribution

Our executive management determines the general product mix in our stores based on analyses of customer rental patterns and the introduction of new products on a test basis. Individual store managers are responsible for determining the particular product selection for their store from the list of products approved by executive management. Store and district managers make specific purchasing decisions for the stores, subject to review by executive management, on our online ordering system. Additionally, we have predetermined levels of inventory allowed in each store which restrict levels of merchandise that may be purchased. All merchandise is shipped by vendors directly to each store, where it is held for rental. We do not utilize any distribution centers. These practices allow us to retain tight control over our inventory and, along with our selection of products for which consistent historical demand has been shown, reduce the number of obsolete items in our stores. The stores also have online access to determine whether other stores in their market may have merchandise available. We are currently investing in new inventory management systems and processes to enhance further our inventory management.

We purchase the majority of our merchandise from manufacturers, who ship directly to each store. Our largest suppliers include Whirlpool and Ashley, who accounted for approximately 14.8% and 12.6%, respectively, of merchandise purchased in 2008. No other supplier accounted for more than 10% of merchandise purchased during this period. We do not generally enter into written contracts with our suppliers that obligate us to meet certain minimum purchasing levels. Although we expect to continue relationships with our existing suppliers, we believe there are numerous sources of products available, and we do not believe that the success of our operations is dependent on any one or more of our present suppliers.

Marketing

We promote the products and services in our stores through television and radio commercials, print advertisements, direct response and store signage, all of which are designed to increase our name recognition among our customers and potential customers. Our advertisements emphasize such features as product and name-brand selection, prompt delivery, price match, service at no extra cost, lifetime reinstatement and the absence of initial deposits, credit investigations or long-term obligations. In 2007, we began the "RAC Worry-Free Guarantee™" initiative to further highlight and promote these aspects of the rent-to-own transaction. In 2008, we introduced "Credit Free Life," an integrated campaign utilizing TV, radio, newspaper and e-mail initiatives, as well as an information microsite, to explain how a rent-to-own transaction can help consumers meet their needs without incurring debt. We believe that as the Rent-A-Center name gains familiarity and national recognition through our advertising efforts, we will continue to educate our customers and potential customers about the rent-to-own alternative to merchandise purchases as well as solidify our reputation as a leading provider of high quality branded merchandise and services.

Advertising expense as a percentage of store revenue for the years ended December 31, 2008, 2007 and 2006 was approximately 2.9%, 2.8% and 2.8%, respectively. As we obtain new stores in our existing market areas, the advertising expenses of each store in the market can generally be reduced by listing all stores in the same market-wide advertisement.

Competition

The rent-to-own industry is highly competitive. According to industry sources and our estimates, the two largest industry participants account for approximately 4,800 of the 8,500 rent-to-own stores in the United States and Canada. We are the largest operator in the rent-to-own industry with 3,037 stores and 222 franchised locations as of December 31, 2008. Our stores compete with other national and regional rent-to-own businesses, as well as with rental stores that do not offer their customers a purchase option. With respect to customers desiring to purchase merchandise for cash or on credit, we also compete with retail stores. Competition is based primarily on store location, product selection and availability, customer service and rental rates and terms.

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 with 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.

Retail Store Operations

As of December 31, 2008, we operated 31 stores utilizing a retail model which generates installment credit sales through a retail sale transaction. Twenty-three of these stores operate under the name "Get It Now" and eight stores under the name "Home Choice." Our retail stores are located in Illinois, Minnesota and Wisconsin.

ColorTyme Operations

ColorTyme is our nationwide franchisor of rent-to-own stores. At December 31, 2008, ColorTyme franchised 222 stores in 34 states. These rent-to-own stores primarily offer high quality durable products such as home electronics, appliances, computers and furniture and accessories. During 2008, 15 new franchise locations were added, 17 were sold, of which 16 were sold to another Rent-A-Center subsidiary, and three stores closed.

All of the ColorTyme franchised stores use ColorTyme's trade names, service marks, trademarks and logos. All stores operate under distinctive operating procedures and standards. ColorTyme's primary source of revenue 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. As franchisor, ColorTyme receives royalties of 2.0% to 5.0% of the franchisees' monthly gross revenue and, generally, an initial fee up to $20,000 per new location for existing franchisees and up to $25,000 per location for new franchisees.

The ColorTyme franchise agreement generally requires the franchised stores to utilize specific computer hardware and software for the purpose of recording rentals, sales and other record keeping and central functions. ColorTyme retains the right to retrieve data and information from the franchised stores' computer systems. The franchise agreements also limit the ability of the franchisees to compete with other franchisees and provides us a right of first refusal to purchase the franchise location of a ColorTyme franchisee that wishes to exit the business.

The franchise agreement also requires the franchised stores to exclusively offer for rent or sale only those brands, types and models of products that ColorTyme has approved. The franchised stores are required to maintain an adequate mix of inventory that consists of approved products for rent as dictated by ColorTyme policy manuals. ColorTyme negotiates purchase arrangements with various suppliers it has approved. ColorTyme's largest suppliers are Ashley and Whirlpool, which accounted for approximately 18.5% and 11.0% of merchandise purchased by ColorTyme in 2008, respectively.

ColorTyme franchisees may also offer financial services, such as short term secured and unsecured loans, in addition to traditional rent-to-own products. In addition, some of ColorTyme's franchised stores offer custom rims and tires for sale or rental under the trade names "RimTyme" or "ColorTyme Custom Wheels." As of December 31, 2008, 42 ColorTyme stores operated by 17 separate franchisees offered financial services. Twelve ColorTyme stores operated by four separate franchisees offered tires and rims exclusively.

ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc. ("Wells Fargo"), who provides $35.0 million in aggregate financing to qualifying franchisees of ColorTyme generally 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 paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. The Wells Fargo agreement expires on September 30, 2010. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association ("Texas Capital Bank") under an agreement similar to the Wells Fargo financing. Rent-A-Center East, Inc., a subsidiary of Rent-A-Center, 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 $55.0 million, of which $24.5 million was outstanding as of December 31, 2008.

ColorTyme has established a national advertising fund for the franchised stores, whereby ColorTyme has the right to collect up to 3% of the monthly gross revenue from each franchisee as contributions to the fund. Currently, ColorTyme has set the monthly franchisee contribution at $250 per store per month. ColorTyme directs the advertising programs of the fund, generally consisting of advertising in print, television and radio. ColorTyme also has the right to require franchisees to expend 3% of their monthly gross revenue on local advertising.

ColorTyme licenses the use of its trademarks and servicemarks to its franchisees under the franchise agreement. ColorTyme owns various trademarks and servicemarks, including ColorTyme®, RimTyme®, and Your Hometown ColorTyme®, that are used in connection with its operations and have been registered with the United States Patent and Trademark office. The duration of these marks is unlimited, subject to periodic renewal and continued use.

Some of ColorTyme's franchisees may be in locations where they directly compete with our company-owned stores, which could negatively impact the business, financial condition and operating results of our company-owned stores.

Financial Services Operations

We offer financial services products, such as short term secured and unsecured loans, debit cards, check cashing, tax preparation and money transfer services under the trade names "RAC Financial Services" and "Cash AdvantEdge" within certain of our existing Rent-A-Center store locations. As of December 31, 2008, we offered some or all of these financial services products in 351 Rent-A-Center store locations in 18 states. We intend to focus our resources on improving the operations in these existing financial services store locations and do not plan to add significantly to the number of Rent-A-Center store locations offering financial services at this time.

Stores offering financial services products in addition to traditional rent-to-own products generally require one to two additional employees. Management of our financial services business is integrated with our rent-to-own operations, with five financial services regional directors and 44 financial services district managers reporting to our division vice presidents.

Our financial services business operates in a highly competitive industry. Similar financial services products are offered by large regional or national entities, smaller independent outlets and pawnshops. Competitive factors include location, service, maximum loan amount, repayment options and fees.

Trademarks

We own various trademarks and servicemarks, including Rent-A-Center®, that are used in connection with our operations and have been registered with the United States Patent and Trademark Office. The duration of our trademarks is unlimited, subject to periodic renewal and continued use. In addition, we have obtained trademark registrations in Canada. We believe we hold the necessary rights for protection of the trademarks and servicemarks essential to our business. The products held for rent in our stores also bear trademarks and servicemarks held by their respective manufacturers.

Employees

As of February 18, 2009, we had approximately 17,900 employees, of whom 575 are assigned to our headquarters and the remainder of whom are directly involved in the management and operation of our stores and service centers. The employees of the ColorTyme franchisees are not employed by us. While we have experienced limited union activity in the past, none of our employees are covered by a collective bargaining agreement. We believe relationships with our employees are generally good.

Government Regulation

Rental Purchase Transactions

State Regulation

Currently, 47 states, the District of Columbia and Puerto Rico have legislation regulating rental purchase transactions. We believe this existing legislation is generally favorable to us, as it defines and clarifies the various disclosures, procedures and transaction structures related to the rent-to-own business with which we must comply. With some variations in individual states, most related state legislation requires the lessor to make prescribed disclosures to customers about the rental purchase agreement and transaction, and provides time periods during which customers may reinstate agreements despite having failed to make a timely payment. Some state rental purchase laws prescribe grace periods for non-payment, prohibit or limit certain types of collection or other practices, and limit certain fees that may be charged. Nine states limit the total rental payments that can be charged. These limitations, however, generally do not become applicable unless the total rental payments required under an agreement exceed 2.0 times to 2.4 times the disclosed cash price or the retail value of the rental product.

Courts in each of Minnesota, which has a rental purchase statute, and Wisconsin and New Jersey, which do not have rental purchase statutes, have rendered decisions which classify rental purchase transactions as credit sales subject to consumer lending restrictions. Accordingly, in Minnesota and Wisconsin, we offer our customers an opportunity to purchase our merchandise through an installment sale transaction in our Get It Now and Home Choice stores. In New Jersey, we have modified our typical rental purchase agreements to provide disclosures, grace periods, and pricing that we believe conform with the retail installment sales act. We operate 25 Get It Now and Home Choice stores in Minnesota and Wisconsin, and 44 Rent-A-Center stores in New Jersey.

North Carolina has no rental purchase legislation. However, the retail installment sales statute in North Carolina expressly provides that lease transactions which provide for more than a nominal purchase price at the end of the agreed rental period are not credit sales under the statute. We operate 133 stores in North Carolina.

Legislation has been introduced in New York from time to time that would significantly amend that state's existing rental purchase statute. Recently introduced bills would impose significant pricing restrictions in New York and, if enacted as proposed, would have a material and adverse impact on our operations in New York. While predecessors of these bills have not received widespread support from members of either body of New York's legislature, we are unable to assure you that such adverse legislation will not be enacted in the future. We operate 178 stores in New York.

Federal Legislation

To date, no comprehensive federal legislation has been enacted regulating or otherwise impacting the rental purchase transaction. We do, however, comply with the Federal Trade Commission recommendations for disclosure in rental purchase transactions.

From time to time, we have supported legislation introduced in Congress that would regulate the rental purchase transaction. While both beneficial and adverse legislation may be introduced in Congress in the future, any adverse federal legislation, if enacted, could have a material and adverse effect on us.

There can be no assurance as to whether new or revised rental purchase laws will be enacted or whether, if enacted, the laws would not have a material and adverse effect on us.

Financial Services

Our financial services business is subject to regulation and supervision primarily at the state and federal levels. We intend to offer our financial services products only in those jurisdictions with favorable regulatory environments.

In those jurisdictions where we make consumer loans directly to consumers (currently all states in which we offer financial services other than Texas), we are a licensed lender where required and are subject to various state regulations regarding the terms of our short term consumer loans and our policies, procedures and operations relating to those loans. Typically, state regulations limit the amount that we may lend to any consumer and, in some cases, the number of loans or transactions that we may make to any consumer at one time or in the course of a year. These state regulations also typically restrict the amount of finance or service charges or fees that we may assess in connection with any loan or transaction and may limit a customer's ability to renew or "rollover" a loan.

We operate our financial services business in Texas under the Texas Credit Services Organization law which requires that we register as a Credit Services Organization ("CSO") with the Texas Secretary of State, pay a registration fee and post surety bonds for each location. The CSO may, for a fee, help a consumer obtain an extension of credit from an independent third-party lender. We must also comply with various disclosure requirements, which include providing the consumer with a disclosure statement and contract that detail the services to be performed by the CSO and the total cost of those services along with various other items. Additionally, the CSO must give a consumer the right to cancel the credit services agreement without penalty within 3 days after the agreement is signed.

We are subject to regulation in several jurisdictions in which we operate that require the registration or licensing of check cashing companies or regulate the fees that check cashing companies may impose. In some of these jurisdictions, we may be required to file fee schedules with the state or conspicuously post the fees charged for cashing checks by each branch. In some cases, we are required to meet minimum bonding or capital requirements and are subject to record-keeping requirements. We are licensed in each of the states or jurisdictions in which a license is currently required for us to operate as a check cashing company and have filed our schedule of fees with each of the states or other jurisdictions in which such a filing is required. To the extent those states have adopted ceilings on check cashing fees, the fees we currently charge are at or below the maximum ceiling.

In addition, our financial services business is subject to federal statutes and regulations such as the USA Patriot Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, the Anti-Money Laundering Act, and similar state laws.

In October 2006, U.S. federal legislation was enacted which limited our ability to offer financial services to active duty military personnel beginning in October 2007. There was no significant effect on our operations due to the restriction on lending to military personnel.

In 2008, legislation was enacted in Ohio which revised the statutes governing the short term consumer loan product we offered there at that time. The rate caps under the revised statute made it economically unfeasible to continue offering our loan products pursuant to that statute. As a result of this adverse legislation, we began offering alternative loan products and services in Ohio under other applicable provisions of Ohio law. We cannot assure you that we will be successful in offering these alternative products and services to consumers in Ohio, or whether such alternative products and services will prove to be economically feasible. We operate 51 stores in Ohio.

Legislative activity with respect to the financial services industry at the state and federal level continues to be significant. Both favorable and adverse legislation has been introduced in a number of states as well as in Congress. There can be no assurance as to whether new or revised financial services laws will be enacted or whether, if enacted, the laws would not have a material and adverse effect on us.

Item 1A. *Risk Factors.*

You should carefully consider the risks described below before making an investment decision. We believe these are the material risks currently facing our business. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should also refer to the other information included or incorporated by reference in this report, including our financial statements and related notes.

We may not be able to successfully increase revenue in our rent-to-own stores, which could cause our future earnings to grow more slowly or even decrease.

Our continued growth depends on our ability to increase sales in our existing rent-to-own stores. Our same store sales increased by 2.3%, 2.1% and 1.9% in 2008, 2007 and 2006, respectively. As a result of new store openings in existing markets and because mature stores will represent an increasing proportion of our store base over time, our same store revenues in future periods may be lower than historical levels. If we are unable to increase revenue in our rent-to-own stores, our earnings may grow more slowly or even decrease.

If we fail to effectively manage the growth, integration and profitability of our financial services business, we may not realize the economic benefit of our financial investment in such operations.

We face risks associated with integrating our financial services business into our existing operations, including further development of information technology and financial reporting systems. In addition, a newly opened financial services location generally does not attain positive cash flow during its first year of operations. Also, the financial services industry is highly competitive and regulated by federal, state and local laws.

Our expansion into the financial services business could place a significant demand on our management and our financial and operational resources. If we are unable to effectively implement our financial services business, we may not realize the operational benefits of our investment in the financial services business that we currently expect.

Rent-to-own transactions are regulated by law in most states. Any adverse change in these laws or the passage of adverse new laws could expose us to litigation or require us to alter our business practices.

As is the case with most businesses, we are subject to various governmental regulations, including specifically in our case, regulations regarding rent-to-own transactions. Currently, 47 states, the District of Columbia and Puerto Rico have passed laws regulating rental purchase transactions and one additional state has a retail installment sales statute that excludes rent-to-own transactions from its coverage if certain criteria are met. These laws generally require certain contractual and advertising disclosures. They also provide varying levels of substantive consumer protection, such as requiring a grace period for late fees and contract reinstatement rights in the event the rental purchase agreement is terminated. The rental purchase laws of nine states limit the total amount of rentals that may be charged over the life of a rental purchase agreement. Several states also effectively regulate rental purchase transactions under other consumer protection statutes. We are currently subject to litigation alleging that we have violated some of these statutory provisions.

Although there is currently no comprehensive federal legislation regulating rental purchase transactions, adverse federal legislation may be enacted in the future. From time to time, legislation has been introduced in Congress seeking to regulate our business. In addition, various legislatures in the states where we currently do business may adopt new legislation or amend existing legislation that could require us to alter our business practices.

Financial services transactions are regulated by federal law as well as the laws of certain states. Any adverse changes in these laws or the passage of adverse new laws with respect to the financial services business could slow our growth opportunities, expose us to litigation or alter our business practices in a manner that we may deem to be unacceptable.

Our financial services business is subject to federal statutes and regulations such as the USA Patriot Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, the Anti-Money Laundering Act, and similar state laws. In addition, we are subject to various state regulations regarding the terms of our short term consumer loans and our policies, procedures and operations relating to those loans, including the fees we may charge, as well as fees we may charge in connection with our other financial services products. The failure to comply with such regulations may result in the imposition of material fines, penalties, or injunctions. Congress and/or the various legislatures in the states where we currently operate or intend to offer financial services products may adopt new legislation or amend existing legislation with respect to our financial services business that could require us to alter our business practices in a manner that we may deem to be unacceptable, which could slow our growth opportunities.

We may be subject to legal proceedings from time to time which seek material damages. The costs we incur in defending ourselves or associated with settling any of these proceedings, as well as a material final judgment or decree against us, could materially adversely affect our financial condition by requiring the payment of the settlement amount, a judgment or the posting of a bond.

In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. We cannot assure you that we will not be the subject of similar lawsuits in the future. Significant settlement amounts or final judgments could materially and adversely affect our liquidity. The failure to pay any material judgment would be a default under our senior credit facilities and the indenture governing our outstanding subordinated notes.

Our debt agreements impose restrictions on us which may limit or prohibit us from engaging in certain transactions. If a default were to occur, our lenders could accelerate the amounts of debt outstanding, and holders of our secured indebtedness could force us to sell our assets to satisfy all or a part of what is owed.

Covenants under our senior credit facilities and the indenture governing our outstanding subordinated notes restrict our ability to pay dividends, engage in various operational matters, as well as require us to maintain specified financial ratios. Our ability to meet these financial ratios may be affected by events beyond our control. These restrictions could limit our ability to obtain future financing, make needed capital expenditures or other investments, repurchase our outstanding debt or equity, withstand a future downturn in our business or in the economy, dispose of operations, engage in mergers, acquire additional stores or otherwise conduct necessary corporate activities. Various transactions that we may view as important opportunities, such as specified acquisitions, are also subject to the consent of lenders under the senior credit facilities, which may be withheld or granted subject to conditions specified at the time that may affect the attractiveness or viability of the transaction.

If a default were to occur, the lenders under our senior credit facilities could accelerate the amounts outstanding under the credit facilities, and our other lenders could declare immediately due and payable all amounts borrowed under other instruments that contain certain provisions for cross-acceleration or cross-default. In addition, the lenders under these agreements could terminate their commitments to lend to us. If the lenders under these agreements accelerate the repayment of borrowings, we may not have sufficient liquid assets at that time to repay the amounts then outstanding under our indebtedness or be able to find additional alternative financing. Even if we could obtain additional alternative financing, the terms of the financing may not be favorable or acceptable to us.

The existing indebtedness under our senior credit facilities is secured by substantially all of our assets. Should a default or acceleration of this indebtedness occur, the holders of this indebtedness could sell the assets to satisfy all or a part of what is owed. Our senior credit facilities also contain certain provisions limiting our ability to modify or refinance our outstanding subordinated notes.

A change of control could accelerate our obligation to pay our outstanding indebtedness, and we may not have sufficient liquid assets at that time to repay these amounts.

Under our senior credit facilities, an event of default would result if a third party became the beneficial owner of 35.0% or more of our voting stock or upon certain changes in the constitution of Rent-A-Center’s Board of Directors. As of December 31, 2008, $721.7 million was outstanding under our senior debt.

Under the indenture governing our outstanding subordinated notes, in the event that a change in control occurs, we may be required to offer to purchase all of our outstanding subordinated notes at 101% of their original aggregate principal amount, plus accrued interest to the date of repurchase. A change in control also would result in an event of default under our senior credit facilities, which would allow our lenders to accelerate indebtedness owed to them.

If the lenders under our debt instruments accelerate these obligations, we may not have sufficient liquid assets to repay amounts outstanding under these agreements.

Rent-A-Center’s organizational documents and our debt instruments contain provisions that may prevent or deter another group from paying a premium over the market price to Rent-A-Center’s stockholders to acquire its stock.

Rent-A-Center’s organizational documents contain provisions that classify its Board of Directors, authorize its Board of Directors to issue blank check preferred stock and establish advance notice requirements on its stockholders for director nominations and actions to be taken at meetings of the stockholders. In addition, as a Delaware corporation, Rent-A-Center is subject to Section 203 of the Delaware General Corporation Law relating to business combinations. Our senior credit facilities and the indenture governing our subordinated notes each contain various change of control provisions which, in the event of a change of control, would cause a default under those provisions. These provisions and arrangements could delay, deter or prevent a merger, consolidation, tender offer or other business combination or change of control involving us that could include a premium over the market price of Rent-A-Center’s common stock that some or a majority of Rent-A-Center’s stockholders might consider to be in their best interests.

Rent-A-Center is a holding company and is dependent on the operations and funds of its subsidiaries.

Rent-A-Center is a holding company, with no revenue generating operations and no assets other than its ownership interests in its direct and indirect subsidiaries. Accordingly, Rent-A-Center is dependent on the cash flow generated by its direct and indirect operating subsidiaries and must rely on dividends or other intercompany transfers from its operating subsidiaries to generate the funds necessary to meet its obligations, including the obligations under the senior credit facilities and the outstanding subordinated notes. The ability of Rent-A-Center's subsidiaries to pay dividends or make other payments to it is subject to applicable state laws. Should one or more of Rent-A-Center's subsidiaries be unable to pay dividends or make distributions, its ability to meet its ongoing obligations could be materially and adversely impacted.

Our stock price is volatile, and you may not be able to recover your investment if our stock price declines.

The price of our common stock has been volatile and can be expected to be significantly affected by factors such as:

- quarterly variations in our results of operations, which may be impacted by, among other things, changes in same store sales, when and how many rent-to-own stores we acquire or open, and the rate at which we add financial services to our existing rent-to-own stores;
- quarterly variations in our competitors' results of operations;
- changes in earnings estimates or buy/sell recommendations by financial analysts; and
- the stock price performance of comparable companies.

In addition, the stock market as a whole has experienced extreme price and volume fluctuations that have affected the market price of many specialty retailers in ways that may have been unrelated to these companies' operating performance.

Failure to achieve and maintain effective internal controls could have a material adverse effect on our business and stock price.

Effective internal controls are necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our brand and operating results could be harmed. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

While we continue to evaluate and improve our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

We lease space for substantially all of our stores and service center locations, as well as regional offices, under operating leases expiring at various times through 2016. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas. Store sizes range from approximately 1,900 to 24,000 square feet, and average approximately 4,700 square feet. Approximately 75% of each store's space is generally used for showroom space and 25% for offices and storage space.

We own the land and building at 5501 Headquarters Drive, Plano, Texas, in which our corporate headquarters are located. The land and improvements are pledged as collateral under our senior credit facilities.

We believe suitable store space generally is available for lease and we would be able to relocate any of our stores without significant difficulty should we be unable to renew a particular lease. We also expect additional space is readily available at competitive rates to open new stores.

Item 3. *Legal Proceedings.*

Legal Proceedings

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. We account for our litigation contingencies pursuant to the provisions of Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* ("SFAS No. 5") and FASB Interpretation No. 14, *Reasonable Estimation of the Amount of a Loss — An Interpretation of FASB Statement No. 5* ("FIN 14"), which require that we accrue for losses that are both probable and reasonably estimable. We expense legal fees and expenses incurred in connection with the defense of all of our litigation at the time such amounts are invoiced or otherwise made known to us.

As of December 31, 2008, we had accrued $11.3 million relating to probable losses for our outstanding litigation as follows (in millions):

Shafer/Johnson Matter	$ 1.8
California Attorney General Settlement	9.4
Other Litigation	0.1
Total Accrual	$ 11.3

We continue to monitor our litigation exposure, and will review the adequacy of our legal reserves on a quarterly basis in accordance with applicable accounting rules. Please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies Involving Critical Estimates, Uncertainties or Assessments in Our Financial Statements*" regarding our process for evaluating our litigation reserves. Except as described below, we are not currently a party to any material litigation and, other than as set forth above, we have not established any other reserves for our outstanding litigation.

California Attorney General Inquiry. In January 2009, we paid $9.4 million in accordance with the settlement with the California Attorney General.

Eric Shafer, et al. v. Rent-A-Center, Inc. We recorded a pre-tax expense of $11.0 million in the fourth quarter of 2007 related to the settlement of the *Eric Shafer et al. v. Rent-A-Center, Inc.* and *Victor E. Johnson et al. v. Rent-A-Center, Inc.*, coordinated matters pending in state court in Los Angeles, California. Due to fewer class members eligible to participate in the settlement than originally estimated, as well as negotiated reductions in settlement payments to certain plaintiffs, the maximum claim amount remaining to be paid was reduced by approximately $2.4 million during the fourth quarter of 2008. We also paid settlement costs and plaintiffs' attorneys' fees in the amount of approximately $4.4 million, and settlement payments in the aggregate amount of approximately $2.4 million during the fourth quarter of 2008. We expect to fund the maximum remaining settlement payments of approximately $1.8 million during 2009.

In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. We cannot assure you that we will not be the subject of similar lawsuits in the future.

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

None.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Our common stock has been listed on the Nasdaq Global Select Market® and its predecessors under the symbol "RCII" since January 25, 1995, the date we commenced our initial public offering. The following table sets forth, for the periods indicated, the high and low sales price per share of the common stock as reported.

2008	High	Low
Fourth Quarter	$ 22.68	$ 9.97
Third Quarter	26.00	18.60
Second Quarter	23.20	17.07
First Quarter	20.22	11.67

2007	High	Low
Fourth Quarter	$ 18.59	$ 13.17
Third Quarter	27.06	16.85
Second Quarter	29.01	25.90
First Quarter	31.09	26.32

As of February 20, 2009, there were approximately 51 record holders of our common stock.

We have not paid any cash dividends on our common stock since the time of our initial public offering. Any change in our dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and any other factors our Board of Directors may deem relevant.

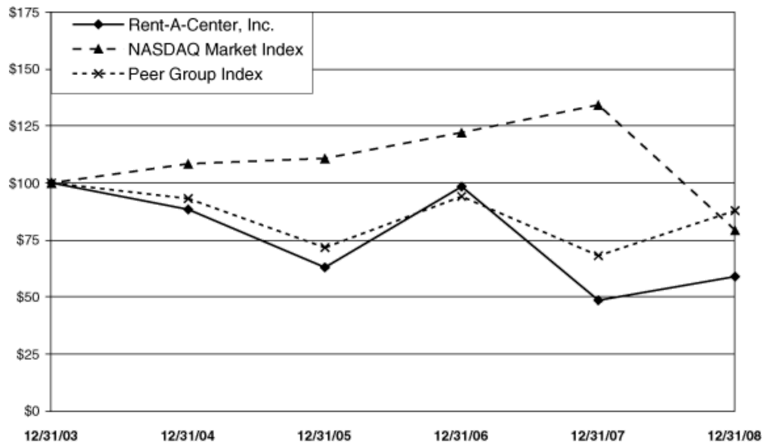
Cash dividend payments are subject to the restrictions in our senior credit facilities and the indenture governing our subordinated notes. These restrictions would not currently prohibit the payment of cash dividends. Please see the section entitled *"Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources — Senior Credit Facilities"* on page 35 of this report for further discussion of such restrictions.

Under our common stock repurchase program, we are authorized to repurchase up to $500.0 million in aggregate purchase price of our common stock. As of December 31, 2008, we had repurchased a total of 19,412,750 shares of Rent-A-Center common stock for an aggregate of $457.8 million under our common stock repurchase program. For the year ended December 31, 2008, we repurchased 951,800 shares of our common stock for an aggregate purchase price of $13.4 million. In the fourth quarter of 2008, we effected the following repurchases of our common stock:

Period	Total Number of Shares Purchased	Average Price Paid per Share (Including Fees)	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 (Including Fees)
October 1 through October 31	150,000	$ 14.0456	150,000	$ 50,422,839
November 1 through November 30	651,800	$ 12.5574	651,800	$ 42,237,933
December 1 through December 31				
Total	801,800	$ 12.8358	801,800	$ 42,237,933

Stock Performance Graph

The following chart represents a comparison of the five year total return of our common stock to the NASDAQ Market Index and a peer group index selected by us. The peer group index consists of Aaron Rents, Inc., Family Dollar Stores, Inc., 99¢ Only Stores, Dollar Tree Stores, Inc., Dollar Financial Corp., Advance America, Cash Advance Centers, Inc., EZCORP, Inc., and Cash America International, Inc. The graph assumes $100 was invested on December 31, 2003 and dividends, if any, were reinvested for all years ending December 31.



Item 6. ***Selected Financial Data***

The selected financial data presented below for the five years ended December 31, 2008 have been derived from our consolidated financial statements as audited by Grant Thornton LLP, independent registered public accounting firm. The historical financial data are qualified in their entirety by, and should be read in conjunction with, the consolidated financial statements and the notes thereto, the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and other financial information included in this report.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(In thousands, except per share data)				
Consolidated Statements of Earnings					
Revenues					
Store					
Rentals and fees	$ 2,505,268	$ 2,594,061	$ 2,174,239(7)	$ 2,084,757	$ 2,071,866
Merchandise sales	256,731	208,989	175,954	177,292	166,594
Installment sales	41,193	34,576	26,877	26,139	24,304
Other	42,759	25,482	15,607	7,903	3,568
Franchise					
Merchandise sales	33,283	34,229	36,377	37,794	41,398
Royalty income and fees	4,938	8,784(4)	4,854	5,222	5,525
Total revenue	2,884,172	2,906,121	2,433,908	2,339,107	2,313,255
Operating expenses					
Direct store expenses					
Cost of rentals and fees	572,900	574,013	476,462(7)	452,583	450,035
Cost of merchandise sold	194,595	156,503	131,428	129,624	119,098
Cost of installment sales	16,620	13,270	11,346	10,889	10,512
Salaries and other expenses	1,651,805	1,684,965	1,385,437(8)	1,358,760(11)	1,277,926
Franchise cost of merchandise sold	31,705	32,733	34,862	36,319	39,472
	2,467,625	2,461,484	2,039,535	1,988,175	1,897,043
General and administrative expenses	125,632	123,703	93,556	82,290	75,481
Amortization and write-down of intangibles	16,637	15,734	5,573	11,705(12)	10,780
Litigation expense (credit)	(4,607)(1)	62,250(5)	73,300(9)	(8,000)(13)	47,000(16)
Restructuring charge	4,497(2)	38,713(6)	—	15,166(14)	—
Total operating expenses	2,609,784	2,701,884	2,211,964	2,089,336	2,030,304
Operating profit	274,388	204,237	221,944	249,771	282,951
Income from sale of charged off accounts	—	—	—	—	(7,924)(17)
Finance charges from refinancing	—	—	4,803(10)	—	4,173
Gain on extinguishment of debt	(4,335)(3)	—	—	—	—
Interest expense, net	57,381	87,951	53,003	40,703	35,323
Earnings before income taxes	221,342	116,286	164,138	209,068	251,379
Income tax expense	81,718	40,018	61,046	73,330(15)	95,524

Item 6. ***Selected Financial Data — Continued***

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(In thousands, except per share data)				
NET EARNINGS	$ 139,624	$ 76,268	$ 103,092	$ 135,738	$ 155,855
Basic earnings per common share	$ 2.10	$ 1.11	$ 1.48	$ 1.86	$ 1.99
Diluted earnings per common share	$ 2.08	$ 1.10	$ 1.46	$ 1.83	$ 1.94
Consolidated Balance Sheet Data					
Rental merchandise, net	$ 819,054	$ 937,970	$ 1,056,233(18)	$ 750,680	$ 759,111
Intangible assets, net	1,266,953	1,269,094	1,281,597	929,326	922,404
Total assets	2,496,702	2,626,943	2,740,956(18)	1,948,664	1,967,788
Total debt	947,087	1,259,335	1,293,278	724,050	708,250
Total liabilities(19)	1,417,500	1,679,852	1,797,997(18)	1,125,232	1,173,517
Stockholders' equity	1,079,202	947,091	942,959(18)	823,432	794,271
Operating Data (Unaudited)					
Stores open at end of period	3,037	3,081	3,406	2,760	2,875
Comparable store revenue growth (decrease)(20)	2.3%	2.1%	1.9%	(2.3)%	(3.6)%
Weighted average number of stores	3,056	3,376	2,848	2,844	2,788
Franchise stores open at end of period	222	227	282	296	313

(1) Includes the effects of a $4.6 million in pre-tax litigation credits recorded in the fourth quarter of 2008 related to the *Perez* matter and the *Shafer/Johnson* matter

(2) Includes the effects of a $4.5 million pre-tax restructuring expense as part of the store consolidation plan and other restructuring items announced December 3, 2007.

(3) Includes the effects of a $4.3 million pre-tax gain on the extinguishment of debt recorded in the fourth quarter of 2008.

(4) Includes the effects of a $3.9 million pre-tax benefit recorded in the third quarter of 2007 as a result of the receipt of accelerated royalty payments from franchisees in consideration of the termination of their franchise agreements.

(5) Includes the effects of a $51.3 million pre-tax litigation expense recorded in the first quarter of 2007 related to the *Perez* matter and the effects of an $11.0 million pre-tax litigation expense recorded in the fourth quarter of 2007 related to the *Shafer/Johnson* matter.

(6) Includes the effects of a $38.7 million pre-tax restructuring expense recorded in the fourth quarter of 2007 related to the store consolidation plan and other restructuring items announced December 3, 2007.

(7) Includes the effects of adopting SAB 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), of approximately $3.1 million decrease in pre-tax revenue and $738,000 decrease in pre-tax depreciation expense related to adjustments for deferred revenue.

(8) Includes the effects of adopting SFAS 123R, *Share-Based Payment* ("SFAS 123R"), of approximately $7.8 million of pre-tax expense related to stock options and restricted stock units granted.

(9) Includes the effects of a $4.95 million pre-tax expense in the third quarter of 2006 associated with the settlement of the *Burdusis/French/Corso* litigation, the effects of a $10.35 million pre-tax expense in the third quarter of 2006 associated with the settlement with the California Attorney General and the effects of a $58.0 million pre-tax expense in the fourth quarter of 2006 associated with the litigation reserve with respect to the *Perez* case.

(10) Includes the effects of a $2.2 million pre-tax expense in the third quarter of 2006 and the effects of a $2.6 million pre-tax expense in the fourth quarter of 2006 for the refinancing of our senior credit facilities.

(11) Includes the effects of $5.2 million in charges recorded in the third and fourth quarters of 2005 as a result of Hurricanes Katrina, Rita and Wilma. These charges were primarily related to the disposal of inventory and fixed assets.

(12) Includes the effects of $3.7 million in goodwill impairment charges recorded in the third quarter of 2005 as result of Hurricane Katrina.

(13) Includes the effect of a pre-tax legal reversion of $8.0 million recorded in the first quarter of 2005 associated with the settlement of a class action lawsuit in the state of California.

(14) Includes the effects of a $15.2 million pre-tax restructuring expense as part of the store consolidation plan announced September 6, 2005.

(15) Includes the effects of a $2.0 million tax audit reserve credit associated with the examination and favorable resolution of our 1998 and 1999 federal tax returns and a $3.3 million state tax reserve credit due to a change in estimate related to potential loss exposures.

(16) Includes the effects of a pre-tax legal settlement charge of $47.0 million recorded in the third quarter of 2004 associated with the settlement of a class action lawsuit in the state of California.

(17) Includes the effects of $7.9 million in pre-tax income associated with the 2004 sale of previously charged off accounts.

(18) Includes the effects of adopting SAB 108 of a $4.2 million increase in accounts receivable, an increase in accrued liabilities of $31.0 million, a decrease in accumulated depreciation of $6.4 million, an increase in deferred tax assets of $7.6 million and a decrease in retained earnings of $12.8 million related to adjustments for deferred revenue and a $1.0 million increase in prepaid expenses, a $1.9 million decrease in accrued liabilities, a decrease in deferred tax assets of $1.1 million and an increase in retained earnings of $1.8 million related to adjustments for property taxes.

(19) In accordance with the adoption of SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS 150"), total liabilities also includes redeemable convertible voting preferred stock for the years ended December 31, 2002 through December 31, 2005.

(20) Comparable store revenue growth for each period presented includes revenues only of stores open throughout the full period and the comparable prior period.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

Overview

We are the largest operator in the United States rent-to-own industry with an approximate 38% market share based on store count. At December 31, 2008, we operated 3,037 company-owned stores nationwide and in Canada and Puerto Rico, including 31 retail installment sales stores under the names "Get It Now" and "Home Choice" and eight rent-to-own stores located in Canada under the name "Rent-A-Centre." Our subsidiary, ColorTyme, is a national franchisor of rent-to-own stores. At December 31, 2008, ColorTyme had 222 franchised rent-to-own stores in 34 states. These franchise stores represent an additional 3% market share based on store count.

Our stores generally offer high quality durable products such as major consumer 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. The rental purchase transaction is a flexible alternative for consumers to obtain use and enjoyment of brand name merchandise without incurring debt. Key features of the rental purchase transaction include:

- convenient payment options — in-store or over the phone;
- no long-term obligations;
- right to terminate without penalty;
- no requirement of a credit history;
- set-up and delivery included at no additional charge;
- product maintenance;
- lifetime reinstatement; and
- flexible options to obtain ownership — 90 days same as cash, early purchase options, or payment through the term of the agreement.

Rental payments are made generally on a weekly basis and, together with applicable fees, constitute our primary revenue source.

Our expenses primarily relate to merchandise costs and the operations of our stores, including salaries and benefits for our employees, occupancy expense for our leased real estate, advertising expenses, lost, damaged, or stolen merchandise, fixed asset depreciation, and corporate and other expenses.

From 1993 to 2006, we pursued an aggressive growth strategy in which we sought to acquire underperforming rent-to-own stores to which we could apply our operating model as well as open new stores. As a result, the acquired stores have generally experienced more significant revenue growth during the initial periods following their acquisition than in subsequent periods. Typically, a newly opened rent-to-own 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 $500,000, with roughly 75% 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. 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.

In addition, we strategically open or acquire stores near market areas served by existing stores ("cannibalize") to enhance service levels, gain incremental sales and increase market penetration. This planned cannibalization may negatively impact our same store revenue and cause us to grow at a slower rate. There can be no assurance that we will open any new rent-to-own stores in the future, or as to the number, location or profitability thereof.

We also offer financial services products, such as short term secured and unsecured loans, debit cards, check cashing, tax preparation and money transfer services, in some of our existing rent-to-own stores under the trade names "RAC Financial Services" and "Cash AdvantEdge." As of December 31, 2008, we offered some or all of these financial services products in 351 Rent-A-Center store locations in 18 states. We intend to focus our resources on improving the operations in these existing financial services store locations and do not plan to add significantly to the number of Rent-A-Center store locations offering financial services at this time. There can be no assurance that we will be successful in our efforts to improve and expand our financial services operations or that such operations, should they be added, will prove to be profitable.

The following discussion focuses on our results of operations, and issues related to our liquidity and capital resources. You should read this discussion in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report.

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 the expectations reflected in such 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 rent-to-own stores;
- our ability to acquire additional rent-to-own stores or customer accounts on favorable terms;
- our ability to control costs and increase profitability;
- our ability to successfully add financial services locations within our existing rent-to-own stores;
- our ability to identify and successfully enter new lines of business offering products and services that appeal to our customer demographic, including our financial services products;
- our ability to enhance the performance of acquired stores;
- our ability to retain the revenue associated with acquired customer accounts;
- our ability to identify and successfully market products and services that appeal to our customer demographic;
- our ability to enter into new and collect on our rental purchase agreements;
- our ability to enter into new and collect on our short term loans;
- the passage of legislation adversely affecting the rent-to-own or financial services industries;
- our failure to comply with statutes or regulations governing the rent-to-own or financial services industries;
- interest rates;
- increases in the unemployment rate;
- economic pressures, such as high fuel and utility costs, affecting the disposable income available to our targeted consumers;
- changes in our stock price and the number of shares of common stock that we may or may not repurchase;
- changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;
- changes in our effective tax rate;
- our ability to maintain an effective system of internal controls;

- changes in the number of share-based compensation grants, methods used to value future share-based payments and changes in estimated forfeiture rates with respect to share-based compensation;
- the resolution of any material litigation; 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 the section entitled "Risk Factors" and elsewhere in this report. 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.

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

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent losses and liabilities at the date of the consolidated 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. 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. We believe the following are areas where the degree of judgment and complexity in determining amounts recorded in our consolidated financial statements make the accounting policies critical.

Self-Insurance Liabilities. We have self-insured retentions with respect to losses under our workers' compensation, general liability and auto liability insurance policies. We establish reserves for our liabilities associated with these losses by obtaining forecasts for the ultimate expected losses and estimating amounts needed to pay losses within our self-insured retentions.

We continually institute procedures to manage our loss exposure and increases in health care costs associated with our insurance claims through a greater focus on the risk management function, a transitional duty program for injured workers, ongoing safety and accident prevention training, and various programs designed to minimize losses and improve our loss experience in our store locations. We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, company specific development factors, general industry loss development factors, and third party claim administrator loss estimates which are based on known facts surrounding individual claims. These assumptions incorporate expected increases in health care costs. Periodically, we reevaluate our estimate of liability within our self-insured retentions. At that time, we evaluate the adequacy of our accruals by comparing amounts accrued on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third party claim administrator loss estimates, and make adjustments to our accruals as needed.

As of December 31, 2008, the amount accrued for losses within our self-insured retentions with respect to workers' compensation, general liability and auto liability insurance was $117.9 million, as compared to $109.5 million at December 31, 2007. If any of the factors that contribute to the overall cost of insurance claims were to change, the actual amount incurred for our self-insurance liability would be directly affected. While we believe our loss prevention programs will reduce our total cost for self-insurance claims, our actual cost could be greater than the amounts currently accrued.

Litigation Reserves. We are the subject of litigation in the ordinary course of our business. Historically, our litigation has involved lawsuits alleging various regulatory violations. In preparing our financial statements at a given point in time, we account for loss contingencies pursuant to the provisions of SFAS No. 5 and FIN 14, which require that we accrue for losses that are both probable and reasonably estimable.

Each quarter, we make estimates of our probable losses, if reasonably estimable, and record such amounts in our consolidated financial statements. These amounts 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 reflect current facts and circumstances. We expense legal fees and expenses incurred in connection with the defense of all of our litigation at the time such amounts are invoiced or otherwise made known to us.

Our accruals relating to probable losses for our outstanding litigation follow:

	Year Ended December 31, 2008	2007
	(In millions)	
Shafer/Johnson Matter	$ 1.8	$ 11.0
California Attorney General Settlement	9.4	9.6
Other Litigation	0.1	1.1
Legal Fees and Expenses	—	0.2
Total Accrual	$ 11.3	$ 21.9

As with most litigation, the ultimate outcome of our pending litigation is uncertain. Additional developments in our litigation or other adverse or positive developments or rulings in our litigation could affect our assumptions and, thus, our accrual. Our estimates with respect to accrual for our litigation expenses reflect our judgment as to the appropriate accounting charge at the end of a period under SFAS No. 5 and FIN 14. Factors that we consider in evaluating our litigation reserves include:

- the procedural status of the matter;
- our views and the views of our counsel as to the probability of a loss in the matter;
- the relative strength of the parties' arguments with respect to liability and damages in the matter;
- settlement discussions, if any, between the parties;
- how we intend to defend ourselves in the matter; and
- our experience.

Significant factors that may cause us to increase or decrease our accrual with respect to a matter include:

- judgments or finding of liability against us in the matter by a trial court;
- the granting of, or declining to grant, a motion for class certification in the matter;
- definitive decisions by appellate courts in the requisite jurisdiction interpreting or otherwise providing guidance as to applicable law;
- favorable or unfavorable decisions as the matter progresses;
- settlements agreed to in principle by the parties in the matter, subject to court approval; and
- final settlement of the matter.

Income Taxes. Our annual tax rate is affected by many factors, including the mix of our earnings, legislation and acquisitions, and is based on our income, statutory tax rates and tax planning opportunities available to us in the jurisdictions in which we operate. Tax laws are complex and subject to differing interpretations between the taxpayer and the taxing authorities. Significant judgment is required in determining our tax expense, evaluating our tax positions and evaluating uncertainties under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("FIN 48"). As required by FIN 48, which we adopted January 1, 2007, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. We review our tax positions quarterly and adjust the balance as new information becomes available.

Prior to 2007, we estimated our liabilities for income tax exposure by evaluating our income tax exposure based on the information available to us, and establishing reserves in accordance with the criteria for accrual under SFAS No. 5. In estimating this liability, we evaluated a number of factors in ascertaining whether we may have to pay additional taxes and interest when all examinations by taxing authorities are concluded. The actual amount accrued as a liability was based on an evaluation of the underlying facts and circumstances, a thorough analysis of the technical merits of our tax positions taken, and an assessment of the chances of us prevailing in our tax positions taken.

If we make changes to our accruals with respect to our self-insurance liabilities, or litigation or income tax reserves in accordance with the policies described above, these changes would impact our earnings. Increases to our accruals would reduce earnings and, similarly, reductions to our accruals would increase our earnings. A pre-tax change of $1.1 million in our estimates would result in a corresponding $0.01 change in our earnings per common share.

Stock-Based Compensation Expense. We account for stock-based compensation expense under Statement of Financial Accounting Standards No. 123, *Share-Based Payment* ("SFAS 123R"), and recognize share-based payment awards to our employees and directors at the estimated fair value on the grant date. Determining the fair value of any share-based awards requires information about several variables including, but not limited to, expected stock volatility over the terms of the awards, expected dividend yields and the predicted employee exercise behavior. We base expected life on historical exercise and post-vesting employment-termination experience, and expected volatility on historical realized volatility trends. In addition, all stock-based compensation expense is recorded net of an estimated forfeiture rate. The forfeiture rate is based upon historical activity and is analyzed at least quarterly as actual forfeitures occur. Stock options granted during the twelve months ended December 31, 2008 were valued using the binomial method pricing model with the following assumptions for employee options: expected volatility of 33.85% to 53.58%, a risk-free interest rate of 1.62% to 3.17%, no dividend yield, and an expected life of 4.20 years. For non-employee director options, the stock options granted during the twelve months ended December 31, 2008 were valued using the binomial method pricing model with the following assumptions: expected volatility of 41.26%, a risk-free interest rate of 3.54%, no dividend yield, and an expected life of 6.90 years. During the twelve months ended December 31, 2008, we recognized $3.3 million in pre-tax compensation expense related to stock options and restricted stock units granted.

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe our consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of our company as of, and for, the periods presented in this report. However, we do not suggest that other general risk factors, such as those discussed elsewhere in this report 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.

Significant Accounting Policies

Our significant accounting policies are summarized below and in Note A to our consolidated financial statements included elsewhere in this report.

Revenue. Merchandise is rented to customers pursuant to rental purchase agreements which provide for weekly, semi-monthly 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 and merchandise sales revenue is recognized when the customer exercises the purchase option and pays the cash price due. Cash received prior to the period in which it should be recognized is deferred and recognized according to the rental term. Revenue is accrued for uncollected amounts due based on historical collection experience. However, the total amount of the rental purchase agreement is not accrued because the customer can terminate the rental agreement at any time and we cannot enforce collection for non-payment of future rents.

Revenue from the sale of merchandise in our retail installment stores is recognized when the installment note is signed, the customer has taken possession of the merchandise and collectability is reasonably assured.

The revenue from our financial services is recorded depending on the type of transaction. Fees collected on loans are recognized ratably over the term of the loan. For money orders, wire transfers, check cashing and other customer service type transactions, fee revenue is recognized at the time the service is performed.

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. Depreciation of rental merchandise is included in the cost of rentals and fees on our statement of earnings. We depreciate our rental merchandise using the income forecasting method. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity-based method similar to the units of production method. On computers that are 24 months old or older and which have become idle, depreciation is recognized using the straight-line method for a period of at least six months, generally not to exceed an aggregate depreciation period of 30 months.

Cost of Merchandise Sold. Cost of merchandise sold represents the net book value of rental merchandise at time of sale. Cost of merchandise sold also includes the cost of services offered by us, such as prepaid telephone and electric services.

Salaries and Other Expenses. Salaries and other expenses include all salaries and wages paid to store level employees, together with district managers' salaries, travel and occupancy, including any related benefits and taxes, as well as all store level general and administrative expenses and selling, advertising, insurance, occupancy, delivery, fixed asset depreciation and other operating expenses.

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.

Results of Operations

The following table sets forth, for the periods indicated, historical Consolidated Statements of Earnings data as a percentage of total store and franchise revenues.

	Year Ended December 31, (Company-owned stores only)			Year Ended December 31, (Franchise operations only)		
	2008	2007	2006	2008	2007	2006
Revenues						
Rentals and fees	88.0%	90.6%	90.9%	—%	—%	—%
Merchandise sales	10.5	8.5	8.5	87.1	79.6	88.2
Other/Royalty income and fees	1.5	0.9	0.6	12.9	20.4	11.8
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses						
Direct store expenses						
Cost of rentals and fees	20.1%	20.0%	19.9%	—%	—%	—%
Cost of merchandise sold	7.5	5.9	6.0	83.0	76.1	84.6
Salaries and other expenses	58.0	58.9	57.9	—	—	—
	85.6	84.8	83.8	83.0	76.1	84.6
General and administrative expenses	4.3	4.3	3.9	10.3	7.8	9.1
Amortization and write-down of intangibles	0.6	0.5	0.2	—	—	0.4
Litigation expense (credit)	(0.2)	2.2	3.1	—	—	—
Restructuring charge	0.2	1.4	—	—	—	—
Total operating expenses	90.5	93.2	91.0	93.3	83.9	94.1
Operating profit	9.5	6.8	9.0	6.7	16.1	5.9
Interest, net and other income	1.9	3.1	2.4	(1.6)	(1.6)	(1.4)
Earnings before income taxes	7.6%	3.7%	6.6%	8.3%	17.7%	7.3%

2008 Overview

Highlights of our operating results for the year ended December 31, 2008 include:

- Generated $384.7 million in operating cash flow.
- Reduced outstanding indebebtedness, including our subordinated notes and senior term loans, by $312.2 million.
- Repurchased 951,800 shares of our common stock for an aggregate of $13.4 million.
- Increased same store revenues by 2.3%.

Comparison of the Years ended December 31, 2008 and 2007

Store Revenue. Total store revenue decreased by $17.1 million, or 0.6%, to $2,846.0 million in 2008 from $2,863.1 million in 2007. The decrease in total store revenue was primarily attributable to approximately 315 fewer stores in the 2008 period, principally due to the 2007 store consolidation plan, offset by an increase in same store sales of 2.3%.

Same store revenues represent those revenues earned in 2,201 stores that were operated by us for each of the entire twelve month periods ended December 31, 2008 and 2007. Same store revenues increased by $43.5 million, or 2.3%, to $1,972.4 million in 2008 as compared to $1,928.9 million in 2007. This increase in same store revenues was primarily attributable to an increase in the average price per unit on rent and an increase in merchandise sales and financial services revenue in 2008 as compared to 2007.

Franchise Revenue. Total franchise revenue decreased by $4.8 million, or 11.1%, to $38.2 million in 2008 as compared to $43.0 million in 2007. This decrease was primarily attributable to the receipt of accelerated royalty payments from five affiliated ColorTyme franchisees in consideration of the termination of their franchise agreements in 2007.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs. Cost of rentals and fees for 2008 decreased by $1.1 million, or 0.2%, to $572.9 million as compared to $574.0 million in 2007. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased slightly to 22.9% in 2008 compared to 22.1% in 2007. This percentage increase was due to an increase in promotional activity in 2008 as compared to 2007.

Cost of Merchandise Sold. Cost of merchandise sold increased by $38.1 million, or 24.3%, to $194.6 million for 2008 from $156.5 million for 2007. The gross margin percent of merchandise sales decreased slightly to 24.2% in 2008 from 25.1% in 2007. This percentage decrease was primarily attributable to an increased volume of sales of prepaid services at a lower margin than our historical margins on merchandise sales, as well as increased promotional activity during the 2008 period.

Salaries and Other Expenses. Salaries and other expenses decreased by $33.2 million, or 2.0%, to $1,651.8 million in 2008 as compared to $1,685.0 million in 2007. The decrease was primarily the result of a decrease in expenses associated with the decrease in our store base due to our 2007 store consolidation plan and other restructuring items. Charge offs in our rental stores due to customer stolen merchandise, expressed as a percentage of rental store revenues, were approximately 2.5% in 2008 as compared to 2.8% in 2007. Salaries and other expenses expressed as a percentage of total store revenue decreased slightly to 58.0% in 2008 from 58.9% in 2007.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $1.0 million, or 3.1%, to $31.7 million in 2008 as compared to $32.7 million in 2007. This decrease was primarily attributable to a decrease in the number of products sold to franchisees in 2008 as compared to 2007.

General and Administrative Expenses. General and administrative expenses increased by $1.9 million, or 1.6%, to $125.6 million in 2008 as compared to $123.7 million in 2007. General and administrative expenses expressed as a percent of total revenue increased slightly to 4.4% in 2008 from 4.3% in 2007.

Amortization and Write-Down of Intangibles. Amortization of intangibles increased by approximately $900,000 or 5.7%, to $16.6 million for 2008 from $15.7 million for 2007. This increase was primarily attributable to the goodwill write-down for stores sold, offset by intangible assets that were fully amortized during 2008 as compared to 2007.

Operating Profit. Operating profit increased by $70.2 million, or 34.3%, to $274.4 million for 2008 as compared to $204.2 million in 2007. Operating profit as a percentage of total revenue increased to 9.5% for 2008 from 7.0% for 2007. This increase was primarily attributable to the litigation charge of $62.3 million recorded in the 2007 period.

Interest Expense. Interest expense decreased by $28.6 million, or 30.0%, to $66.2 million for 2008 as compared to $94.8 million in 2007. This decrease was attributable to a decrease in borrowings under our senior credit facilities in 2008 as compared to 2007, a reduction in amounts outstanding under our senior term loans and subordinated notes, and a decrease in our weighted average interest rate to 6.21% in 2008 as compared to 7.68% in 2007 due to a decrease in the Eurodollar rate in 2008 as compared to 2007.

Income Tax Expense. Income tax expense increased by $41.7 million, or 104.2%, to $81.7 million in 2008 as compared to $40.0 million in 2007. This increase is attributable to an increase in earnings before taxes for 2008 as compared to 2007 and an increase in our overall effective tax rate to 36.9% for 2008 as compared to 34.4% for 2007. The 2008 increase in our overall effective tax rate is primarily attributable to a 3.7% increase in our state effective tax rate since we realized a greater benefit on our state income taxes in 2007 due to the impact of the charge related to our store consolidation plan as compared to 2008.

Net Earnings. Net earnings increased by $63.3 million, or 83.1%, to $139.6 million for 2008 as compared to $76.3 million in 2007. This increase was primarily attributable to an increase in operating profit, a gain on debt extinguishment and a decrease in interest expense, offset by an increase in income tax expense in 2008 as compared to 2007.

Comparison of the Years ended December 31, 2007 and 2006

Store Revenue. Total store revenue increased by $470.4 million, or 19.7%, to $2,863.1 million in 2007 from $2,392.7 million in 2006. The increase in total store revenue was primarily attributable to incremental revenue from new stores and acquisitions, primarily the Rent-Way acquisition, and an increase in same store sales of 2.1%.

Same store revenues represent those revenues earned in 1,935 stores that were operated by us for each of the entire twelve month periods ended December 31, 2007 and 2006. Same store revenues increased by $35.3 million, or 2.1%, to $1,729.6 million in 2007 as compared to $1,694.3 million in 2006. This increase in same store revenues was primarily attributable to more units on rent in 2007 as compared to 2006.

Franchise Revenue. Total franchise revenue increased by $1.8 million, or 4.3%, to $43.0 million in 2007 as compared to $41.2 million in 2006. This increase was primarily attributable to the receipt of accelerated royalty payments in the amount of approximately $3.9 million from five affiliated ColorTyme franchisees in consideration of the termination of their franchise agreements, offset by a decrease in the number of products sold to franchisees in 2007 as compared to 2006 due to fewer franchise stores in 2007.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs. Cost of rentals and fees for 2007 increased by $97.6 million, or 20.5%, to $574.0 million as compared to $476.5 million in 2006. This increase is a result of an increase in rental revenue for 2007 as compared to 2006. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased slightly to 22.1% in 2007 compared to 21.9% in 2006.

Cost of Merchandise Sold. Cost of merchandise sold increased by $25.1 million, or 19.1%, to $156.5 million for 2007 from $131.4 million for 2006. This increase was primarily the result of approximately $13.1 million of cost of sales for prepaid telephone service offered in our stores, as well as an increase in the number of items sold during 2007 as compared to 2006. The gross margin percent of merchandise sales decreased slightly to 25.1% in 2007 from 25.3% in 2006.

Salaries and Other Expenses. Salaries and other expenses increased by $299.5 million, or 21.6%, to $1,685.0 million in 2007 as compared to $1,385.4 million in 2006. The increase was primarily the result of an increase in expenses associated with the increase in our store base due to the acquisition of Rent-Way and includes increases in labor expense of $157.8 million, occupancy costs of $31.1 million, utility costs of $10.7 million, expenses relating to product deliveries of $25.2 million, communication expenses of $13.9 million and charge offs due to customer stolen merchandise of $20.3 million. Charge offs in our rental stores due to customer stolen merchandise, expressed as a percentage of rental store revenues, were approximately 2.8% in 2007 as compared to 2.4% in 2006. Salaries and other expenses expressed as a percentage of total store revenue increased slightly to 58.9% in 2007 from 57.9% in 2006.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $2.1 million, or 6.1%, to $32.7 million in 2007 as compared to $34.9 million in 2006. This decrease was primarily attributable to a decrease in the number of products sold to franchisees in 2007 as compared to 2006 due to fewer franchise stores in 2007.

General and Administrative Expenses. General and administrative expenses increased by $30.1 million, or 32.2%, to $123.7 million in 2007 as compared to $93.6 million in 2006. General and administrative expenses expressed as a percent of total revenue increased to 4.3% in 2007 from 3.8% in 2006. These increases are primarily attributable to additional personnel and related expansion at our corporate office to support growth, including our plans to expand into complementary lines of business in our rent-to-own stores.

Amortization and Write-Down of Intangibles. Amortization of intangibles increased by $10.2 million or 182.3%, to $15.7 million for 2007 from $5.6 million for 2006. This increase was primarily attributable to the amortization of intangibles from the acquisition of Rent-Way, which were included in amortization expense for the entire twelve months ended December 31, 2007, compared to approximately 45 days in 2006.

Operating Profit. Operating profit decreased by $17.7 million, or 8.0%, to $204.2 million for 2007 as compared to $221.9 million in 2006. Operating profit as a percentage of total revenue decreased to 7.0% for 2007 from 9.1% for 2006. This decrease was primarily attributable to a $38.7 million charge related to our store consolidation plan and other restructuring items, offset by a net increase in same store revenues and incremental revenue from new stores and acquisitions, primarily the Rent-Way acquisition, as discussed above.

Interest Expense. Interest expense increased by $36.2 million, or 61.9%, to $94.8 million for 2007 as compared to $58.6 million in 2006. This increase was primarily attributable to an increase in senior debt outstanding relating to the Rent-Way acquisition for the full year in 2007 as compared to 45 days in 2006 and increased borrowings under our revolving credit facility in 2007 as compared to 2006.

Income Tax Expense. Income tax expense decreased by $21.0 million, or 34.4%, to $40.0 million in 2007 as compared to $61.0 million in 2006. This decrease is primarily attributable to a decrease in earnings before taxes for 2007 as compared to 2006 and a decrease in our overall effective tax rate to 34.4% for 2007 as compared to 37.1% for 2006. The decrease in our overall effective tax rate was primarily attributable to the impact of the charge related to our store consolidation plan on our state income taxes.

Net Earnings. Net earnings decreased by $26.8 million, or 26.0%, to $76.3 million for 2007 as compared to $103.1 million in 2006. This decrease was primarily attributable to a decrease in operating profit and an increase in interest expense, offset by a decrease in income tax expense, as discussed above.

Quarterly Results

The following table contains certain unaudited historical financial information for the quarters indicated.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
Year ended December 31, 2008				
Revenues	$ 756,636	$ 719,031	$ 708,755	$ 699,750
Operating profit	77,540	74,434	58,549	63,865
Net earnings	36,358	37,741	29,379	36,146
Basic earnings per common share	$ 0.55	$ 0.57	$ 0.44	$ 0.54
Diluted earnings per common share	$ 0.54	$ 0.56	$ 0.44	$ 0.54
Year ended December 31, 2007				
Revenues	$ 755,299	$ 724,158	$ 709,701	$ 716,963
Operating profit	46,155	87,024	60,575	10,483
Net earnings(loss)	15,103	41,251	25,275	(5,361)
Basic earnings(loss) per common share	$ 0.21	$ 0.59	$ 0.37	$ (0.08)
Diluted earnings(loss) per common share	$ 0.21	$ 0.58	$ 0.37	$ (0.08)
Year ended December 31, 2006				
Revenues	$ 606,975	$ 583,623	$ 587,184	$ 656,126
Operating profit	75,484	75,193	51,871	19,396
Net earnings(loss)	40,328	39,843	25,241	(2,320)
Basic earnings(loss) per common share	$ 0.58	$ 0.57	$ 0.36	$ (0.03)
Diluted earnings(loss) per common share	$ 0.57	$ 0.56	$ 0.36	$ (0.03)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(As a percentage of revenues)		
Year ended December 31, 2008				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	10.2	10.4	8.3	9.1
Net earnings	4.8	5.2	4.1	5.2
Year ended December 31, 2007				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	6.1	12.0	8.5	1.5
Net earnings(loss)	2.0	5.7	3.6	(0.7)
Year ended December 31, 2006				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	12.4	12.9	8.8	3.0
Net earnings(loss)	6.6	6.8	4.3	(0.4)

Liquidity and Capital Resources

Overview. For the year ended December 31, 2008, we generated $384.7 million in operating cash flow. In addition to funding operating expenses, we used $61.9 million in cash for capital expenditures, $15.7 million in acquisitions of rent-to-own stores, $13.4 million for common stock repurchases and $307.9 million for a reduction in debt of $312.2 million. We ended the year with $87.4 million in cash and cash equivalents.

Analysis of Cash Flow. Cash provided by operating activities increased by $144.3 million to $384.7 million for 2008 from $240.4 million in 2007. This increase is attributable to an increase in earnings and an increase in deferred taxes as a result of the Economic Stimulus Act of 2008 as discussed below, and changes in working capital.

Cash used in investing activities decreased by $46.1 million to $71.5 million for 2008 from $117.6 million in 2007. This decrease is attributable to the completion of construction of our new corporate headquarters building in 2007 and a reduction in acquisitions of businesses in 2008 as compared to 2007.

Cash used in financing activities increased by $205.4 million to $323.2 million for 2008 from $117.8 million used in 2007. This increase in 2008 as compared to 2007 is primarily related to payments made to reduce our outstanding debt and subordinated notes, offset by the purchase in 2008 of fewer shares of common stock.

Liquidity Requirements. Our primary liquidity requirements are for debt service, rental merchandise purchases, capital expenditures, litigation expenses, including settlements or judgments, and implementation of our growth strategies, including investment in our financial services business. Our primary sources of liquidity have been cash provided by operations and borrowings. In the future, 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-term 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 relate to our financial condition and performance, and some of which are beyond our control, such as prevailing interest rates and general financing and economic conditions. The global financial markets have recently experienced adverse conditions and continued volatility in the capital markets may affect our ability to access additional sources of financing. 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 the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our liquidity requirements as discussed above (including mandatory principal payments) during the next twelve months. Our revolving credit facilities, including our $20.0 million line of credit at Intrust Bank, provide us with revolving loans in an aggregate principal amount not exceeding $420.0 million, of which $287.8 million was available at February 20, 2009. At February 20, 2009, we had $140.5 million in cash. To the extent we have available cash that is not necessary to fund the items listed above, we intend to make additional payments to service our existing debt, and may repurchase additional shares of our common stock or repurchase some of our outstanding subordinated notes. 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.

A change in control would result in an event of default under our senior credit facilities, which would allow our lenders to accelerate the indebtedness owed to them. In addition, if a change in control occurs, we may be required to offer to repurchase all of our outstanding subordinated notes at 101% of their principal amount, plus accrued interest to the date of repurchase. Our senior credit facilities restrict our ability to repurchase the subordinated notes, including in the event of a change in control. In the event a change in control occurs, we cannot be sure we would have enough funds to immediately pay our accelerated senior credit facility obligations and all of the subordinated notes, or that we would be able to obtain financing to do so on favorable terms, if at all.

Litigation. We recorded a pre-tax expense of $11.0 million in the fourth quarter of 2007 related to the settlement of the *Eric Shafer et al. v. Rent-A-Center, Inc.* and *Victor E. Johnson et al. v. Rent-A-Center, Inc.* coordinated matters pending in state court in Los Angeles, California. Due to fewer class members eligible to participate in the settlement than originally estimated, as well as negotiated reductions in settlement payments to certain plaintiffs, the maximum claim amount remaining to be paid was reduced by approximately $2.4 million during the fourth quarter of 2008. We also paid settlement costs and plaintiffs' attorneys' fees in the amount of approximately $4.4 million, and settlement payments in the aggregate amount of approximately $2.4 million during the fourth quarter of 2008. We expect to fund the maximum remaining settlement payments of approximately $1.8 million during 2009.

In January 2009, we paid $9.4 million in accordance with the settlement with the California Attorney General.

In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. We cannot assure you that we will not be the subject of similar lawsuits in the future. Significant settlement amounts or final judgments could materially and adversely affect our liquidity. Please refer to Note K of our consolidated financial statements included herein.

Deferred Taxes. The 2008 Stimulus Act provided for accelerated depreciation by allowing a bonus first-year depreciation deduction of 50% of the adjusted basis of qualified property placed in service during 2008. Accordingly, our cash flow benefited in 2008 from having a lower cash tax obligation which, in turn, provided additional cash flow from operations. We estimate that our 2008 operating cash flow increased by approximately $75.0 million as a result of the 2008 Stimulus Act with the associated deferral expected to begin to reverse over a three year period beginning in 2009. However, on February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "2009 Recovery Act") which extends the bonus depreciation provision of the 2008 Stimulus Act by continuing the bonus first-year depreciation deduction of 50% of the adjusted basis of qualified property placed in service during 2009. We estimate the cash tax benefit of the 2009 Recovery Act to be approximately $85.0 million, of which $55.0 million will offset the 2008 deferral that reverses in 2009, and the remaining $30.0 million will increase our 2009 operating cash flow. We estimate that at December 31, 2009 the remaining tax deferral associated with the 2008 Stimulus Act and the 2009 Recovery Act will be approximately $105.0 million of which approximately 78% will reverse in 2010 and the remainder will reverse between 2011 and 2012.

Rental Merchandise Purchases. We purchased $730.0 million, $747.3 million and $759.2 million of rental merchandise during the years 2008, 2007 and 2006, 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 $61.9 million, $102.0 million (which included amounts spent with respect to our new corporate headquarters location and the conversion of the acquired Rent-Way stores to the Rent-A-Center brand), and $84.4 million on capital expenditures in the years 2008, 2007 and 2006, respectively, and expect to spend approximately $60.0 million in 2009.

Acquisitions and New Store Openings. During 2008, we used approximately $15.7 million in cash acquiring stores and accounts in 20 separate transactions.

The table below summarizes the store growth activity for the years ended December 31, 2008, 2007 and 2006.

	2008	2007	2006
Stores at beginning of period	3,081	3,406	2,760
New store openings	26	27	40
Acquired stores remaining open	5	14	646
Closed stores(1)			
Merged with existing stores	45	363	25
Sold or closed with no surviving store	30	3	15
Stores at end of period	3,037	3,081	3,406
Acquired stores closed and accounts merged with existing stores	38	36	164
Total purchase price of acquisitions	$15.7 million	$20.1 million	$657.4 million

(1) Substantially all of the merged, sold or closed stores in 2007 relate to our store consolidation plans discussed in more detail in Note F, Restructuring, in the Notes to Consolidated Financial Statements on page 59.

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 of the increasing maturity of our store base, in order for us to show improvements in our profitability, it is important for us to increase revenue in our existing stores. We intend to accomplish such revenue growth by offering new products and services, such as our financial services products, in our existing rent-to-own stores, and by acquiring customer accounts on favorable terms. There can be no assurance that we will be successful in adding financial services products to our existing rent-to-own stores, or that such operations will be as profitable as we expect, or at all. We also cannot assure you that we will be able to acquire customer accounts on favorable terms, or at all, or that we will be able to maintain the revenue from any such acquired customer accounts at the rates we expect, or at all.

Senior Credit Facilities. Our $1,322.5 million senior credit facility consists of a $197.5 million five-year term loan, with the loans thereunder being referred to by us as the “tranche A term loans,” a $725.0 million six-year term loan, with the loans thereunder being referred to by us as the “tranche B term loans,” and a $400.0 million five-year revolving credit facility. The tranche A term loans are payable in 19 consecutive quarterly installments equal to $2.5 million from December 31, 2006 through June 30, 2009, $5.0 million from September 30, 2009 through June 30, 2010 and $37.5 million from September 30, 2010 through June 30, 2011. The tranche B term loans are repayable in 23 consecutive quarterly installments equal to approximately $1.8 million from December 31, 2006 through June 30, 2011 and approximately $172.6 million from September 30, 2011 through June 30, 2012.

During the fourth quarter of 2008, we repurchased approximately $40.6 million in tranche B term loans for approximately $36.3 million, resulting in a gain on extinguishment of debt, net of costs, of approximately $4.3 million. We further reduced outstanding indebtedness on our senior term loans during 2008 by making approximately $84.0 million in optional prepayments.

The table below shows the scheduled maturity dates of our senior term loans outstanding at December 31, 2008.

Year Ending December 31,	(In thousands)
2009	$ 21,756
2010	91,756
2011	274,728
2012	320,907
	$ 709,147

The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which $132.2 million had been utilized as of February 20, 2009. As of February 20, 2009, $267.8 million was available under our revolving facility. The revolving credit facility expires in July 2011.

Borrowings under our senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus .75% to 1.75%, or the prime rate plus up to .75%, at our election. Interest periods range from seven days (for borrowings under the revolving credit facility only) to one, two, three or six months, at our election. The weighted average Eurodollar rate on our outstanding debt was 1.59% at December 31, 2008. The weighted average Eurodollar rate on our outstanding debt was 0.43% at February 20, 2009. The margins on the Eurodollar rate and on the prime rate, which are initially 1.75 and 0.75, respectively, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under the senior credit facilities. A commitment fee equal to 0.15% to 0.50% of the unused portion of the revolving facility is payable quarterly, and fluctuates dependent upon an increase or decrease in our consolidated leverage ratio. The initial commitment fee is equal to 0.50% of the unused portion of the revolving facility.

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 wholly-owned U.S. subsidiaries (other than certain specified subsidiaries).

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

- incur additional debt in excess of $150.0 million at any one time outstanding;
- repurchase our capital stock and 7$^{1}/_{2}$% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x;
- 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 an unrelated line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio of no greater than 3.25:1 on or after December 31, 2008 and a minimum fixed charge coverage ratio of no less than 1.35:1. The table below shows the required and actual ratios under our credit facilities calculated as of December 31, 2008:

	Required Ratio		Actual Ratio
Maximum consolidated leverage ratio	No greater than	3.25:1	2.43:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.86:1

These financial covenants, as well as the related components of their computation, are defined in the amended and restated credit agreement governing our senior credit facility, which is included as an exhibit to this report. In accordance with the credit agreement, the maximum consolidated leverage ratio was calculated by dividing the consolidated funded debt outstanding at December 31, 2008 ($881.7 million) by consolidated EBITDA for the twelve month period ended December 31, 2008 ($363.2 million). For purposes of the covenant calculation, (i) “consolidated funded debt” is defined as outstanding indebtedness less cash in excess of $25 million, and (ii) “consolidated EBITDA” is generally defined as consolidated net income (a) plus the sum of income taxes, interest expense, depreciation and amortization expense, extraordinary non-cash expenses or losses, and other non-cash charges, and (b) minus the sum of interest income, extraordinary income or gains, and other non-cash income.

Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure used to determine covenant compliance under our senior credit facilities.

The minimum fixed charge coverage ratio was calculated pursuant to the credit agreement by dividing consolidated EBITDA for the twelve month period ended December 31, 2008, as adjusted for certain capital expenditures ($485.4 million), by consolidated fixed charges for the twelve month period ended December 31, 2008 ($261.6 million). For purposes of the covenant calculation, "consolidated fixed charges" is defined as the sum of interest expense, lease expense, and mandatory debt repayments.

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 facility would occur if a change of control occurs. 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 Rent-A-Center's Board of Directors occurs. An event of default would also occur if one or more judgments were entered against us of $30.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

We utilize our revolving credit facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the revolving credit facility for general corporate purposes. The funds drawn on individual occasions have varied in amounts of up to $98.0 million, with total amounts outstanding ranging from $2.0 million up to $108.0 million. The amounts drawn are generally outstanding for a short period of time and are generally paid down as cash is received from our operating activities.

Lehman Brothers Holdings Inc. ("Lehman") is one of the lenders participating in our revolving credit facility. Lehman's commitment under the $400.0 million revolving credit facility is approximately $37.3 million, all of which is unfunded. On September 15, 2008, Lehman filed for protection under Chapter 11 of the Federal Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. We cannot be certain that Lehman will participate in any requests by us for funding under our revolving credit facility or whether another lender might assume Lehman's commitment. We do not believe the Lehman bankruptcy will have a material adverse effect on our liquidity.

7$^1/_2$% Senior Subordinated Notes. On May 6, 2003, we issued $300.0 million in senior subordinated notes due 2010, bearing interest at 7$^1/_2$%, 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 our then outstanding 11% senior subordinated notes.

The 2003 indenture contains covenants that limit our ability to:

- incur additional debt;
- sell assets or our subsidiaries;
- grant liens to third parties;
- pay cash dividends or repurchase stock (subject to a restricted payments basket for which $165.2 million was available for use as of December 31, 2008); and
- engage in a merger or sell substantially all of our 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, as well as in the event a judgment is entered against us in excess of $50.0 million that is not discharged, bonded or insured.

The 7$^1/_2$% 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 premium for the period beginning May 1, 2008 through April 30, 2009 is 101.25%. The 7$^1/_2$% notes may be redeemed on or after May 1, 2009, at our option, in whole or in part, at par. The 7$^1/_2$% 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 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 facilities. We are not required to maintain any financial ratios under the 2003 indenture.

Store Leases. We lease space for substantially all of our stores and service center locations, as well as regional offices, under operating leases expiring at various times through 2016. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc. (“Wells Fargo”), who provides $35.0 million in aggregate financing to qualifying franchisees of ColorTyme generally 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 paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. The Wells Fargo agreement expires on September 30, 2010. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association (“Texas Capital Bank”) under an agreement similar to the Wells Fargo financing. Rent-A-Center East, Inc., a subsidiary of Rent-A-Center, 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 $55.0 million, of which $24.5 million was outstanding as of December 31, 2008.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of December 31, 2008:

Contractual Cash Obligations	Payments Due by Period Total	2009	2010-2011 (In thousands)	2012-2013	Thereafter
Senior Debt (including current portion)	$ 721,712(1)	$ 34,321	$ 366,484	$ 320,907	$ —
7 1/2% Senior Subordinated Notes(2)	250,730	16,903	233,827	—	—
Operating Leases	493,201	172,947	227,500	86,864	5,890
Capital Leases	9,520	5,039	4,179	302	—
Total(3)	$ 1,475,163	$ 229,210	$ 831,990	$ 408,073	$ 5,890

(1) Includes amounts due under the Intrust line of credit. Amount referenced does not include interest payments. Our senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus .75% to 1.75% or the prime rate plus up to .75% at our election. The weighted average Eurodollar rate on our outstanding debt at December 31, 2008 was 1.59%.

(2) Includes interest payments of $8.5 million on each of May 1 and November 1 of each year.

(3) As of December 31, 2008, we have $2.1 million in uncertain tax positions, net of federal benefit. Because of the uncertainty of the amounts to be ultimately paid as well as the timing of such payments, these liabilities are not reflected in the contractual obligations table.

Repurchases of Outstanding Securities. Our Board of Directors has authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $500.0 million of Rent-A-Center common stock. As of December 31, 2008, we had purchased a total of 19,412,750 shares of Rent-A-Center common stock for an aggregate of $457.8 million under this common stock repurchase program. We repurchased 801,800 shares for $10.3 million in the fourth quarter of 2008. A total of 951,800 shares were repurchased for $13.4 million in 2008. Please see *“Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities”* on page 18 of 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. Fluctuations in our targeted customers' monthly disposable income or high levels of unemployment could adversely impact our results of operations.

2007 Store Consolidation Plan and Other Restructuring Items. The total amount of cash used in the store consolidation plan and other restructuring items through December 31, 2008 was approximately $16.9 million, which primarily related to lease terminations. We expect to use approximately $7.4 million of cash on hand for future payments, which will primarily relate to the satisfaction of lease obligations at the stores. We expect the lease obligations will be substantially settled in twelve to eighteen months, with total completion no later than the second quarter of 2013. Please refer to Note F, Restructuring, in the Notes to Consolidated Financial Statements on page 59 of this report for more information on our 2007 store consolidation plan.

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 with 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.

Effect of New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* ("SFAS 141R"), which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. This statement also establishes disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for us on a prospective basis for business combinations for which the acquisition date is on or subsequent to the reporting period beginning January 1, 2009. The impact of adopting SFAS 141R will depend on the nature and terms of future acquisitions, if any.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Market Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures required for fair value measurements. SFAS 157 applies to other accounting pronouncements that require fair value measurements but it does not require any new fair value measurements. SFAS 157 is effective on a prospective basis for the reporting period beginning January 1, 2008. The impact of adopting SFAS 157 had no material effect on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk.***

Interest Rate Sensitivity

As of December 31, 2008, we had $225.4 million in subordinated notes outstanding at a fixed interest rate of $7^1/_2$%, $709.1 million in term loans and approximately $12.6 million outstanding on our Intrust line of credit at interest rates indexed to the Eurodollar rate. The fair value of the $7^1/_2$% subordinated notes, based on the closing price at December 31, 2008, was $206.2 million. Carrying value approximates fair value for all other indebtedness.

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 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. As a result of such assessment, we may enter into swap contracts or other interest rate protection agreements from time to time to mitigate this risk.

Interest Rate Risk

We hold long-term debt with variable interest rates indexed to prime or Eurodollar rates that exposes us to the risk of increased interest costs if interest rates rise. As of December 31, 2008, we have not entered into any interest rate swap agreements. The credit markets have recently experienced adverse conditions, including wide fluctuations in rates. Continuing volatility in the credit markets may increase the costs associated with our existing long-term debt. Based on our overall interest rate exposure at December 31, 2008, a hypothetical 1.0% increase or decrease in interest rates would have the effect of causing a $7.2 million additional pre-tax charge or credit to our statement of earnings.

Item 8. ***Financial Statements and Supplementary Data.***

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Rent-A-Center, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Rent-A-Center, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rent-A-Center, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Rent-A-Center, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 26, 2009, expressed an unqualified opinion.

/s/ Grant Thornton LLP

Dallas, Texas
February 26, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Rent-A-Center, Inc. and Subsidiaries

We have audited Rent-A-Center, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Rent-A-Center, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008, and our report dated February 26, 2009, expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Dallas, Texas
February 26, 2009

**MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

Management of the Company, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control system was designed to provide reasonable assurance to management and the Company's board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. A system of internal control may become inadequate over time because of changes in conditions, or deterioration in the degree of compliance with the policies or procedures. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework.* Based on this assessment, management has concluded that, as of December 31, 2008, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles based on such criteria.

Grant Thornton LLP, the Company's independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page 43.

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31, 2008	2007	2006
	(In thousands, except per share data)		
Revenues			
Store			
Rentals and fees	$ 2,505,268	$ 2,594,061	$ 2,174,239
Merchandise sales	256,731	208,989	175,954
Installment sales	41,193	34,576	26,877
Other	42,759	25,482	15,607
Franchise			
Merchandise sales	33,283	34,229	36,377
Royalty income and fees	4,938	8,784	4,854
	2,884,172	2,906,121	2,433,908
Operating expenses			
Direct store expenses			
Cost of rentals and fees	572,900	574,013	476,462
Cost of merchandise sold	194,595	156,503	131,428
Cost of installment sales	16,620	13,270	11,346
Salaries and other expenses	1,651,805	1,684,965	1,385,437
Franchise cost of merchandise sold	31,705	32,733	34,862
	2,467,625	2,461,484	2,039,535
General and administrative expenses	125,632	123,703	93,556
Amortization and write-down of intangibles	16,637	15,734	5,573
Litigation expense (credit)	(4,607)	62,250	73,300
Restructuring charge	4,497	38,713	—
Total operating expenses	2,609,784	2,701,884	2,211,964
Operating profit	274,388	204,237	221,944
Finance charges from refinancing	—	—	4,803
Gain on extinguishment of debt	(4,335)	—	—
Interest expense	66,241	94,778	58,559
Interest income	(8,860)	(6,827)	(5,556)
Earnings before income taxes	221,342	116,286	164,138
Income tax expense	81,718	40,018	61,046
NET EARNINGS	$ 139,624	$ 76,268	$ 103,092
Basic earnings per common share	$ 2.10	$ 1.11	$ 1.48
Diluted earnings per common share	$ 2.08	$ 1.10	$ 1.46

See accompanying notes to consolidated financial statements.

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
	(In thousands, except share and par value data)	
ASSETS		
Cash and cash equivalents	$ 87,382	$ 97,375
Receivables, net of allowance for doubtful accounts of $7,256 in 2008 and $4,945 in 2007	51,766	41,629
Prepaid expenses and other assets	59,217	56,384
Rental merchandise, net		
On rent	634,946	735,672
Held for rent	184,108	202,298
Merchandise held for installment sale	3,433	2,334
Property assets, net	208,897	222,157
Goodwill, net	1,265,249	1,255,163
Other intangible assets, net	1,704	13,931
	$ 2,496,702	$ 2,626,943
LIABILITIES		
Accounts payable — trade	$ 93,496	$ 100,419
Accrued liabilities	289,701	310,420
Deferred income taxes	87,216	9,678
Senior debt	721,712	959,335
Subordinated notes payable	225,375	300,000
	1,417,500	1,679,852
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 250,000,000 shares authorized; 104,769,382 and 104,540,127 shares issued in 2008 and 2007, respectively	1,047	1,045
Additional paid-in capital	681,067	674,032
Retained earnings	1,208,009	1,069,553
Treasury stock, 38,787,849 and 37,836,049 shares at cost in 2008 and 2007, respectively	(810,921)	(797,539)
	1,079,202	947,091
	$ 2,496,702	$ 2,626,943

See accompanying notes to consolidated financial statements.

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the three years ended December 31, 2008
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2006	102,988	$ 1,030	$ 630,308	$ 890,467	$ (709,399)	$ 812,406
Net earnings	—	—	—	103,092	—	103,092
Purchase of treasury stock (203 shares)	—	—	(5)	—	(4,691)	(4,696)
Exercise of stock options	1,204	12	20,091	—	—	20,103
Tax benefits related to exercise of stock options	—	—	4,291	—	—	4,291
Stock-based compensation	—	—	7,792	—	—	7,792
Other	—	—	(37)	8	—	(29)
Balance at December 31, 2006	104,192	1,042	662,440	993,567	(714,090)	942,959
Net earnings	—	—	—	76,268	—	76,268
Purchase of treasury stock (3,832 shares)	—	—	(99)	—	(83,449)	(83,548)
Exercise of stock options	348	3	5,928	—	—	5,931
Tax benefits related to exercise of stock options	—	—	943	—	—	943
Stock-based compensation	—	—	5,050	—	—	5,050
Other	—	—	(230)	(282)	—	(512)
Balance at December 31, 2007	104,540	1,045	674,032	1,069,553	(797,539)	947,091
Net earnings	—	—	—	139,624	—	139,624
Other comprehensive income:						
Foreign currency translation adjustment	—	—	—	386	—	386
Comprehensive income						140,010
Purchase of treasury stock (952 shares)	—	—	(24)	—	(13,382)	(13,406)
Exercise of stock options	229	2	3,167	—	—	3,169
Tax benefits related to exercise of stock options	—	—	560	—	—	560
Stock-based compensation	—	—	3,341	—	—	3,341
Other	—	—	(9)	(1,554)	—	(1,563)
Balance at December 31, 2008	104,769	$ 1,047	$ 681,067	$ 1,208,009	$ (810,921)	$ 1,079,202

See accompanying notes to consolidated financial statements.

Rent-A-Center, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2008	2007 (In thousands)	2006
Cash flows from operating activities			
Net earnings	$ 139,624	$ 76,268	$ 103,092
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation of rental merchandise	561,414	561,880	465,902
Bad debt expense	14,455	10,828	6,981
Stock-based compensation expense	3,341	5,050	7,792
Depreciation of property assets	72,683	71,279	55,651
Loss on sale or disposal of property assets	375	20,345	—
Amortization of intangibles	12,589	15,734	5,573
Amortization of financing fees	1,703	1,824	1,606
Deferred income taxes	77,538	11,213	(7,121)
Financing charges from refinancing	—	—	4,803
Gain on extinguishment of debt	(4,335)	—	—
Restructuring charge	4,497	38,713	—
Changes in operating assets and liabilities, net of effects of acquisitions			
Rental merchandise	(438,964)	(445,920)	(551,968)
Accounts receivable	(24,572)	(17,390)	(7,325)
Prepaid expenses and other assets	(7,056)	(6,194)	(12,853)
Tax benefit related to stock option exercises	(560)	(943)	(4,291)
Accounts payable — trade	(6,924)	(18,021)	30,293
Accrued liabilities	(21,086)	(84,286)	89,225
Net cash provided by operating activities	384,722	240,380	187,360
Cash flows from investing activities			
Purchase of property assets	(61,931)	(101,961)	(84,409)
Proceeds from sale of property assets	6,144	4,500	1,375
Acquisitions of businesses, net of cash acquired	(15,700)	(20,112)	(657,378)
Net cash used in investing activities	(71,487)	(117,573)	(740,412)
Cash flows from financing activities			
Purchase of treasury stock	(13,382)	(83,449)	(4,691)
Exercise of stock options	3,169	5,931	20,103
Tax benefit related to stock option exercises	560	943	4,291
Payments on capital leases	(5,662)	(7,258)	(1,162)
Proceeds from debt	213,050	785,555	1,378,243
Repayments of debt	(446,338)	(819,498)	(809,015)
Repurchase of subordinated notes	(74,625)	—	—
Net cash provided by (used) in financing activities	(323,228)	(117,776)	587,769
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,993)	5,031	34,717
Cash and cash equivalents at beginning of year	97,375	92,344	57,627
Cash and cash equivalents at end of year	$ 87,382	$ 97,375	$ 92,344
Supplemental cash flow information			
Cash paid during the year for:			
Interest	$ 70,688	$ 89,372	$ 50,871
Income taxes (excludes $34,656 of income taxes refunded in 2008)	$ 20,954	$ 19,759	$ 57,873

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A — Summary of Accounting Policies and Nature of Operations

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation and Nature of Operations

These financial statements include the accounts of Rent-A-Center, Inc. and its direct and indirect subsidiaries. All 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 December 31, 2008, we operated 3,037 company-owned stores nationwide and in Canada and Puerto Rico, including 31 stores under the names “Get It Now” and “Home Choice” and eight rent-to-own stores located in Canada 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 and Home Choice offer merchandise on an installment sales basis.

We also offer an array of financial services in certain of our existing rent-to-own stores under the names “RAC Financial Services” and “Cash AdvantEdge.” The financial services offered include, but are not limited to, short term secured and unsecured loans, debit cards, check cashing and money transfer services. As of December 31, 2008, we offered financial services in 351 of our existing rent-to-own stores in 18 states.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At December 31, 2008, ColorTyme had 222 franchised stores operating in 34 states. ColorTyme’s primary source of revenue 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 revenue is generated primarily from royalties based on franchisees’ monthly gross revenues.

Rental Merchandise

Rental merchandise is carried at cost, net of accumulated depreciation. Depreciation for merchandise is provided using the income forecasting method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise, and assumes no salvage value. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental-purchase agreement period, generally seven to 30 months. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity-based method similar to the units of production method. However, on computers that are 24 months old or older and which have become idle, depreciation is recognized using the straight-line method for a period of at least six months, generally not to exceed an aggregate depreciation period of 30 months.

Rental merchandise which is damaged and inoperable, or not returned by the customer after becoming delinquent on payments, is expensed when such impairment occurs. We maintain a reserve for these expected expenses. In addition, any minor repairs made to rental merchandise are expensed at the time of the repair.

Cash Equivalents

Cash equivalents include all highly liquid investments with an original maturity of three months or less. We maintain cash and cash equivalents at several financial institutions, which at times may not be federally insured or may exceed federally insured limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risks on such accounts.

Revenue

Merchandise is rented to customers pursuant to rental purchase agreements which provide for weekly, semi-monthly 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 and merchandise sales revenue is recognized when the customer exercises the purchase option and pays the cash price due. Cash received prior to the period in which it should be recognized is deferred and recognized according to the rental term. Revenue is accrued for uncollected amounts due based on historical collection experience. However, the total amount of the rental purchase agreement is not accrued because the customer can terminate the rental agreement at any time and we cannot enforce collection for non-payment of future rents.

Revenue from the sale of merchandise in our retail installment stores is recognized when the installment note is signed, the customer has taken possession of the merchandise and collectability is reasonably assured.

The revenue from our financial services is recorded depending on the type of transaction. Fees collected on loans are recognized ratably over the term of the loan. For money orders, wire transfers, check cashing and other customer service type transactions, fee revenue is recognized at the time the service is performed.

Receivables and Allowance for Doubtful Accounts

The receivable associated with the sale of merchandise at our Get It Now and Home Choice stores generally consists of the sales price of the merchandise purchased and any additional fees for services the customer has chosen, less the customer’s down payment. No interest is accrued and interest income is recognized each time a customer makes a payment, generally on a monthly basis.

Our financial services business extends short term secured and unsecured loans. The loans are funded with our cash from operations. The amount and length of such loans may vary depending on applicable state law.

We have established an allowance for doubtful accounts for our installment notes and loan receivables associated with our financial services business. Our policy for determining the allowance is based on historical loss experience, as well as the results of management’s review and analysis of the payment and collection of the installment notes and loan receivables within the previous year. We believe our allowances are adequate to absorb any known or probable losses. Our policy is to charge off installment notes that are 90 days or more past due and loan receivables that are 60 days or more past due. Charge offs are applied as a reduction to the allowance for doubtful accounts and any recoveries of previously charged off balances are applied as an increase to the allowance for doubtful accounts.

The majority of ColorTyme’s accounts receivable relate to amounts due from franchisees. Credit is extended based on an evaluation of a franchisee’s financial condition and collateral is generally not required. Accounts receivable are due within 30 days and are stated at amounts due from franchisees net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. ColorTyme determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, ColorTyme’s previous loss history, the franchisee’s current ability to pay its obligation to ColorTyme, and the condition of the general economy and the industry as a whole. ColorTyme writes off accounts receivable that are 120 days or more past due and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Property Assets and Related Depreciation

Furniture, equipment and vehicles are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets (generally five years) by the straight-line method. Our building is depreciated over approximately 40 years. Leasehold improvements are amortized over the useful life of the asset or the initial term of the applicable leases by the straight-line method, whichever is shorter.

We incur repair and maintenance expenses on our vehicles and equipment. These amounts are recognized when incurred, unless such repairs significantly extend the life of the asset, in which case we amortize the cost of the repairs for the remaining life of the asset utilizing the straight-line method.

Intangible Assets and Amortization

We record goodwill when the consideration paid for an acquisition exceeds the fair value of the identifiable net tangible and identifiable intangible assets acquired. Goodwill is not subject to amortization but must be periodically evaluated for impairment. Impairment occurs when the carrying value of goodwill is not recoverable from future cash flows. We perform an assessment of goodwill for impairment at the reporting unit level annually as of December 31 of each year, or when events or circumstances indicate that impairment may have occurred. Factors which could necessitate an interim impairment assessment include a sustained decline in our stock price, prolonged negative industry or economic trends and significant underperformance relative to expected historical or projected future operating results. We assess recoverability using several methodologies, which include the present value of estimated future cash flows (income approach) and comparisons of multiples of enterprise values to earnings before interest, taxes, depreciation and amortization (EBITDA) (market approach). The analysis is based upon available information regarding expected future cash flows and discount rates. Discount rates are based upon our cost of capital. If the carrying value exceeds the discounted fair value, a second analysis is performed to measure the fair value of all assets and liabilities. If, based on the second analysis, it is determined that the fair value of the assets and liabilities is less than the carrying value, we would recognize impairment charges in an amount equal to the excess of the carrying value over fair value. There were no impairment charges recognized related to goodwill in 2008, 2007 and 2006.

Accounting for Impairment of Long-Lived Assets

We evaluate all long-lived assets, including intangible assets, excluding goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment is recognized when the carrying amounts of such assets cannot be recovered by the undiscounted net cash flows they will generate.

Foreign Currency Translation

The functional currency of our foreign operations is predominantly the applicable local currency. Assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange on the last day of the reporting period. Revenues and expenses are generally translated at a daily exchange rate and equity transactions are translated using the actual rate on the day of the transaction.

Other Comprehensive Income

Other comprehensive income is comprised exclusively of our foreign currency translation adjustment. The currency translation adjustment was approximately $386,000 at December 31, 2008.

Income Taxes

We record deferred taxes for temporary differences between the tax and financial reporting bases of assets and liabilities at the enacted tax rate expected to be in effect when taxes become payable. Income tax accounting requires management to make estimates and apply judgments to events that will be recognized in one period under rules that apply to financial reporting in a different period in our tax returns. In particular, judgment is required when estimating the value of future tax deductions, tax credits and net operating loss carryforwards (NOLs), as represented by deferred tax assets. When it is determined the recovery of all or a portion of a deferred tax asset is not likely, a valuation allowance is established. We include NOLs in the calculation of deferred tax assets. NOLs are utilized to the extent allowable due to the provisions of the Internal Revenue Code of 1986, as amended, and relevant state statutes.

Sales Taxes

In accordance with Emerging Issues Task Force Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* ("EITF 06-3"), we apply the net basis for sales taxes imposed on our goods and services in our Consolidated Statements of Earnings. We are required by the applicable governmental authorities to collect and remit sales taxes. Accordingly, such amounts are charged to the customer, collected and remitted directly to the appropriate jurisdictional entity.

Earnings Per Common Share

Basic earnings per common share are based upon the weighted average number of common shares outstanding during each period presented. Diluted earnings per common share are based upon the weighted average number of common shares outstanding during the period, plus, if dilutive, the assumed exercise of stock options and the assumed conversion of convertible securities at the beginning of the year, or for the period outstanding during the year for current year issuances.

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred. Advertising expense was $82.5 million, $79.8 million, and $67.3 million in 2008, 2007 and 2006, respectively.

Stock-Based Compensation

We maintain long-term incentive plans for the benefit of certain employees, consultants and directors, which are described more fully in Note L. We adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* ("SFAS 123R"), on a modified prospective basis beginning January 1, 2006 for stock-based compensation awards granted after that date and for unvested awards outstanding at that date. SFAS 123R requires that the measurement and recognition of share-based payment awards to our employees and directors be made at the estimated fair value on the grant date. Determining the fair value of any share-based awards requires information about several variables including, but not limited to, expected stock volatility over the terms of the awards, expected dividend yields and the predicted employee exercise behavior. We base expected life on historical exercise and post-vesting employment-termination experience, and expected volatility on historical realized volatility trends. In addition, all stock-based compensation expense is recorded net of an estimated forfeiture rate. The forfeiture rate is based upon historical activity and is analyzed at least quarterly as actual forfeitures occur.

Under SFAS 123R, compensation costs are recognized net of estimated forfeitures over the award's requisite service period on a straight line basis. For the twelve months ended December 31, 2008, 2007 and 2006, in accordance with SFAS 123R, we recorded stock-based compensation expense, net of related taxes, of approximately $2.1 million, $3.3 million and $4.9 million, respectively, related to stock options and restricted stock units granted.

Cumulative Effect of New Accounting Principle

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"). SAB 108 was issued to provide consistency in quantifying financial misstatements.

The methods most commonly used in practice to accumulate and quantify misstatements are referred to as the "rollover" and "iron curtain" methods. The rollover method quantifies a misstatement based on the amount of the error originating in the current year income statement. This method can result in the accumulation of errors on the balance sheet that may not have been material to an individual income statement but may lead to misstatement of one or more balance sheet accounts. The iron curtain method quantifies a misstatement based on the amount of the error in the balance sheet at the end of the current year. This method can result in disregarding the effects of errors in the current year income statement that result from the correction of an error existing in previously issued financial statements. We previously used the rollover method for quantifying financial statement misstatements.

The method established by SAB 108 to quantify misstatements is the "dual approach," which requires quantification of financial statement misstatements under both the rollover and iron curtain methods.

SAB 108 was effective for us for the year ended December 31, 2006. As allowed by SAB 108, the cumulative effect of the initial application of SAB 108 was reported in the opening amounts of the assets and liabilities as of January 1, 2006, with the offsetting balance to retained earnings. We recorded an increase in accounts receivable of $4.2 million, an increase in accrued liabilities of $31.0 million, a decrease in accumulated depreciation of $6.4 million, an increase in deferred tax assets of $7.6 million and a decrease in retained earnings of $12.8 million due to adopting the dual approach in recording deferred and accrued revenue. The error arose because we were unable to specifically identify the total amount of deferred and accrued revenue due to system limitations. Prior to 2006, we recorded an estimate of the net profit effect of our cash collection pattern. We previously used the rollover method and quantified misstatements based on the amount of the error in the current year income statement. We did not consider these misstatements material to any year. The deferred and accrued revenue amounts increased with the increase in number of stores.

In addition, we recorded as of January 1, 2006 a $1.0 million increase in prepaid expenses, a $1.9 million decrease in accrued liabilities, a decrease in deferred tax assets of $1.1 million and an increase in retained earnings of $1.8 million related to adopting the dual approach in recording property taxes. The error arose in the calculation of the property tax accrual. We did not consider these misstatements material to any year. The time period over which the property tax adjustment arose was approximately three years.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent losses 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. 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. We believe self-insurance liabilities, litigation, tax reserves and stock-based compensation are areas where the degree of judgment and complexity in determining amounts recorded in our consolidated financial statements make the accounting policies critical.

New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* ("SFAS 141R"), which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. This statement also establishes disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for us on a prospective basis for business combinations for which the acquisition date is on or subsequent to the reporting period beginning January 1, 2009. The impact of adopting SFAS 141R will depend on the nature and terms of future acquisitions, if any.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Market Measurements* (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value and expands disclosures required for fair value measurements. SFAS 157 applies to other accounting pronouncements that require fair value measurements but it does not require any new fair value measurements. SFAS 157 is effective on a prospective basis for the reporting period beginning January 1, 2008. The impact of adopting SFAS 157 had no material effect on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption.

Note B — Receivables and Allowance for Doubtful Accounts

Receivables consist of the following:

	December 31, 2008	2007
	(In thousands)	
Installment sales receivable	$ 29,561	$ 24,677
Financial services loans receivable	19,327	12,285
Trade and notes receivables	10,134	9,612
Total	59,022	46,574
Less allowance for doubtful accounts	(7,256)	(4,945)
Net receivables	$ 51,766	$ 41,629

Changes in our allowance for doubtful accounts are as follows:

	December 31, 2008	2007	2006
		(In thousands)	
Beginning balance	$ 4,945	$ 4,026	$ 3,317
Bad debt expense	14,455	10,828	6,981
Accounts written off	(17,843)	(20,496)	(9,321)
Recoveries	5,699	10,587	3,049
Ending balance	$ 7,256	$ 4,945	$ 4,026

Note C — Merchandise Inventory

Rental Merchandise

	December 31, 2008	December 31, 2007
	(In thousands)	
On rent		
Cost	$ 1,165,084	$ 1,296,230
Less accumulated depreciation	(530,138)	(560,558)
Net book value, on rent	$ 634,946	$ 735,672
Held for rent		
Cost	$ 260,649	$ 276,321
Less accumulated depreciation	(76,541)	(74,023)
Net book value, held for rent	$ 184,108	$ 202,298

Reconciliation of Merchandise Inventory

	December 31, 2008	December 31, 2007	December 31, 2006
		(In thousands)	
Beginning merchandise value	$ 940,304	$ 1,058,587	$ 752,880
Inventory additions through acquisitions	4,890	5,544	213,010
Purchases	730,006	747,251	759,222
Depreciation of rental merchandise	(561,414)	(561,880)	(465,902)
Cost of goods sold	(175,835)	(169,773)	(142,774)
Skips and stolens	(71,780)	(79,818)	(59,585)
Effects of adopting SAB 108(1)	—	—	6,368
Other inventory deletions(2)	(43,684)	(59,607)	(4,632)
Ending merchandise value	$ 822,487	$ 940,304	$ 1,058,587

(1) Represents adjustment to accumulated depreciation due to adopting SAB 108 in recording deferred and accrued revenue.

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

Note D — Property Assets

	December 31, 2008	December 31, 2007
	(In thousands)	
Furniture and equipment	$ 223,488	$ 208,492
Transportation equipment	34,738	43,025
Building and leasehold improvements	224,098	207,367
Land and land improvements	5,193	5,193
Construction in progress	10,178	4,019
	497,695	468,096
Less accumulated depreciation	(288,798)	(245,939)
	$ 208,897	$ 222,157

Note E — Intangible Assets and Acquisitions

Intangibles consist of the following (in thousands):

	Avg. Life (years)	December 31, 2008 Gross Carrying Amount	December 31, 2008 Accumulated Amortization	December 31, 2007 Gross Carrying Amount	December 31, 2007 Accumulated Amortization
Amortizable intangible assets Non-compete agreements	3	$ 6,281	$ 5,957	$ 7,017	$ 5,845
Customer relationships	2	62,110	60,950	61,073	49,748
Other intangibles	3	3,264	3,044	3,264	1,830
Total		71,655	69,951	71,354	57,423
Intangible assets not subject to amortization					
Goodwill		1,364,401	99,152	1,354,315	99,152
Total intangibles		$ 1,436,056	$ 169,103	$ 1,425,669	$ 156,575

Aggregate Amortization Expense	
Year ended December 31, 2008	$ 12,589
Year ended December 31, 2007	$ 15,734
Year ended December 31, 2006	$ 5,573

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated 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)
2009	$ 1,322
2010	348
2011	34
2012	—
2013	—
Total	$ 1,704

Changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
	(In thousands)	
Balance as of January 1,	$ 1,255,163	$ 1,253,715
Additions from acquisitions	9,692	13,310
Write-down of goodwill related to stores sold	(4,048)	—
Post purchase price allocation adjustments	4,442	(11,862)
Balance as of December 31,	$ 1,265,249	$ 1,255,163

The post purchase price allocation adjustments in 2008 were primarily attributable to inventory charge-offs for unrentable or missing merchandise acquired and other items. The post purchase price allocation adjustments in 2007 were primarily attributable to the tax benefit associated with items recorded as goodwill that were deductible for tax purposes, offset by inventory charge-offs for unrentable or missing merchandise acquired in the acquisition of Rent-Way, Inc. (“Rent-Way”).

Acquisitions

The following table provides information concerning the acquisitions made during the years ended December 31, 2008, 2007 and 2006.

	Year Ended December 31, 2008	2007	2006
	(Dollar amounts in thousands)		
Number of stores acquired remaining open	5	12	646
Number of stores acquired that were merged with existing stores	38	36	164
Number of transactions	20	19	37
Total purchase price	$ 15,700	$ 20,112	$ 657,378
Amounts allocated to:			
Goodwill	$ 9,692	$ 13,310	$ 331,286
Non-compete agreements	2	10	369
Customer relationships	1,091	1,210	26,433
Other intangible assets	—	—	3,264
Property and other assets	25	38	57,175
Rental merchandise	4,890	5,544	213,010
Deferred income taxes	—	—	106,022
Liabilities assumed	—	—	(46,164)
Restructuring accruals	—	—	(34,017)

Rent-Way, Inc. On November 15, 2006, we completed the acquisition of Rent-Way whereby Rent-Way became an indirect wholly owned subsidiary of Rent-A-Center. Rent-Way operated 782 stores in 34 states. The total purchase price of approximately $622.5 million included cash payments and borrowings under our senior credit facilities and direct transaction costs of approximately $7.4 million. We funded the acquisition with a $600.3 million increase in our senior credit facilities. The operating results of Rent-Way have been included in the consolidated financial statements since the acquisition date of November 15, 2006.

Restructuring charges were included in the purchase price allocation, which were for employment termination costs in connection with closing Rent-Way's corporate headquarters and for reserves put into place for lease buyouts for acquired stores which were closed post acquisition in compliance with management's pre-acquisition plans. We expect the termination costs will be completed by the second quarter of 2010 and the reserves for lease buyouts will be completed no later than the second quarter of 2012. The following table shows the changes in the accrual balance from December 31, 2006 to December 31, 2008, relating to this restructuring (in thousands):

Balance at December 31, 2006	$ 34,017
Adjustment to accrual	(1,863)
Cash activity	(23,937)
Balance at December 31, 2007	8,217
Adjustment to accrual	286
Cash activity(1)	(6,673)
Balance at December 31, 2008	$ 1,830

(1) Primarily related to lease terminations.

Acquisition purchase prices are determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total. Acquired customer relationships are amortized utilizing the straight-line method over a 24 month period, non-compete agreements are amortized using the straight-line method over the life of the agreements, other intangible assets are amortized using the straight-line method over the life of the asset and, in accordance with SFAS 142, goodwill associated with acquisitions is not amortized. The weighted average amortization period was 2.0 years for intangible assets acquired during the year ended December 31, 2008.

All acquisitions have been accounted for as purchases, and the operating results of the acquired stores and accounts have been included in the financial statements since their date of acquisition.

Note F — Restructuring

2007 Store Consolidation Plan and Other Restructuring Items. On December 3, 2007, we announced our plan to close approximately 280 stores. The decision to close these stores was based on our analysis and evaluation of every market in which we operated based on operating results, competitive positioning, and growth potential. As a result, we identified 283 stores that we intended to close or merge. As of December 31, 2008, we closed or merged 282 stores. We intend to keep open one remaining store.

We estimated we would incur restructuring expenses related to the store consolidation plan and other restructuring items in the range of $36.0 million to $43.0 million, substantially all of which would be recorded in the fourth quarter of 2007, based on the closing date of the stores. We recorded restructuring expenses in the amount of $4.5 million for the twelve months ended December 31, 2008 and $38.7 million in the fourth quarter of 2007. The following table presents the range of estimated charges as of December 31, 2007 and the total store consolidation plan charges and other restructuring items recorded through December 31, 2008.

	Closing Plan Estimate As of December 31, 2007	Expenses Recognized Through 2008	Estimated Remaining Charges As of December 31, 2008
		(In thousands)	
Lease obligations	$ 26,061 - $29,223	$ 25,680	$ 381 - $3,543
Fixed asset disposals	11,006 - 11,516	11,476	0 - 40
Other costs	2,468 - 6,704	6,054	0 - 650
Total	$ 39,535 - $47,443	$ 43,210	$ 381 - $4,233

The following table shows the changes in the accrual balance from December 31, 2007 to December 31, 2008 relating to the store consolidation plan.

	Balance at December 31, 2007	Charges to Expense	Cash (Payments) Receipts or Asset Write-Offs	Balance at December 31, 2008
		(In thousands)		
Lease obligations	$ 23,152	$ 441	$ (16,236)	$ 7,357
Fixed asset disposals	—	470	(470)	—
Other costs	—	3,586	(3,586)	—
Total	$ 23,152	$ 4,497	$ (20,292)	$ 7,357

The total amount of cash used in the store consolidation plan through December 31, 2008 was approximately $16.9 million. We expect to use approximately $7.4 million of cash on hand for future payments, which will primarily relate to the satisfaction of lease obligations at the stores. We expect the lease obligations will be substantially settled in twelve to eighteen months, with total completion no later than the second quarter of 2013.

Note G — Senior Debt

Our $1,322.5 million senior credit facility consists of a $197.5 million five-year term loan, with the loans thereunder being referred to by us as the “tranche A term loans,” a $725.0 million six-year term loan, with the loans thereunder being referred to by us as the “tranche B term loans,” and a $400.0 million five-year revolving credit facility. The tranche A term loans are payable in 19 consecutive quarterly installments equal to $2.5 million from December 31, 2006 through June 30, 2009, $5.0 million from September 30, 2009 through June 30, 2010 and $37.5 million from September 30, 2010 through June 30, 2011. The tranche B term loans are repayable in 23 consecutive quarterly installments equal to approximately $1.8 million from December 31, 2006 through June 30, 2011 and approximately $172.6 million from September 30, 2011 through June 30, 2012.

During the fourth quarter of 2008, we repurchased approximately $40.6 million in tranche B term loans for approximately $36.3 million, resulting in a gain on extinguishment of debt, net of costs, of approximately $4.3 million. We further reduced outstanding indebtedness on our senior term loans during 2008 by making approximately $84.0 million in optional prepayments.

The debt facilities as of December 31, 2008 and 2007 follows:

		2008			2007		
	Facility Maturity	Maximum Facility	Amount Outstanding	Amount Available	Maximum Facility	Amount Outstanding	Amount Available
				(In thousands)			
Senior Credit Facilities:							
Tranche A Term Loans	2011	$ 197,500	$ 175,000	$ —	$ 197,500	$ 185,000	$ —
Tranche B Term Loans	2012	725,000	534,147	—	725,000	665,915	—
Revolving Facility(1)	2011	400,000	—	269,415	400,000	108,000	159,854
		1,322,500	709,147	269,415	1,322,500	958,915	159,854
Other Indebtedness:							
Line of credit		20,000	12,565	7,435	20,000	420	19,580
Total		$ 1,342,500	$ 721,712	$ 276,850	$ 1,342,500	$ 959,335	$ 179,434

(1) At December 31, 2008 and 2007, the amounts available under the Revolving Facility were reduced by approximately $130.6 million and $132.2 million, respectively, for our outstanding letters of credit.

Borrowings under our senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus .75% to 1.75%, or the prime rate plus up to .75%, at our election. Interest periods range from seven days (for borrowings under the revolving credit facility only) to one, two, three or six months, at our election. The weighted average Eurodollar rate on our outstanding debt was 1.59% at December 31, 2008. The weighted average Eurodollar rate on our outstanding debt was 0.43% at February 20, 2009. The margins on the Eurodollar rate and on the prime rate, which are initially 1.75 and 0.75, respectively, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under the senior credit facilities. A commitment fee equal to 0.15% to 0.50% of the unused portion of the revolving facility is payable quarterly, and fluctuates dependent upon an increase or decrease in our consolidated leverage ratio. The initial commitment fee is equal to 0.50% of the unused portion of the revolving facility.

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 wholly-owned U.S. subsidiaries (other than certain specified subsidiaries).

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

- incur additional debt in excess of $150.0 million at any one time outstanding;
- repurchase our capital stock and 7 1/2% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x;
- 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 an unrelated line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio of no greater than 3.25:1 on or after December 31, 2008 and a minimum fixed charge coverage ratio of no less than 1.35:1. The table below shows the required and actual ratios under our credit facilities calculated as at December 31, 2008:

	Required Ratio		Actual Ratio
Maximum consolidated leverage ratio	No greater than	3.25:1	2.43:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.86:1

These financial covenants, as well as the related components of their computation, are defined in the amended and restated credit agreement governing our senior credit facility, which is included as an exhibit to this report. In accordance with the credit agreement, the maximum consolidated leverage ratio was calculated by dividing the consolidated funded debt outstanding at December 31, 2008 ($881.7 million) by consolidated EBITDA for the twelve month period ended December 31, 2008 ($363.2 million). For purposes of the covenant calculation, (i) “consolidated funded debt” is defined as outstanding indebtedness less cash in excess of $25 million, and (ii) “consolidated EBITDA” is generally defined as consolidated net income (a) plus the sum of income taxes, interest expense, depreciation and amortization expense, extraordinary non-cash expenses or losses, and other non-cash charges, and (b) minus the sum of interest income, extraordinary income or gains, and other non-cash income. Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure used to determine covenant compliance under our senior credit facilities.

The minimum fixed charge coverage ratio was calculated pursuant to the credit agreement by dividing consolidated EBITDA for the twelve month period ended December 31, 2008, as adjusted for certain capital expenditures ($485.4 million), by consolidated fixed charges for the twelve month period ended December 31, 2008 ($261.6 million). For purposes of the covenant calculation, “consolidated fixed charges” is defined as the sum of interest expense, lease expense, and mandatory debt repayments.

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 facility would occur if a change of control occurs. 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 Rent-A-Center’s Board of Directors occurs. An event of default would also occur if one or more judgments were entered against us of $30.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

We utilize our revolving credit facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the revolving credit facility for general corporate purposes. The funds drawn on individual occasions have varied in amounts of up to $98.0 million, with total amounts outstanding ranging from $2.0 million up to $108.0 million. The amounts drawn are generally outstanding for a short period of time and are generally paid down as cash is received from our operating activities.

The table below shows the scheduled maturity dates of our senior debt outstanding at December 31, 2008.

Year Ending December 31,	(In thousands)
2009	$ 34,321
2010	91,756
2011	274,728
2012	320,907
	$ 721,712

Note H — Subordinated Notes Payable

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 our then outstanding 11% senior subordinated notes.

The 2003 indenture contains covenants that limit our ability to:

- incur additional debt;
- sell assets or our subsidiaries;
- grant liens to third parties;
- pay cash dividends or repurchase stock (subject to a restricted payments basket for which $165.2 million was available for use as of December 31, 2008); and
- engage in a merger or sell substantially all of our 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, as well as in the event a judgment is entered against us in excess of $50.0 million that is not discharged, bonded or insured.

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 premium for the period beginning May 1, 2008 through April 30, 2009 is 101.25%. The 7½% notes may be redeemed on or after May 1, 2009, at our option, in whole or in part, at par. 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 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 facilities. We are not required to maintain any financial ratios under the 2003 indenture.

Note I — Accrued Liabilities

	December 31, 2008	December 31, 2007
	(In thousands)	
Accrued insurance costs	$ 126,006	$ 117,708
Accrued litigation costs	11,274	21,915
Accrued compensation	44,734	38,975
Deferred revenue	29,394	33,915
Taxes other than income	20,379	28,418
Accrued store close plan related to Rent-Way	1,830	4,125
Accrued capital lease obligations	8,214	13,435
Accrued interest payable	4,340	10,760
Accrued restructuring costs	7,357	23,152
Accrued other	36,173	18,017
	$ 289,701	$ 310,420

Note J — Income Taxes

The reconciliation of income tax expense at the federal statutory rate of 35% to actual tax expense is as follows:

	Year Ended December 31, 2008	2007	2006
Tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit (expense)	2.0%	(1.7)%	1.2%
Effect of foreign operations, net of foreign tax credits	—	0.5%	(0.1)%
Other, net	(0.1)%	0.6%	1.0%
Total	36.9%	34.4%	37.1%

The components of income tax expense are as follows:

	Year Ended December 31, 2008	2007	2006
		(In thousands)	
Current expense			
Federal	$ 399	$ 6,179	$ 63,808
State	2,574	14,437	1,024
Foreign	1,192	1,145	752
Total current	4,165	21,761	65,584
Deferred expense			
Federal	73,015	35,808	(8,455)
State	4,538	(17,551)	3,917
Total deferred	77,553	18,257	(4,538)
Total	$ 81,718	$ 40,018	$ 61,046

Deferred tax assets (liabilities) consist of the following:

	Year Ended December 31, 2008	2007
	(In thousands)	
Deferred tax assets		
Federal net operating loss carryforwards	$ 47,656	$ 57,124
State net operating loss carryforwards	30,225	26,353
Accrued liabilities	39,240	43,743
Property assets	20,462	24,211
Other assets including credits	1,174	14,448
Foreign tax credit carryforwards	2,325	395
	141,082	166,274
Valuation allowance	(10,232)	(9,320)
Deferred tax liabilities		
Rental merchandise	(188,152)	(166,008)
Intangible assets	(29,914)	(624)
	(218,066)	(166,632)
Net deferred taxes	$ (87,216)	$ (9,678)

At December 31, 2008, we had approximately $137.2 million of federal net operating loss (“NOL”) carryforwards available to offset future taxable income which expire between 2018 and 2025 and approximately $550.0 million of state NOL carryforwards that expire between 2009 and 2026. All of our federal NOLs and approximately $170.0 million of our state NOLs represent acquired NOLs and their carryforwards are subject to annual limitations for U.S. tax purposes, including Section 382 of the Internal Revenue Code of 1986, as amended. A valuation allowance was provided on our acquired state NOLs which are expected to expire before they can be utilized.

We are subject to federal, state, local and foreign income taxes. We are no longer subject to U.S. federal, state, foreign and local income tax examinations by tax authorities for years before 2001. The appeals process related to the IRS audit for the taxable years 2001 through 2003 has been completed. We have agreed with the results of the appeals process with the exception of one issue with respect to the 2003 tax year. This disputed issue arises also in our 2004 and 2005 tax years, the examination of which is currently in the appeals process as discussed below. We believe the position and supporting case law applied by the IRS are incorrectly applied to our situation and that our fact pattern is distinguishable from the IRS’ position. We intend to vigorously defend our position on the issue. The IRS has concluded its examination of our income tax returns for 2004 and 2005. We have requested a conference with the IRS Appeals Office to discuss the 2004 and 2005 proposed adjustments related to the disputed issue from our 2003 examination. The remaining 2001 through 2003, as well as the 2004 and 2005 contested adjustments have been resolved. We do not anticipate that adjustments, if any, regarding the 2003, 2004 and 2005 disputed issue will result in a material change to our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

On January 1, 2007 we adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (“FIN 48”). Under FIN 48, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, we applied FIN 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of FIN 48, we were not required to recognize an increase or a decrease in the liability for unrecognized tax benefits as of January 1, 2007. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(In thousands)
Balance at January 1, 2007	$ 7,064
Additions based on tax positions related to current year	—
Additions for tax positions of prior years	784
Reductions for tax positions of prior years	(217)
Settlements	—
Balance at January 1, 2008	7,631
Additions based on tax positions related to current year	—
Additions for tax positions of prior years	701
Reductions for tax positions of prior years	(817)
Settlements	(5,458)
Balance at December 31, 2008	$ 2,057

Included in the balance of unrecognized tax benefits at December 31, 2008 is $1.3 million, net of federal benefit, which, if ultimately recognized, will reduce our annual effective tax rate.

In adopting FIN 48 on January 1, 2007, we changed our previous method of classifying interest and penalties related to unrecognized tax benefits as income tax expense to classifying interest accrued as interest expense and penalties as operating expenses. Because the transition rules of FIN 48 do not permit the retroactive restatement of prior period financial statements, our comparative financial statements for 2006 continue to reflect interest and penalties on unrecognized tax benefits as income tax expense. We recorded interest expense of approximately $300,000 for the year ended December 31, 2008. We accrued approximately $1.2 million as of December 31, 2008, for the payment of interest and penalties.

Note K — Commitments and Contingencies

Leases

We lease our service center and store facilities and most delivery vehicles. Certain of the store leases contain escalation clauses for increased taxes and operating expenses. Rental expense was $215.8 million, $230.4 million and $200.6 million for 2008, 2007 and 2006, respectively. Capital leases include certain transportation equipment assumed in the Rent-Way acquisition. Future minimum rental payments under operating/capital leases with remaining lease terms in excess of one year at December 31, 2008 are as follows:

Year Ending December 31,	Operating Leases (In thousands)	Capital Leases (In thousands)
2009	$ 172,947	$ 5,039
2010	134,168	3,067
2011	93,332	1,112
2012	59,484	302
2013	27,380	—
Thereafter	5,890	—
	493,201	9,520
Less amount representing interest obligations under capital lease	—	(1,306)
	$ 493,201	$ 8,214

Our investment in equipment under capital leases are as follows:

	Year Ended December 31, 2008	2007
	(In thousands)	
Equipment under capital lease	$ 25,261	$ 32,386
Less accumulated amortization	(17,074)	(18,900)
Equipment under capital lease, net	$ 8,187	$ 13,486

Litigation

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. We account for our litigation contingencies pursuant to the provisions of SFAS No. 5 and FIN 14, which require that we accrue for losses that are both probable and reasonably estimable. We expense legal fees and expenses incurred in connection with the defense of all of our litigation at the time such amounts are invoiced or otherwise made known to us.

Our accruals relating to probable losses for our outstanding litigation follow:

	Year Ended December 31, 2008	2007
	(In millions)	
Shafer/Johnson Matter	$ 1.8	$ 11.0
California Attorney General Settlement	9.4	9.6
Other Litigation	0.1	1.1
Legal Fees and Expenses	—	0.2
Total Accrual	$ 11.3	$ 21.9

We continue to monitor our litigation exposure, and will review the adequacy of our legal reserves on a quarterly basis in accordance with applicable accounting rules. Except as described below, we are not currently a party to any material litigation and, other than as set forth above, we have not established any other reserves for our outstanding litigation.

California Attorney General Inquiry. In January 2009, we paid $9.4 million in accordance with the settlement with the California Attorney General.

Eric Shafer, et al. v. Rent-A-Center, Inc. We recorded a pre-tax expense of $11.0 million in the fourth quarter of 2007 related to the settlement of the *Eric Shafer et al. v. Rent-A-Center, Inc.* and *Victor E. Johnson et al. v. Rent-A-Center, Inc.* coordinated matters pending in state court in Los Angeles, California. Due to fewer class members eligible to participate in the settlement than originally estimated, as well as negotiated reductions in settlement payments to certain plaintiffs, the maximum claim amount remaining to be paid was reduced by approximately $2.4 million during the fourth quarter of 2008. We also paid settlement costs and plaintiffs' attorneys' fees in the amount of approximately $4.4 million, and settlement payments in the aggregate amount of approximately $2.4 million during the fourth quarter of 2008. We expect to fund the maximum remaining settlement payments of approximately $1.8 million during 2009.

In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. We cannot assure you that we will not be the subject of similar lawsuits in the future.

Guarantee

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc. (“Wells Fargo”), who provides $35.0 million in aggregate financing to qualifying franchisees of ColorTyme generally 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 paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. The Wells Fargo agreement expires on September 30, 2010. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association (“Texas Capital Bank”) under an agreement similar to the Wells Fargo financing. Rent-A-Center East, Inc., a subsidiary of Rent-A-Center, 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 $55.0 million, of which $24.5 million was outstanding as of December 31, 2008.

Note L — Stock-Based Compensation

We maintain long-term incentive plans for the benefit of certain employees, consultants and directors. Our plans consist of the Rent-A-Center, Inc. Amended and Restated Long-Term Incentive Plan (the “Prior Plan”), the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (the “2006 Plan”), and the Rent-A-Center, Inc. 2006 Equity Incentive Plan (the “Equity Incentive Plan”), which are collectively known as the “Plans.”

The 2006 Plan authorizes the issuance of 7,000,000 shares of Rent-A-Center’s common stock that may be issued pursuant to awards granted under the 2006 Plan, of which no more than 3,500,000 shares may be issued in the form of restricted stock, deferred stock or similar forms of stock awards which have value without regard to future appreciation in value of or dividends declared on the underlying shares of common stock. In applying these limitations, the following shares will be deemed not to have been issued: (1) shares covered by the unexercised portion of an option that terminates, expires, or is canceled or settled in cash, and (2) shares that are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash. At December 31, 2008 and 2007, there are 1,589,923 and 1,350,749 shares, respectively, allocated to equity awards outstanding in the 2006 Plan.

We acquired the Equity Incentive Plan (formerly known as the Rent-Way, Inc. 2006 Equity Incentive Plan) in conjunction with our acquisition of Rent-Way in 2006. There were 2,468,461 shares of our common stock reserved for issuance under the Equity Incentive Plan. There were 476,783 and 389,805 shares allocated to equity awards outstanding in the Equity Incentive Plan at December 31, 2008 and 2007, respectively.

Under the Prior 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 Prior 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 were immediately exercisable. There were no grants of stock appreciation rights and all equity awards were granted with fixed prices. At December 31, 2008 and 2007, there were 2,747,016 and 3,143,317 shares, respectively, allocated to equity awards outstanding under the Prior Plan. The Prior Plan was terminated on May 19, 2006, upon the approval by the stockholders of the 2006 Plan.

Under SFAS 123R, compensation costs are recognized net of estimated forfeitures over the award’s requisite service period on a straight line basis. For the year ended December 31, 2008 and 2007, we recorded stock-based compensation expense, net of related taxes, of approximately $2.1 million and $3.3 million, respectively, related to stock options granted and restricted stock units awarded.

Information with respect to stock option activity related to the Plans follows. The information for the Plans is combined because the characteristics of the awards are similar.

	Equity Awards Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (In thousands)
Balance outstanding at January 1, 2008	4,883,871	$ 21.49	6.56 years	$ 5,024
Granted	756,995	15.03		
Exercised	(229,605)	13.82		$ 1,659
Forfeited	(597,539)	23.97		
Balance outstanding at December 31, 2008	4,813,722	$ 20.73	6.01 years	$ 9,204
Exercisable at December 31, 2008	3,252,534	$ 20.02	4.81 years	$ 8,095

The intrinsic value of options exercised during the years ended December 31, 2007 and 2006 was $2.5 million and $10.6 million, respectively.

The fair value of unvested options that we expect to result in compensation expense was approximately $5.5 million with a weighted average number of years to vesting of 2.45 years at December 31, 2008. The total number of unvested options was 1,561,188 and 1,807,348, with $1.1 million intrinsic value and no intrinsic value at December 31, 2008 and 2007, respectively. There were 58,860 and 53,300 restricted stock units outstanding as of December 31, 2008 and 2007, respectively.

The weighted average fair value of unvested options at December 31, 2008 and 2007 was $3.55 and $4.34, respectively. The weighted average fair value of options forfeited during the year ended December 31, 2008 was $5.62.

The total number of options vested during the year ended December 31, 2008 was 710,146, with a weighted average fair value of $6.08. The total fair value of options vested during the years ended December 31, 2008, 2007 and 2006, was $4.3 million, $5.9 million and $10.3 million, respectively.

During the twelve months ended December 31, 2008, the weighted average fair values of the options granted under the Plans were calculated using the binomial method with the following assumptions:

Employee options:	
Risk free interest rate (1.62% to 3.17%)	Weighted average 2.43%
Expected dividend yield	—
Expected life	4.20 years
Expected volatility (33.85% to 53.58%)	Weighted average 42.08%
Employee stock options granted	732,995
Weighted average grant date fair value	$4.66
Non-employee director options:	
Risk free interest rate	3.54%
Expected dividend yield	—
Expected life	6.90 years
Expected volatility	41.26%
Non-employee director stock options granted	24,000
Weighted average grant date fair value	$7.02

During the twelve months ended December 31, 2007, the weighted average fair values of the options granted under the Plans were calculated using the binomial method with the following assumptions:

Employee options:	
Risk free interest rate (4.66% to 4.80%)	Weighted average 4.73%
Expected dividend yield	—
Expected life	4.20 years
Expected volatility (30.36% to 37.90%)	Weighted average 32.79%
Employee stock options granted	1,581,040
Weighted average grant date fair value	$5.17
Non-employee director options:	
Risk free interest rate	4.66%
Expected dividend yield	—
Expected life	7.44 years
Expected volatility	47.32%
Non-employee director stock options granted	34,000
Weighted average grant date fair value	$16.79

During the twelve months ended December 31, 2006, the weighted average fair values of the options granted under the Plans were calculated using the binomial method with the following assumptions:

Employee options:	
Risk free interest rate (4.36% to 4.41%)	Weighted average 4.39%
Expected dividend yield	—
Expected life	4.20 years
Expected volatility (24.14% to 52.55%)	Weighted average 33.12%
Employee stock options granted	985,485
Weighted average grant date fair value	$5.61
Executive option:	
Risk free interest rate	4.73%
Expected dividend yield	—
Expected life	6.13 years
Expected volatility	49.98%
Executive stock options granted	70,000
Non-employee director options:	
Risk free interest rate	4.38%
Expected dividend yield	—
Expected life	6.00 years
Expected volatility	33.12%
Non-employee director stock options granted	34,000
Weighted average grant date fair value	$9.73

Tax benefits from stock option exercises of $560,000, $943,000 and $4.3 million, respectively, for the twelve months ended December 31, 2008, 2007 and 2006 were reflected as an outflow from operating activities and an inflow from financing activities in the Consolidated Statement of Cash Flows.

The option data above does not include the 554,102 stock options, with an approximate fair value of $6.1 million, assumed as part of the purchase price for the acquisition of Rent Rite in May 2004. At December 31, 2008, the weighted average remaining contractual life of the Rent-Rite options was 1.01 years. At December 31, 2008 and 2007, the weighted average exercise price was $30.62. All of the Rent Rite options were exercisable as of December 31, 2008.

Note M — Deferred Compensation Plan

We have implemented the Rent-A-Center, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"), an unfunded, nonqualified deferred compensation plan for a select group of our key management personnel and highly compensated employees. The Deferred Compensation Plan first became available to eligible employees in July 2007, with deferral elections taking effect as of August 3, 2007.

The Deferred Compensation Plan allows participants to defer up to 50% of their base compensation and up to 100% of any bonus compensation. Participants may invest the amounts deferred in measurement funds that are the same funds offered as the investment options in the Rent-A-Center, Inc. 401(k) Retirement Savings Plan. We may make discretionary contributions to the Deferred Compensation Plan, which are subject to a five-year graded vesting schedule based on the participant's years of service with us. We are obligated to pay the deferred compensation amounts in the future in accordance with the terms of the Deferred Compensation Plan. Assets and associated liabilities of the Deferred Compensation Plan are included in prepaid and other assets and accrued liabilities in our consolidated balance sheets. The deferred compensation plan liability was approximately $564,000 and $208,000 as of December 31, 2008 and 2007, respectively.

Note N — Employee Benefit Plan

We sponsor a defined contribution pension plan under Section 401(k) of the Internal Revenue Code for all employees who have completed at least three months of service. Employees may elect to contribute up to 50% of their eligible compensation on a pre-tax basis, subject to limitations. We may make discretionary matching contributions to the 401(k) plan. During 2008, 2007 and 2006, we made matching cash contributions of $5.3 million, $5.3 million, and $4.1 million, respectively, which represents 50% of the employees' contributions to the 401(k) plan up to an amount not to exceed 4% of each employee's respective compensation. Employees are permitted to elect to purchase our common stock as part of their 401(k) plan. As of December 31, 2008, 2007 and 2006, 12.0%, 7.0%, and 15.0%, respectively, of the total plan assets consisted of our common stock.

Note O — Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, receivables, payables, senior debt, and subordinated notes payable. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value at December 31, 2008 and 2007, because of the short maturities of these instruments. Our senior debt is variable rate debt that re-prices frequently and entails no significant change in credit risk and, as a result, fair value approximates carrying value. The fair value of the subordinated notes payable is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality using unobservable inputs based on management's own assumptions. At December 31, 2008, the fair value of the subordinated notes was $206.2 million, which was $19.2 million below their carrying value of $225.4 million. At December 31, 2007, the fair value of the subordinated notes was $296.3 million, which was $3.7 million below their carrying value of $300.0 million.

Note P — Stock Repurchase Plan

Our Board of Directors has authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $500.0 million of Rent-A-Center common stock. We had purchased a total of 19,412,750 shares and 18,460,950 shares of

Rent-A-Center common stock for an aggregate of $457.8 million and $444.3 million as of December 31, 2008 and 2007, respectively, under this common stock repurchase program. We repurchased 801,800 shares for $10.3 million in the fourth quarter of 2008. A total of 951,800 shares were repurchased for $13.4 million during the year ended December 31, 2008. A total of 3,832,150 shares were repurchased for $83.4 million during the year ended December 31, 2007.

Note Q — Earnings Per Common Share

Summarized basic and diluted earnings per common share were calculated as follows:

	Net Earnings	Weighted Average Shares	Per Share
	(In thousands, except per share data)		
Year ended December 31, 2008			
Basic earnings per common share	$ 139,624	66,606	$ 2.10
Effect of dilutive stock options	—	585	
Diluted earnings per common share	$ 139,624	67,191	$ 2.08
Year ended December 31, 2007			
Basic earnings per common share	$ 76,268	68,706	$ 1.11
Effect of dilutive stock options	—	769	
Diluted earnings per common share	$ 76,268	69,475	$ 1.10
Year ended December 31, 2006			
Basic earnings per common share	$ 103,092	69,676	$ 1.48
Effect of dilutive stock options	—	1,057	
Diluted earnings per common share	$ 103,092	70,733	$ 1.46

For 2008, 2007, and 2006, 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 the common stock and, therefore anti-dilutive, was 3,100,825, 2,813,529, and 1,616,822, respectively.

Note R — Unaudited Quarterly Data

Summarized quarterly financial data for 2008, 2007 and 2006 is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(In thousands, except per share data)		
Year ended December 31, 2008				
Revenues	$ 756,636	$ 719,031	$ 708,755	$ 699,750
Gross profit	533,733	517,329	510,022	507,268
Operating profit	77,540	74,434	58,549	63,865
Net earnings	36,358	37,741	29,379	36,146
Basic earnings per common share	$ 0.55	$ 0.57	$ 0.44	$ 0.54
Diluted earnings per common share	$ 0.54	$ 0.56	$ 0.44	$ 0.54
Year ended December 31, 2007				
Revenues	$ 755,299	$ 724,158	$ 709,701	$ 716,963
Gross profit	553,168	538,491	518,523	519,420
Operating profit	46,155	87,024	60,575	10,483
Net earnings(loss)	15,103	41,251	25,275	(5,361)
Basic earnings(loss) per common share	$ 0.21	$ 0.59	$ 0.37	$ (0.08)
Diluted earnings(loss) per common share	$ 0.21	$ 0.58	$ 0.37	$ (0.08)
Year ended December 31, 2006				
Revenues	$ 606,975	$ 583,623	$ 587,184	$ 656,126
Gross profit	436,099	430,509	432,365	480,837
Operating profit	75,484	75,193	51,871	19,396
Net earnings(loss)	40,328	39,843	25,241	(2,320)
Basic earnings(loss) per common share	$ 0.58	$ 0.57	$ 0.36	$ (0.03)
Diluted earnings(loss) per common share	$ 0.57	$ 0.56	$ 0.36	$ (0.03)

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Disclosure 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 defined in Rules 13a — 15(e) and 15d — 15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of December 31, 2008, our disclosure controls and procedures were effective as defined in Rules 13a — 15(e) and 15d — 15(e) under the Securities Exchange Act of 1934.

Management's Annual Report on Internal Control over Financial Reporting

Please refer to Management's Annual Report on Internal Control over Financial Reporting on page 44 of this report.

Changes in Internal Control over Financial Reporting

For the quarter ended December 31, 2008, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.(*)***

Item 11. ***Executive Compensation.(*)***

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.(*)***

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.(*)***

Item 14. ***Principal Accountant Fees and Services.(*)***

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* The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2009 Annual Meeting of Stockholders of Rent-A-Center, Inc., which is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

Financial Statement Schedules

The financial statements included in this report are listed in the Index to Financial Statements on page 41 of this report. Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instructions or inapplicable.

Exhibits

The exhibits required to be furnished pursuant to Item 15 are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized.

RENT-A-CENTER, INC.

By: /s/ ROBERT D. DAVIS

Robert D. Davis
Executive Vice President — Finance,
Treasurer and Chief Financial Officer

Date: February 27, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ MARK E. SPEESE Mark E. Speese	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 27, 2009
/s/ MITCHELL E. FADEL Mitchell E. Fadel	President, Chief Operating Officer and Director	February 27, 2009
/s/ ROBERT D. DAVIS Robert D. Davis	Executive Vice President — Finance, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2009
/s/ MICHAEL J. GADE Michael J. Gade	Director	February 27, 2009
/s/ JEFFERY M. JACKSON Jeffery M. Jackson	Director	February 27, 2009
/s/ KERNEY LADAY Kerney Laday	Director	February 27, 2009
/s/ J. V. LENTELL J. V. Lentell	Director	February 27, 2009
/s/ LEONARD H. ROBERTS Leonard H. Roberts	Director	February 27, 2009
/s/ PAULA STERN Paula Stern	Director	February 27, 2009

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Rent-A-Center, Inc., as amended (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002.)
3.2	Certificate of Amendment to the Certificate of Incorporation of Rent-A-Center, Inc., dated May 19, 2004 (Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
3.3	Amended and Restated Bylaws of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 11, 2008.)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-4/A filed on January 13, 1999.)
4.2	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 (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.)
4.3	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 (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.)
4.4	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 (Incorporated herein by reference to Exhibit 4.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
4.5	Third Supplemental Indenture, dated as of May 7, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.6	Fourth Supplemental Indenture, dated as of May 14, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.7	Fifth Supplemental Indenture, dated as of June 30, 2005, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.8	Sixth Supplemental Indenture, dated as of April 17, 2006, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
4.9	Seventh Supplemental Indenture, dated as of October 17, 2006, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.11 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
4.10	Eighth Supplemental Indenture, dated as of November 15, 2006, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.12 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.1†	Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (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.)

Exhibit No.	Description
10.2	Amended and Restated Guarantee and Collateral Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2004, made by Rent-A-Center, Inc. and certain of its Subsidiaries in favor of JPMorgan Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated July 15, 2004.)
10.3	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. (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.)
10.4	Supplemental Letter Agreement to Franchisee Financing Agreement, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.5	First Amendment to Franchisee Financing Agreement, dated August 30, 2005, by and among Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.)
10.6	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. (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.)
10.7	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. (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.)
10.8	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. (Incorporated herein by reference to Exhibit 10.24 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
10.9	Third Amendment to Amended and Restated Franchisee Financing Agreement, dated as of September 29, 2006, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.10	Fourth Amendment to Amended and Restated Franchisee Financing Agreement, dated as of December 19, 2006, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.11†	Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.12†	Form of Stock Option Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.13†*	Summary of Director Compensation
10.14†	Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.15†	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.16 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)

Exhibit No.	Description
10.16†	Form of Loyalty and Confidentiality Agreement entered into with management (Incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.17†	Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.18†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.19†	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.20†	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.21†	Rent-A-Center, Inc. 2006 Equity Incentive Plan and Amendment (Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 4, 2007)
10.22†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.23†	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.24†	Form of Stock Option Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.25†*	Form of Deferred Stock Unit Award Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan
10.26†	Form of Executive Transition Agreement entered into with management (Incorporated herein by reference to Exhibit 10.21 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.27†	Employment Agreement, dated October 2, 2006, between Rent-A-Center, Inc. and Mark E. Speese (Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.28†	Non-Qualified Stock Option Agreement, dated October 2, 2006, between Rent-A-Center, Inc. and Mark E. Speese (Incorporated herein by reference to Exhibit 10.23 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.29†	Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.28 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
10.30†*	Rent-A-Center, Inc. 401-K Plan
10.31	Third Amended and Restated Credit Agreement, dated as of November 15, 2006, among Rent-A-Center, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Union Bank of California, N.A., as documentation agent, Lehman Commercial Paper Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated November 15, 2006.)
21.1*	Subsidiaries of Rent-A-Center, Inc.
23.1*	Consent of Grant Thornton LLP

Exhibit No.	Description
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

† Management contract or compensatory plan or arrangement
* Filed herewith.

Exhibit 10.13

Rent-A-Center, Inc.
Summary of Director Compensation

Annual Retainers:

Non-employee directors each receive an annual retainer of $40,000. In addition, the chairperson of the Audit Committee receives an annual retainer of $10,000, and the chairpersons of each of the Compensation Committee and the Nominating and Corporate Governance Committee receives an annual retainer of $6,000. Members of the Audit Committee other than the chairperson receive an annual retainer of $7,000, and members of each of the Compensation Committee and the Nominating and Corporate Governance Committee receive an annual retainer of $5,000. All retainers are payable in cash, in four equal installments on the first day of each fiscal quarter.

Meeting Fees:

Non-employee directors each receive $2,500 for each Board of Directors meeting attended in person and are reimbursed for their expenses in attending such meetings.

Equity Awards:

Non-employee directors shall receive an annual award of restricted stock units valued at $50,000, on the first business day of each fiscal year. These restricted stock units vest upon a director's retirement.

RENT-A-CENTER, INC.

DIRECTOR STOCK UNIT AWARD AGREEMENT

STOCK UNIT AWARD AGREEMENT made as of the ___ day of __________, 200___, between Rent-A-Center, Inc. (the “Company”) and __________ (the “Director”).

1. Stock Unit Award. In accordance with and subject to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (the “Plan”) and this Agreement, the Company hereby grants to the Director a deferred stock award under the Plan, consisting of the right to receive __________ shares of the Company’s common stock (“Shares”).

2. Vesting and Issuance of Shares. This award is fully vested and nonforfeitable from inception. The Director will be entitled to receive the Shares covered by this award upon the termination of the Director’s service as a member of the Company’s Board of Directors (the “Board).

3. Restrictions on Transfer. The Director’s right to receive Shares under this Agreement may not be sold, assigned, transferred, alienated, commuted, anticipated, or otherwise disposed of (except by will or the laws of descent and distribution), or pledged or hypothecated as collateral for a loan or as security for the performance of any obligation, or be otherwise encumbered, and may not become subject to attachment, garnishment, execution or other legal or equitable process, and any attempt to do so shall be null and void.

4. Compliance with Law. The Company will not be obligated to issue or deliver Shares pursuant to this award unless the issuance and delivery of such Shares complies with applicable law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the requirements of any stock exchange or market upon which the Company’s common stock may then be listed.

5. Transfer Orders; Legends. All certificates for Shares delivered under this Agreement shall be subject to such stock-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange or market upon which the Common Stock may then be listed, and any applicable federal or state securities law. The Company may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

6. Provisions of the Plan. The provisions of the Plan, the terms of which are hereby incorporated by reference, shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Director acknowledges receipt of a copy of the Plan prior to the execution of this Agreement.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its principles of conflict of laws.

8. Miscellaneous. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may not be modified other than by written instrument executed by the parties.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

RENT-A-CENTER, INC.

By: ______________________________

____
Director

Exhibit 10.30

RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN

As Amended and Restated
Generally Effective as of January 1, 2007

RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN

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RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN

Rent-A-Center, Inc., a holding company duly organized and existing under the laws of the State of Delaware (the "Controlling Company"), hereby amends and restates the Rent-A-Center, Inc. 401(k) Retirement Savings Plan (the "Plan") generally effective as of January 1, 2007.

STATEMENT OF PURPOSE

A. The Plan initially was adopted effective as of October 1, 1997 under the name Renters Choice, Inc. 401(k) Retirement Savings Plan. Effective January 1, 1999, the Thorn Americas 401(k) Savings Plan was merged into the Plan, and, in connection with such merger, the Plan was amended and restated and its name was changed to the Rent-A-Center, Inc. 401(k) Retirement Savings Plan.

B. The Plan has been amended from time-to-time since the 1999 restatement, including amendment and restatements effective January 1, 2001 and January 1, 2003 and subsequent amendments.

C. The Plan is hereby amended and restated effective January 1, 2007 (the "Effective Date") (except where otherwise specifically provided) to incorporate the provisions of Amendments No. One and Two to the Plan; except to the extent that the failure to retroactively make any provisions effective prior to the Effective Date would result in the Plan (as it existed prior to the Effective Date) containing a disqualifying provision, as defined in Treasury Regulations Section 1.401(b)-1 (as modified by any Treasury guidance), or an operational defect, as defined in Revenue Procedure 2006-27, in which case such provision (and any definitions pertinent to the application of such provision) will be retroactively effective to the date which will result in no such disqualifying provision or operational defect in the Plan prior to the Effective Date. The Plan, as set forth in this document, is intended and should be construed as a restatement and continuation of the Plan as previously in effect, as so amended.

D. The purpose of the Plan is to provide certain benefits for the Employers' Eligible Employees and their Beneficiaries. It is the intention of the Controlling Company that the Plan meet all of the requirements necessary or appropriate to qualify it as a 401(k) profit sharing plan under Code Sections 401(a) and 401(k) and that the Trust made a part hereof be exempt from tax under Code Section 501(a), and all provisions hereof shall be interpreted accordingly.

STATEMENT OF AGREEMENT

To amend and restate the Plan with the purposes and goals as herein above described, the Controlling Company hereby sets forth the terms and provisions of the Plan as follows:

ARTICLE I

DEFINITIONS

For purposes of the Plan, the following terms, when initially capitalized, shall have the meanings set forth below, unless a different meaning plainly is required by the context.

1.1 Account shall mean, with respect to a Participant or Beneficiary, the amount of money or other property in the Trust Fund, as is evidenced by the last balance posted in accordance with the terms of the Plan to the account record established for such Participant or Beneficiary. The Plan Administrator, as required by the terms of the Plan and otherwise as it deems necessary or desirable in its sole discretion, may establish and maintain separate subaccounts for each Participant and Beneficiary, provided allocations are made to such subaccounts in the manner described in Article V of the Plan. “Account” shall refer to the aggregate of all separate subaccounts or to individual, separate subaccounts, as the appropriate context requires.

1.2 ACP or Average Contribution Percentage shall mean, with respect to a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group and rounded to the nearest 1/100th of a percent) of (i) the total of the amount of Matching Contributions and, to the extent designated by the Plan Administrator, the other elective and/or qualified nonelective contributions (excluding Pre-Tax, other elective and/or qualified nonelective contributions counted for purposes of Section 6.3 and any Contributions returned to a Participant or otherwise removed from his Account to correct excess Annual Additions) actually paid to the Trustee on behalf of each such Participant for a specified Plan Year, to (ii) such Participant’s Compensation for such specified Plan Year. If a Highly Compensated Employee participates in the Plan and in one or more other plans of any Affiliates to which matching or after-tax contributions are made (other than a plan for which aggregation with the Plan is not permitted), the matching and after-tax contributions made with respect to such Highly Compensated Employee shall be aggregated for purposes of determining his ACP. The ACP shall be rounded to the nearest 1/100th of a percent and shall be calculated in a manner consistent with the terms of Code section 401(m) and the regulations promulgated thereunder. If a Participant is eligible to participate in the Plan for all or a portion of a Plan Year by reason of satisfying the eligibility requirements of Article II but makes no Pre-Tax Contributions which are taken into account (as described above) for purposes of calculating his ACP, and if he receives no allocations of Matching Contributions or qualified nonelective contributions which are taken into account (as described above) for purposes of calculating his ACP, such Participant’s ACP for such Plan Year shall be zero.

1.3 ACP Tests shall mean the nondiscrimination tests described in Section 6.4.

1.4 Active Participants shall mean, for any Plan Year (or any portion thereof), any Covered Employee who, pursuant to the terms of Article II, has been admitted to, and not removed from, active participation in the Plan since the last date his employment commenced or recommenced.

1.5 ADP or Actual Deferral Percentage shall mean, with respect to a specified group of Participants for a Plan Year, the average of the ratios (calculated separately for each Participant in such group and rounded to the nearest 1/100th of a percent) of (i) the total of the amount of Pre-Tax Contributions and Discretionary Contributions (excluding Pre-Tax Contributions and Discretionary Contributions, if any, designated by the Plan Administrator to be taken into account under Section 6.4 to help satisfy the ACP Tests, or removed from a Participant's Account to correct excess Annual Additions) and, to the extent designated under Section 6.3(b) by the Plan Administrator, other elective and/or qualified nonelective contributions (excluding qualified nonelective contributions counted for purposes of Section 6.4(c)) made on behalf of each such Participant for a specified Plan Year, to (ii) such Participant's Compensation for such specified Plan Year. If a Highly Compensated Employee participates in the Plan and one or more plans of any Affiliates to which pre-tax contributions are made (other than a plan for which aggregation with the Plan is not permitted), the pre-tax contributions made with respect to such Highly Compensated Employee shall be aggregated for purposes of determining his ADP. The ADP shall be rounded to the nearest 1/100th of a percent and shall be calculated in a manner consistent with the terms of Code section 401(k) and the regulations promulgated thereunder. If a Participant is eligible to participate in the Plan for all or a portion of a Plan Year by reason of satisfying the eligibility requirements of Article II but makes no Pre-Tax Contributions and receives no allocation of qualified nonelective contributions that are taken into account for purposes of the ADP Tests, such Participant's ADP for such Plan Year shall be zero percent.

1.6 ADP Tests shall mean the nondiscrimination tests described in Section 6.3.

1.7 Affiliate shall mean (i) a Participating Company, and (ii) any company, person or organization which, on such date (A) is a member of the same controlled group of corporations (within the meaning of Code section 414(b)) as is a Participating Company; (B) is a trade or business (whether or not incorporated) which controls, is controlled by or is under common control (within the meaning of Code section 414(c)) with a Participating Company; (C) is a member of an affiliated service group (as defined in Code section 414(m)) which includes a Participating Company; or (D) is required to be aggregated with a Participating Company pursuant to regulations promulgated under Code section 414(o); provided, solely for purposes of Section 6.6, the term "Affiliate" as defined in this Section shall be deemed to include any corporation that would be an Affiliate if the phrase "more than 50 percent" were substituted for the phrase "at least 80 percent" in each place the latter phrase appears in Code section 1563(a)(1).

1.8 After-Tax Account shall mean the separate subaccount established and maintained on behalf of a Participant or Beneficiary to reflect his interest in the Trust Fund attributable to after-tax contributions made to the Thorn Americas Plan prior to January 1, 1998.

1.9 Annual Addition shall mean the sum of the amounts described in Section 6.6(c)(1).

1.10 Beneficiary shall mean the person(s) designated in accordance with Section 9.6, to receive any death benefits that may be payable under the Plan upon the death of a Participant.

1.11 Benefit Commencement Date shall mean, with respect to a Participant or Beneficiary, the first day of the first period for which payment of his benefit under the Plan is scheduled to commence, either as a result of his written election or by operation of the Plan.

1.12 Board shall mean the board of directors of the Controlling Company. A reference to the board of directors of any other Participating Company shall specify it as such.

1.13 Break in Service shall mean, with respect to periods of severance of an Employee beginning on and after January 1, 1999, a period of 12 consecutive months beginning on a post-1998 Severance Date or a post-1998 anniversary of such date, during which such Employee does not complete an Hour of Service. For purposes of determining whether or not the Employee has incurred a Break in Service, and solely for the purpose of avoiding a Break in Service, an Employee absent from work due to a Maternity or Paternity Leave shall not have a Break in Service until the second anniversary of the first day of such absence from employment, provided that the period between the first and second anniversary of such first day of absence is not a period of service for any other purpose.

For the purpose of determining whether or not an Employee has incurred a Break in Service, and solely for the purpose of avoiding a Break in Service, to the extent required under the Family and Medical Leave Act of 1993 and the regulations thereunder, an Employee shall be deemed to be performing services for an Affiliate during any period the Employee is granted leave under such Act for (i) the birth of a child, (ii) the placement with the Employee of a child for adoption or foster care, (iii) to care for a spouse, child or parent of the Employee with a serious health condition, or (iv) for a serious health condition that makes the Employee unable to perform the functions of the Employee’s job.

1.14 Business Day shall mean each day on which the Trustee operates and is open to the public for its business. If more than one trust is used as a funding vehicle for the Plan, Business Day shall be determined by reference to the institutional Trustee; provided, if there is more than one institutional Trustee, the Plan Administrator shall designate and specify the institutional Trustee with respect to which Business Day shall be determined.

1.15 Catch-up Contributions shall mean contributions made pursuant to Section 3.10 of the Plan and Code Section 414(v).

1.16 Catch-up Contribution Election shall mean an election by an Active Participant directing the Participating Company of which he is an Employee to withhold an amount from his current Compensation and to contribute such withheld amount to the Plan as a Catch-up Contribution. In order to make a Catch-up Contribution Election, a Participant shall meet the eligibility requirements of Section 3.10 and shall have made an election to make Pre-Tax Contributions up to the Maximum Deferral Amount.

1.17 Code shall mean the Internal Revenue Code of 1986, as amended.

1.18 Company Contributions shall mean Pre-Tax, Catch-up, Matching, Profit Sharing and Discretionary Contributions made by the Participating Companies pursuant to the terms of the Plan.

1.19 Company Stock shall mean Company Stock issued by the Controlling Company which constitutes “qualifying employer securities” under Code section 4975(e)(8). In the event Company Stock or other qualifying employer securities are or become not readily tradeable on an established securities market, the fair market value thereof shall be as determined by an independent appraiser meeting requirements similar to those contained in Treasury Regulations promulgated under Code section 170(a)(1).

1.20 Compensation shall have the meaning set forth in subsection (a), (b), (c) or (d) hereof, whichever is applicable:

(a) Benefit Compensation. For purposes of determining the amount of Pre-Tax Contributions under Section 3.1, determining the amount of Matching Contributions and Profit Sharing Contributions under Section 3.2 and 3.3, and allocating Discretionary Contributions under Section 5.3, and for all other purposes except those set forth in Subsections (b), (c), (d) and (e) hereof, “Compensation” shall mean, for any Plan Year, the total of the amounts described in subsections (1) and (2) minus the amounts described in subsections (3), (4), and (5), as follows:

(1) All amounts that are wages within the meaning of Code section 3401(a) and all other payments of compensation to an employee by his employer (in the course of the employees trade or business) for which the employer is required to furnish the employee a written statement under Code section 6041(d), section 6051(a)(3) and section 6052; provided, such amounts shall be determined without regard to any rules under Code section 3401 that limit remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code section 3401(a)(2)); plus

(2) all pre-tax, salary deferral or reduction contributions made to the Plan and other Section 401(k), Section 125 and Section 132 plans of the Affiliates on behalf of a Participant for such Plan Year (including any contributions made under Code section 402(e)(3), section 402(h)(1)(B) or section 403(b)); minus

(3) all amounts included in subsection (1) or (2) that consist of reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation and welfare benefits (even if includable in gross income); minus

(4) any amounts paid or made available to a Participant during the Plan Year while he is not actively participating in the Plan; minus

(5) all Compensation in excess of $200,000 (as determined under Code section 401(a)(17) and adjusted by the Secretary of the Treasury under such Code section for cost of living expenses).

(b) Section 415 Compensation. Solely for purposes of Section 6.1 (relating to maximum deductible contribution limitations under Code section 404), Section 6.6 (relating to maximum contribution and benefit limitations under Code section 415) and

Section 14.3 (relating to minimum Contributions under a Top-Heavy Plan), "Compensation" shall mean, with respect to a Participant for a specified period, the amounts from all Affiliates referred to in subsection (a)(1) hereof. "Compensation" as determined hereunder shall also include any elective deferrals as defined in Section 402(g)(3) and any deferrals made pursuant to Code sections 125, 132 or 457.

(c) Key Employee Compensation. Solely for purposes of determining which Employees are Key Employees under Section 14.2 and which Employees are Highly Compensated Employees under Section 1.43, for any applicable Plan Year, "Compensation" shall mean the total of the amounts from all Affiliates determined under subsections (a)(1), (a)(2) and (a)(5) hereof.

(d) Testing Compensation. For purposes of performing discrimination testing to ensure compliance with Code section 401(a)(4), section 401(k) and section 401(m), "Compensation" generally shall be defined separately for the Controlling Company and its Affiliates as the amounts determined under subsections (a)(1), (a)(2), (a)(4), and (a)(5); provided, on a Plan Year-by-Plan Year basis, the Plan Administrator may elect to use the definition of "Compensation" as set forth in subsection (b) or (c) hereof or any other definition that satisfies the nondiscrimination requirements of Code section 414(s).

1.21 Contributions shall mean, individually or collectively, the Pre-Tax, Catch-up, Matching, Profit Sharing, Discretionary, Rollover and Transfer Contributions permitted under the Plan.

1.22 Controlling Company shall mean Rent-A-Center, Inc., a Delaware holding company, and its successors which adopt the Plan.

1.23 Covered Employee shall mean an Employee other than:

(a) An Employee who is a nonresident alien who receives no earned income from an Affiliate which constitutes income from sources within the United States;

(b) An Employee who is a member of a collective bargaining unit, unless the terms of the collective bargaining agreement between the Participating Company of the Employee and the bargaining unit require that the Employee be eligible to participate in the Plan.

(c) An individual classified as an independent contractor or leased employee under a Participating Company's customary worker classification procedures (whether or not such individual is actually an Employee). The term "leased employee" means any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person ("leasing organization") has performed services for the recipient (or the recipient and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one (1) year and such services are performed under the primary direction or control by the recipient. Contributions or benefits provided a leased employee by the leasing organization which are attributable to services performed for the recipient employer shall be treated as provided by the recipient employer.

A leased employee shall not be considered an employee of the recipient if (i) such employee is covered by a money purchase pension plan providing: (1) a nonintegrated employer contribution rate of at least ten percent (10%) of compensation, as defined in Section 415(c)(3) of the Code, but not including amounts contributed by the employer pursuant to a salary reduction agreement which is excludable from the employee's gross income under Section 125, Section 402(a)(8), Section 402(h) or Section 403(b) of the Code, (2) immediate participation, and (3) full and immediate vesting; and (ii) leased employees do not constitute more than twenty percent (20%) of the recipient's workforce that are not Highly-Compensated Employees.

(d) an individual employed pursuant to an agreement providing that the individual is not eligible to participate in the Plan.

(e) an Employee whose basic compensation for services on behalf of a Participating Company is not paid directly by the Participating Company or an Affiliate.

(f) an individual who is not contemporaneously classified as an Employee of a Participating Company's payroll system. In the event such individual is reclassified as an Employee for any purpose, including, without limitation, as a common law or statutory employee, by any action of any third party, including, without limitation, any government agency, or as a result of any private lawsuit, action, or administrative proceeding, such individual will, notwithstanding such reclassification, remain ineligible for participation hereunder and will not be considered a Covered Employee. In addition to and not in derogation of the foregoing, the exclusive means for an individual who is not contemporaneously classified as an Employee of a Participating Company's payroll system to become eligible to participate in this Plan is through an amendment to the Plan which specifically renders such individual eligible for participation hereunder.

1.24 <u>Deferral Election</u> shall mean an election by an Active Participant directing the Participating Company of which he is an Employee to withhold a percentage of his current Compensation from his paychecks and to contribute such withheld amounts to the Plan as Pre-Tax Contributions, all as provided in Section 3.1.

1.25 <u>Defined Benefit Minimum</u> shall mean the minimum benefit level as described in Section 14.3(d).

1.26 <u>Defined Benefit Plan</u> shall mean any qualified retirement plan maintained by an Affiliate which is not a Defined Contribution Plan.

1.27 <u>Defined Contribution Minimum</u> shall mean the minimum contribution level as described in Section 14.3(c).

1.28 <u>Defined Contribution Plan</u> shall mean a plan described in Section 6.6(c)(2).

1.29 <u>Determination Date</u> shall mean the date described in Section 14.2(b)(1).

1.30 <u>Disability or Disabled</u> shall mean a disability as determined under the Company's long-term disability plan. Any claims with respect to any determination of Disability under the

Company's long-term disability plan shall be resolved under the claims procedures that apply to such long-term disability plan. No determination of Disability shall be made under this Plan.

1.31 Discretionary Contributions shall mean the amounts paid by each Participating Company to the Trust Fund as provided in Section 3.4.

1.32 Discretionary Account shall mean the separate subaccount established and maintained on behalf of a Participant or Beneficiary to reflect his interest in the Trust Fund attributable to Discretionary Contributions.

1.33 Effective Date shall mean January 1, 2007, the date that this restatement of the Plan generally shall be effective; provided, any effective date specified herein for any provision, if different from the Effective Date, shall control.

1.34 Elective Deferrals shall mean, with respect to a Participant for any calendar year, the total amount of his Pre-Tax Contributions plus such other amounts as shall be determined pursuant to the terms of Code section 402(g)(3).

1.35 Eligible Participant shall mean, for purposes of allocating Discretionary Contributions for any Plan Year, any Active Participant who was not a Highly Compensated Employee.

1.36 Eligible Retirement Plan shall mean a plan which is a defined contribution plan, the terms of which permit the acceptance of rollover distributions and which is either (i) an individual retirement account described in Code section 408(a), (ii) an individual retirement annuity described in Code section 408(b) (other than an endowment contract), (iii) a qualified trust described in Code section 401(a) and exempt from tax under Code section 501(a), (iv) an annuity plan described in Code section 403(a), (v) an annuity contract described in Section 403(b) of the Code, or (vi) and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of Eligible Retirement Plan shall also apply in the case of distribution to a Surviving Spouse or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code.

1.37 Eligible Rollover Distribution shall mean any distribution to (i) a Participant, (ii) his Surviving Spouse (after his death), or (iii) his Spouse or former Spouse who is his alternate payee under a qualified domestic relations order (see Sections 9.5 and 15.1), of all or any portion of the balance to his credit in a qualified trust (including any distribution to a Participant of all or any portion of his Account); provided, an "Eligible Rollover Distribution" shall not include (i) any distribution which is one of a series of substantially equal periodic payments made, not less frequently than annually, (A) for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and his beneficiary, or (B) for a specified period of 10 years or more, (ii) any distribution to the extent such distribution is required under Code section 401(a)(9), (iii) the portion of any distribution that is not includible in gross income of the employee, and (iv) any amount that is distributed on account of hardship.

1.38 Employee shall mean any individual who is employed by a Participating Company including officers, but excluding independent contractors, and directors who are not officers or otherwise employees.

1.39 Employment Date shall mean the date on which an Employee first completes an Hour of Service.

1.40 Entry Date shall mean the first day of each calendar month during the period in which the Plan remains in effect.

1.41 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.42 Forfeiture shall mean, for any Plan Year, the dollar amount of an Account of a former Employee that is removed from the Account during such Plan Year.

1.43 Highly Compensated Employee shall mean an employee of an Affiliate who:

(a) was a five percent (5%) owner ("5 Percent owner") during a Plan Year or during the preceding Plan Year; or

(b) received compensation from a Participating Company in excess of $80,000 (subject to indexing as permitted by the Code and Treasury Regulations thereunder) during the preceding Plan Year and, if the Company elects in accordance with Code Section 414(q), is in the group consisting of the top twenty percent (20%) of the employees of the Participating Company when ranked on the basis of compensation paid during such year.

Notwithstanding the foregoing, the Controlling Company can elect to use compensation received in the current Plan Year in lieu of compensation received in the preceding Plan Year under Section 1.43(b) to the extent permitted by Code Section 414(q) and applicable guidance of the Internal Revenue Service.

For purposes of this Section 1.43, the term "compensation" means compensation as defined in Section 415(c)(3) of the Code.

A former employee shall be treated as a Highly Compensated Employee if:

(1) Such employee was a Highly Compensated Employee when such employee separated from service; or

(2) Such employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

(c) Nonresident Aliens. For purposes of this Section, nonresident aliens who receive no earned income from an Affiliate which constitutes income from sources within the United States (as described in Code section 414(q)(8)) shall not be treated as employees.

(d) Compliance with Code Section 414(q). The determination of who is a Highly Compensated Employee shall be made in accordance with Code section 414(q) and the regulations promulgated thereunder.

1.44 Hour of Service shall mean each hour for which an Employee is paid, or entitled to payment, for the performance of duties for an Affiliate.

1.45 Investment Fund or Funds shall mean one or all of the investment funds established from time to time pursuant to the terms of Section 7.2.

1.46 Investment Manager shall mean an "investment manager" within the meaning of ERISA Section 3(38).

1.47 Key Employee shall mean any person described in Section 14.2(b)(2).

1.48 Leave of Absence shall mean an excused leave of absence granted to an Employee by an Affiliate in accordance with applicable federal or state law or the Affiliate's personnel policy. Among other things, Leave of Absence shall be granted to an Employee under such circumstances as the Plan Administrator shall determine are fair, reasonable and equitable, as applied uniformly among Employees under similar circumstances.

1.49 Limitation Year shall mean the 12-month period ending on each December 31, which shall be the "limitation year" for purposes of Code section 415 and the regulations promulgated thereunder.

1.50 Matching Account shall mean the separate subaccount established and maintained on behalf of a Participant or Beneficiary to reflect his interest in the Trust Fund attributable to Matching Contributions.

1.51 Matching Contributions shall mean the amounts paid by each Participating Company to the Trust Fund as a match to Participants' Pre-Tax Contributions, as provided in Section 3.2.

1.52 Maternity or Paternity Leave shall mean any period during which an Employee is absent from work as an employee of an Affiliate (i) because of the pregnancy of such Employee; (ii) because of the birth of a child of such Employee; (iii) because of the placement of a child with such Employee in connection with the adoption of such child by such Employee; or (iv) for purposes of such Employee caring for a child immediately after the birth or placement of such child.

1.53 Maximum Deferral Amount shall mean the maximum Pre-Tax Contribution that can be made to this Plan, as determined under Section 402(g)(5), but shall not include Catch-up Contributions.

1.54 Named Fiduciary shall mean the Controlling Company, the Board, the Plan Administrator and the Trustee.

1.55 Non-Key Employee shall mean any person described in Section 14.2(b)(3).

1.56 Normal Retirement Age shall mean age 62.

1.57 Participant shall mean any person who has been admitted to, and has not been removed from, participation in the Plan pursuant to the provisions of Article II. “Participant” shall include Active Participants and former Employees who have an Account under the Plan.

1.58 Participating Company shall mean any company that has adopted or hereafter may adopt the Plan for the benefit of its employees and which continues to participate in the Plan, all as provided in Section 13.3. Participating Companies as of the Effective Date are set out on Schedule B.

1.59 Permissive Aggregation Group shall mean the group of plans described in Section 14.2(b)(4).

1.60 Plan shall mean the Rent-A-Center, Inc. 401(k) Retirement Savings Plan as contained herein and all amendments thereto. The Plan is intended to be a profit sharing plan qualified under Code sections 401(a) and 401(k).

1.61 Plan Year shall mean the 12-month period ending on each December 31.

1.62 Pre-Tax Account shall mean the separate subaccount established and maintained on behalf of a Participant or Beneficiary to reflect his interest in the Trust Fund attributable to Pre-Tax Contributions.

1.63 Pre-Tax Contributions shall mean the amounts paid by each Participating Company to the Trust Fund at the election of Participants pursuant to Section 3.1(a).

1.64 Prior Plan shall mean this Plan as in effect prior to January 1, 2007.

1.65 Profit Sharing Account shall mean the separate subaccount established and maintained on behalf of a Participant or Beneficiary to reflect his interest in the Trust Fund attributable to Profit Sharing Contributions.

1.66 Profit Sharing Contributions shall mean the amounts paid by each Participating Company to the Trust Fund, as provided in Section 3.3.

1.67 Qualified Nonelective Contributions shall mean the amounts paid by each Participating Company to the Trust Fund as provided in Section 3.4.

1.68 Qualified Spousal Waiver shall mean a written election executed by a Spouse, delivered to the Plan Administrator and witnessed by a notary public or a Plan representative, which consents to the payment of all or a specified portion of a Participant’s death benefit to a Beneficiary other than such Spouse and which acknowledges that such Spouse has waived his right to be the Participant’s Beneficiary under the Plan. A Qualified Spousal Waiver shall be valid only with respect to the Spouse who signs it and shall apply only to the alternative Beneficiary designated therein, unless the written election expressly permits other designations without further consent of the Spouse. A Qualified Spousal Waiver shall be irrevocable unless revoked by the Participant by way of (i) a written statement executed by the Participant and delivered to the Plan Administrator, or (ii) a written revocation of the nonspouse Beneficiary designation to which such Spouse has consented; provided, any such revocation must be received by the Plan Administrator prior to the Participant's date of death.

1.69 Required Aggregation Group shall mean the group of plans described in Section 14.2(b)(5).

1.70 Restoration Contributions shall mean the amounts paid to the Trust Fund by or on behalf of a rehired individual pursuant to Section 3.8.

1.71 Rollover Account shall mean the separate subaccount established and maintained on behalf of a Participant or Beneficiary to reflect his interest in the Trust Fund attributable to Rollover Contributions.

1.72 Rollover Contributions shall mean the amounts contributed to the Trust Fund (and received and accepted by the Trustee) as "rollover" contributions received from an Eligible Retirement Plan as defined in Code section 402(c) and Section 1.36 of the Plan. An amount shall be treated as a Rollover Contribution only to the extent that its acceptance by the Trustee is permitted under the Code (including the regulations and rulings promulgated thereunder). Notwithstanding the foregoing, the Plan shall not accept a rollover contribution from any plan or account which has an after-tax account or from any plan which requires that distributions be made in any form other than a single sum distribution.

1.73 Severance Date shall mean, with respect to an Employee of an Affiliate, the earlier of:

(a) the date on which such Employee quits, retires, is discharged or dies; or

(b) the first anniversary of the first date such Employee is absent from employment with all Affiliates (with or without pay) for any other reason (for example, vacation, Disability, Leave of Absence or layoff).

1.74 Severance from Employment means a separation from service that occurs when:

(a) an Employee ceases to be employed by the Controlling Company or an Affiliate, or

(b) a person fails to report for work with the Controlling Company or an Affiliate, at the termination of an authorized leave of absence.

A transfer of employment from the Controlling Company to an Affiliate or from an Affiliate to the Controlling Company shall not constitute a Severance from Employment for purposes of the Plan. A person shall not be considered to have incurred a Severance from Employment due to his having entered the Uniformed Services of the United States unless it is determined by the Plan Administrator that he has no reemployment rights under the law. Upon the sale of all of the stock (or other membership or equity interests) or substantially all of the assets used in a trade or business of any Participating Company which has adopted the Plan prior to such sale, a Severance from Employment shall occur on the date of such sale with respect to any Employee who continues in employment with the purchaser of such assets or with such Participating Company, as the case may be, provided that the following conditions are met:

(a) the Controlling Company continues to maintain the Plan after such sale;

(b) the Participating Company ceased to be a Participating Company under the Plan prior to such sale;

(c) the purchaser of such Participating Company's stock (or other membership or equity interests) does not adopt the Plan;

(d) the purchaser is not an Affiliate; and

(e) no assets or liabilities of the Plan are transferred to a defined contribution plan maintained by the purchaser, or any subsidiary or affiliate of the purchaser, as the case may be.

After incurring a Severance from Employment, a terminated person shall not be eligible for or credited with Hours of Service or Years of Vesting Service for any purpose under the Plan with respect to any period after such Severance from Employment.

1.75 Spouse or Surviving Spouse shall mean, with respect to a Participant the person who is treated as married to such Participant under the laws of the state in which the Participant resides. The determination of a Participant's Spouse or Surviving Spouse shall be made as of the earlier of the date as of which benefit payments from the Plan to such Participant are made or commence (as applicable) or the date of such Participant's death. In addition, a Participant's former spouse shall be treated as his Spouse or Surviving Spouse to the extent provided under a qualified domestic relations order as defined in Code section 414(p).

1.76 Thorn Americas Plan shall mean the Thorn Americas 401(k) Savings Plan which was merged into this Plan on January 1, 1999.

1.77 Top-Heavy Group shall mean the group of plans described in Section 14.2(b)(6).

1.78 Top-Heavy Plan shall mean a plan to which the conditions set forth in Article XIV apply.

1.79 Transfer Account shall mean one or more separate subaccounts established and maintained on behalf of a Participant or Beneficiary to reflect his interest in the Trust Fund attributable to Transfer Contributions; provided, to the extent that the Plan Administrator (in conjunction with the Plan's recordkeeper) deems appropriate, other subaccounts may be used to reflect Participant's interests attributable to Transfer Contributions. "Transfer Account" shall refer to the aggregate of all separate subaccounts established for Transfer Contributions or to individual, separate subaccounts appropriately described, as may be appropriate in context. Transfer Accounts shall be reflected and described on a schedule hereto.

1.80 Transfer Contributions shall mean amounts which are received either (i) by a direct trustee to trustee transfer or (ii) as part of a spin-off, merger or other similar event by the

Trustee from the trustee or custodian of another qualified retirement plan and held in the Trust Fund on behalf of a Participant or Beneficiary. Transfer Contributions shall retain the character that those contributions had under the other qualified retirement plan; for example, after-tax contributions under a prior plan shall continue to be treated as after-tax contributions when held in the Transfer Account.

1.81 Trust or Trust Agreement shall mean the separate agreement between the Controlling Company and the Trustee governing the creation of the Trust Fund and all amendments thereto.

1.82 Trustee shall mean INTRUST Bank, N.A.

1.83 Trust Fund shall mean the total amount of cash and other property held by the Trustee (or any nominee thereof) at any time under the Trust Agreement.

1.84 Valuation Date shall mean each Business Day; provided, the value of an Account or the Trust Fund on a day other than a Business Day shall be the value determined for the immediately preceding Business Day.

1.85 Years of Vesting Service shall mean, with respect to an Employee, the number of whole 12-month periods of service commencing on the Employee's Employment Date and ending on Severance Date, subject to the following provisions:

(a) Aggregation Rule. In determining an Employee's number of whole 12-month periods of service for purposes of this Section, nonsuccessive periods of service shall be aggregated (to the extent that any portion of such service is not excluded pursuant to the terms of subsection (c) or (d) hereof) on the basis of days of service, with 365 days (366 days in a leap year) of service equal to one Year of Vesting Service. Periods of service of less than 365 days (366 days in a leap year) shall be disregarded.

(b) Counting Periods of Severance. In determining an Employee's periods of service for purposes of this Section, the following periods of severance shall be taken into account and treated as periods of service:

(1) If an Employee's employment with all Affiliates terminates and the Employee then performs an Hour of Service within 12 months of his Severance Date, the period between his Severance Date and his next, succeeding Employment Date shall be treated as a period of service; and

(2) If an Employee's employment with all Affiliates terminates before the end of the initial 12-month period that begins on the first date such Employee is absent from employment with all Affiliates for any reason other than termination of his employment (for example, vacation, Disability, Leave of Absence or layoff), and if such Employee then performs an Hour of Service before the end of said initial 12-month period, the period from his initial date of absence to his next succeeding Employment Date shall be treated as a period of service.

(c) Pre-Break Service. Years of Vesting Service shall exclude any period of time prior to a Break in Service if the Employee was not vested in his Matching Account prior to the Break in Service and has incurred 5 or more consecutive 1-year Breaks in Service.

(d) Post-Break Service. Years of Vesting Service completed after a period in which the Participant had at least 5 consecutive Breaks in Service shall be disregarded for the purpose of determining his vested interest in that portion of his Account which accrued before such Breaks in Service.

(e) Predecessor Plan. To the extent required by Code section 414(a)(1) and not otherwise counted hereunder, if an Affiliate maintains a plan that is or was the qualified retirement plan of a predecessor employer, an Employee's periods of employment with such predecessor employer shall be taken into account in determining his Years of Vesting Service.

(f) Predecessor Employer. To the extent determined by the Plan Administrator, set forth on Schedule C attached hereto, and not otherwise counted hereunder, an Employee's periods of employment with one or more companies or enterprises acquired by or merged into, or all or a portion of the assets or business of which are acquired by, an Affiliate shall be taken into account in determining his Years of Vesting Service.

ARTICLE II

ELIGIBILITY

2.1 Initial Eligibility Requirements.

(a) General Rule. Except as provided in this subsection or in subsection (b) or (c) hereof, all as modified by subsection (d) hereof, every Covered Employee shall become an Active Participant on the Entry Date coincident with or next following the date that is the 3-month anniversary date of the Covered Employee's Employment Date by the Company or an Affiliate, provided he is a Covered Employee on such Entry Date.

(b) Participation Upon Effective Date. Each Covered Employee who is an Active Participant in the Prior Plan on the day immediately preceding the Effective Date shall be an Active Participant in the Plan in accordance with the terms of the Plan.

(c) New Participating Companies. For employees of companies that become Participating Companies after the Effective Date, each Covered Employee employed by a Participating Company on the date such Participating Company first becomes a Participating Company shall become an Active Participant as of such Participating Company's effective date under the Plan, if, as of the Participating Company's effective date, the Covered Employee has met the applicable eligibility requirements under Section 2.1(a).

(d) Predecessor Employer. To the extent determined by the Plan Administrator, set forth on Schedule B hereto and not otherwise counted hereunder, an Employee's periods of employment with one or more companies or enterprises acquired by or merged into, or all or a portion of the assets or business of which are acquired by, an Affiliate shall be taken into account in determining whether he has completed the eligibility requirements set forth herein; and, in its sole discretion, the Plan Administrator may establish a special entry date for all Covered Employees of such an acquired business.

2.2 Treatment of Interruptions of Service.

(a) Leave of Absence or Layoff. If a Covered Employee satisfies the eligibility requirements set forth in Section 2.1 but is on a Leave of Absence at the time he would have become an Active Participant, he shall become an Active Participant on the date he subsequently resumes the performance of duties as a Covered Employee in accordance with the terms of his Leave of Absence.

(b) Reemployment Before Break in Service. If a Covered Employee satisfies the eligibility requirements set forth in Section 2.1, terminates employment with a Participating Company before the Entry Date on which he otherwise would become an Active Participant, and then is reemployed by a Participating Company prior to completing a Break in Service, he shall become an Active Participant on the later of (i) the Entry Date on which he otherwise would have become an Active Participant if he had not terminated employment, or (ii) the date he is reemployed as a Covered Employee.

(c) Reemployment After Break in Service.

(1) If a Covered Employee (other than a Covered Employee described in subsection (2)) satisfies the eligibility requirements set forth in Section 2.1, terminates employment with a Participating Company (and all other Participating Companies) before the Entry Date on which he otherwise would become an Active Participant, and then is reemployed as a Covered Employee by a Participating Company after completing a Break in Service, he shall become an Active Participant as of the Entry Date coinciding with or next following his completion of the eligibility requirements set forth in Section 2.1 for the period commencing on his reemployment date that follows his last Break in Service.

(2) A Covered Employee who was an "Employee" as defined under this Plan prior to the Effective Date and who satisfies the Plan's eligibility conditions but who terminates employment prior to becoming a Participant in this Plan will become a Participant on the later of the (i) the Entry Date on which he otherwise would have become an Active Participant if he had not terminated employment, or (ii) the date he is reemployed as a Covered Employee. The rule in this subsection (2) shall apply whether or not the Covered Employee incurs a Break in Service.

(d) Reparticipation Upon Reemployment. If an Active Participant terminates employment with a Participating Company (and all other Participating Companies), his active participation in the Plan shall cease immediately, and he again shall become an Active Participant as of the day he again becomes a Covered Employee. However, regardless of whether he again becomes an Active Participant, he shall continue to be a Participant until he no longer has an Account under the Plan.

2.3 Change in Status.

(a) Loss of Covered Employee Status. If a Covered Employee (i) satisfies the eligibility requirements set forth in Section 2.1, (ii) changes his employment status (but remains employed) so that he ceases to be a Covered Employee before the Entry Date on which he otherwise would become an Active Participant, and (iii) then again changes his employment status and becomes a Covered Employee prior to completing a Break in Service, he shall become an Active Participant as of the later of (A) the date that would have been his Entry Date, or (B) the date he again becomes a Covered Employee. If an Employee covered by this subsection does complete a Break in Service prior to again becoming a Covered Employee, his entry to participation in the Plan will be governed by Section 2.2(c).

(b) Change to Covered Employee Status. If an Employee who first satisfies the eligibility requirements of Section 2.1 while he is not a Covered Employee subsequently changes his employment status so that he becomes a Covered Employee, he shall become an Active Participant as of the later of (i) the date that would have been his Entry Date, or (ii) the date of his change in status.

(c) Change by Participant. If an Active Participant changes his status of employment (but remains employed) so that he is no longer a Covered Employee, his active participation in the Plan shall cease immediately, and he shall again become an Active Participant in the Plan as of the day he again becomes a Covered Employee. However, regardless of whether he again becomes an Active Participant, he shall continue to be a Participant until he no longer has an Account under the Plan.

ARTICLE III

CONTRIBUTIONS

3.1 Pre-Tax Contributions.

(a) Generally. Each Participating Company shall contribute to the Plan, on behalf of each Active Participant employed by such Participating Company and for each regular payroll period and any payment of bonuses for which an Active Participant has a Deferral Election in effect with such Participating Company, a Pre-Tax Contribution in an amount equal to the amount by which such Active Participant's Compensation has been reduced for such period pursuant to his Deferral Election. The amount of the Pre-Tax Contribution shall be determined in increments of 1 percent of such Active Participant's Compensation for each payroll period. An Active Participant may elect to reduce his Compensation for any period by a minimum of 1 percent and a maximum of 50 percent (or such other minimum or maximum percentage and/or amount established by the Plan Administrator from time to time), subject to the maximum limitations in Article VI; provided, however, that the maximum percentage by which an Active Participant who is a resident of Puerto Rico can elect to reduce his Compensation for any period is 10 percent.

(b) Deferral Elections. Each Active Participant who desires that his Participating Company make a Pre-Tax Contribution on his behalf shall complete and deliver to the Participating Company (or its designee) a Deferral Election. Such Deferral Election shall provide for the reduction of his Compensation from each regular paycheck, bonus paycheck and any other payment of compensation while he is an Active Participant employed by such Participating Company. The Plan Administrator, in its sole discretion, shall prescribe the form of all Deferral Elections and may prescribe such nondiscriminatory terms and conditions governing the use of the Deferral Elections as it deems appropriate. Subject to any modifications, additions or exceptions which the Plan Administrator, in its sole discretion, deems necessary, appropriate or helpful, the following terms shall apply to Deferral Elections:

(1) Effective Date. An Active Participant's initial Deferral Election with a Participating Company shall be effective for the first payroll period which ends after the Deferral Election is made and after the effective date of such Deferral Election. If an Active Participant fails to submit a Deferral Election in a timely manner, he shall be deemed to have elected a deferral of zero percent. For purposes of this subsection, the "effective date" of a Deferral Election shall mean: (A) for a Participant who commences participation in the Plan on an Entry Date, that Entry Date; and (B) for a Participant who commences or recommences participation in the Plan on a date other than an Entry Date, the date that is as soon as practicable after the date on which the Deferral Election is processed by the Participating Company.

(2) Term. Each Active Participant's Deferral Election with a Participating Company shall remain in effect in accordance with its original terms until the earlier of (A) the date the Active Participant ceases to be a Covered Employee of all Participating Companies, (B) the date the Active Participant revokes such Deferral Election pursuant to the terms of subsection (b)(3) hereof, or (C) the date the Active Participant or the Plan Administrator modifies such Deferral Election pursuant to the terms of subsection (b)(4) or (b)(5) hereof. If a Participant is transferred from the employment of a Participating Company to the employment of another Participating Company, his Deferral Election with the first Participating Company will remain in effect and will apply to his Compensation from the second Participating Company until the earlier of (A), (B) or (C) of the preceding sentence.

(3) Revocation. An Active Participant's Deferral Election shall terminate upon his ceasing to be a Covered Employee. In addition, an Active Participant may revoke his Deferral Election with a Participating Company in the

manner prescribed by the Plan Administrator, and such revocation shall be effective as soon as practicable in the calendar month following the calendar month in which it is made (under procedures established for the Plan). An Active Participant who revokes a Deferral Election may enter into a new Deferral Election in the manner prescribed by the Plan Administrator, effective as soon as practicable after the date on which it is processed; provided, the Plan Administrator, in its sole discretion, may specify a suspension period for all Participants who voluntarily revoke their Deferral Elections, such that any new Deferral Election shall not be effective until a later date.

(4) Modification by Participant. An Active Participant may modify his existing Deferral Election to increase or decrease the percentage of his Contribution by making a new Deferral Election in the manner prescribed by the Plan Administrator not more than once each calendar month. Such modification shall be effective as soon as practicable in the calendar month following the calendar month in which it is made (under procedures established for the Plan).

(5) Modification by Plan Administrator. Notwithstanding anything herein to the contrary, the Plan Administrator may modify any Deferral Election of any Active Participant at any time by decreasing the percentage of any Pre-Tax Contributions to any extent the Plan Administrator believes necessary to comply with the limitations described in Article VI.

3.2 Matching Contributions. For each Active Participant on whose behalf a Participating Company has made any Pre-Tax Contributions, the Participating Company may, in its discretion, make a Matching Contribution based on but no greater than the first 4 percent of the Active Participant's Compensation. Effective for the Plan Year beginning on the Effective Date, the Matching Contribution on behalf of an Active Participant shall be $.50 for each $1.00 of Pre-Tax Contributions, calculated as of each payroll period, but including no more than 4 percent of Compensation for each such payroll period. The total amount of the Matching Contributions which a Participating Company shall make for any Active Participant in a Plan Year shall not exceed 4 percent of such Active Participant's Compensation paid by such Participating Company. The Board, in its sole discretion, may change the matching percentage at any time.

3.3 Profit Sharing Contributions. For each Active Participant who is employed on the last day of a Plan Year, the Participating Company, in its sole discretion, may make Profit Sharing Contributions at the end of each Plan Year. The Participating Company has complete discretion to determine the amount of the Profit Sharing Contribution, if any, each year. The Participating Company shall allocate Profit Sharing Contributions to such Active Participants in the same ratio as each Participant's Compensation for the Plan Year bears to the total Compensation of all Participants for the Plan Year.

3.4 Discretionary Contributions. To the extent and in such amounts as the Plan Administrator, in its sole discretion, deems desirable or helpful as a method to help satisfy the ADP and/or ACP Tests for any Plan Year and subject to the requirements and limitations set forth in Sections 6.1, 6.3, 6.4 and 6.6, each Participating Company shall make a Discretionary

Contribution for such Plan Year. In the case of a Discretionary Contribution which is a Qualified Nonelective Contribution, such Qualified Nonelective Contribution for a Plan Year shall meet the requirements of Treasury Regulation Section 1.401(k)-2(a)(6) (or any successor thereto), shall be treated as Pre-Tax Contributions and shall be allocated to each affected Participant's Pre-Tax Account in a manner proportionate to the Compensation of all affected Participants. The maximum Qualified Nonelective Contribution for each Eligible Participant for each Plan Year shall be an amount equal to the difference between the maximum amount permitted under Section 6.6 after taking into account the Pre-Tax Contributions and Matching Contributions for such Participant. Such Qualified Nonelective Contributions shall be nonforfeitable and shall be subject to the same restrictions on distribution that apply to Pre-Tax Contributions, except that Qualified Nonelective Contributions (and the earnings thereon) shall not be distributable under Section 10.1 in the event of hardship.

3.5 Form of Contributions. All Contributions shall be paid to the Trustee in the form of cash.

3.6 Timing of Contributions.

(a) Pre-Tax Contributions. Each Participating Company that withholds Pre-Tax Contributions from an Active Participant's paycheck pursuant to Section 3.1 (a) shall pay such Pre-Tax Contributions to the Trustee as of the earliest date on which such Contributions can reasonably be segregated from the Participating Company's general assets (generally not to exceed 15 business days after the end of the month within which such amounts otherwise would have been payable to such Active Participant in cash or such earlier time as may be required by law).

(b) Matching, Profit Sharing, and Discretionary Contributions. To the extent administratively practicable, all Matching, Profit Sharing, and Discretionary Contributions shall be paid to the Trustee no later than (1) the date for filing the Participating Company's federal income tax return (including extensions thereof) for the tax year to which such Matching, Profit Sharing, and Discretionary Contributions relate, or (ii) such other date as shall be within the time allowed to permit the Participating Company to properly deduct, for federal income tax purposes and for the tax year of the Participating Company in which the obligation to make such Contributions was incurred, the full amount of such Matching, Profit Sharing, and Discretionary Contributions.

(c) Catch-up Contributions. Each Participating Company that withholds Catch-up Contributions from an Active Participant's paycheck pursuant to a Catch-up Contribution Election under Section 3.10 shall pay such Catch-up Contribution to the Trustee as of the earliest date on which such Contribution can reasonably be segregated from the Participating Company's general assets (generally not to exceed fifteen (15) business days after the end of the month within which such amounts otherwise would have been payable to such Active Participant in cash or such earlier time as may be required by law).

3.7 Contingent Nature of Company Contributions. Notwithstanding Section 3.1 and subject to the terms of Section 15.11, each Company Contribution made to the Plan by a

Participating Company is made expressly contingent upon the deductibility thereof for federal income tax purposes for the taxable year of the Participating Company with respect to which such Company Contribution is made.

3.8 Restoration Contributions.

(a) Restoration Upon Buy-Back. If a Participant who is not 100 percent vested in his Matching Account and Profit Sharing Account has received a distribution of the entire vested portion of his Matching Account and Profit Sharing Account in a manner described in Section 8.3(a) (such that he forfeited the nonvested portion of his Matching Account and Profit Sharing Account in accordance with the terms of Section 8.3(a)), and such Participant is subsequently rehired as a Covered Employee prior to the occurrence of 5 consecutive Breaks in Service, that individual may, prior to the earlier of (i) 5 years after the first day on which he is rehired or (ii) the close of the first period of 5 consecutive Breaks in Service commencing after the distribution, repay the full amount of the distribution to the Trustee (unadjusted for gains or losses). Upon such repayment, his Accounts will be credited with (i) all of the benefits (unadjusted for gains or losses) which were forfeited, and (ii) the amount of the repayment.

(b) Restoration of Other Forfeitures. If a Participant has forfeited his nonvested Accounts in accordance with Section 8.3(b) or Section 8.4, and such Participant subsequently is rehired as a Covered Employee prior to the occurrence of 5 consecutive Breaks in Service, his Account shall be credited with all of the benefits (unadjusted for gains or losses) which were forfeited, as determined pursuant to the terms of Section 8.3(b) or Section 8.4, respectively.

(c) Restoration Contribution. The assets necessary to fund the Account of the rehired individual (in excess of the amount of the repayment, if any) shall be provided no later than as of the end of the Plan Year following the Plan Year in which repayment occurs (if subsection (a) hereof applies) or in which the individual is rehired (if subsection (b) hereof applies), and shall be provided in the discretion of the Plan Administrator from (i) income or gain to the Trust Fund with respect to Forfeitures, (ii) Forfeitures arising from the Accounts of Participants employed or formerly employed by the Participating Companies, or (iii) Contributions by the Participating Companies.

3.9 USERRA Compliance. Notwithstanding any provision of the Plan to the contrary, contributions, benefits, Plan loan repayment suspensions and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u), which provides special rules relating to the reemployment of veterans under the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”).

3.10 Catch-up Contributions. Effective January 1, 2002, all Active Participants (other than Participants who work in and are residents of Puerto Rico, so long as Puerto Rico law does not permit Catch-up Contributions) who are eligible to make Pre-Tax Contributions under this Plan and who have attained or will attain age fifty (50) before the close of the Plan Year shall be eligible to make Catch-up Contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such Catch-up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Section 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b) or 416 of the Code, as applicable, by reason of the making of such Catch-up Contributions. Each Active Participant who desires that his Participating Company make a Catch-up Contribution on his behalf shall complete and deliver to the Participating Company (or its designee) a Catch-up Deferral Election, in the form prescribed for such purpose and under such terms and conditions as shall be determined by the Plan Administrator, in its sole discretion. Notwithstanding anything herein to the contrary, the Plan Administrator may modify any Catch-up Contribution Election of any Active Participant at any time to the extent the Plan Administrator believes necessary to comply with the limitations of this Section 3.10 and Code Section 414(v). For purposes of clarification, although a Catch-up Contribution is made on a pre-tax basis and is an elective deferral under the Code, the defined terms Pre-Tax Contributions and Elective Deferral as used in this Plan do not refer to Catch-up Contributions. Accordingly, there are no Matching Contributions with respect to Catch-up Contributions. Catch-up Contributions shall be maintained in the Pre-Tax Account of a Participant and shall not require a separate subaccount.

ARTICLE IV

ROLLOVERS AND TRANSFERS BETWEEN PLANS

4.1 Rollover Contributions.

(a) Request by Covered Employee. A Covered Employee may make a written request to the Plan Administrator that he be permitted to contribute, or cause to be contributed, to the Trust Fund a Rollover Contribution which is received by such Covered Employee or to which such Covered Employee is entitled. Such written request shall contain information concerning the type of property constituting the Rollover Contribution and a statement, satisfactory to the Plan Administrator, that the property constitutes a Rollover Contribution. If a Covered Employee who is not a Participant makes a Rollover Contribution, the time and method of distribution of such Covered Employee’s Rollover Account shall be determined under the terms of the Plan as if such Covered Employee were a Participant, but he shall not be considered a Participant under the Plan for any other purpose.

(b) Acceptance of Rollover. Subject to the terms of the Plan and the Code (including regulations and rulings promulgated thereunder), the Plan Administrator, in its sole discretion, shall determine whether (and if so, under what conditions and in what form) a Rollover Contribution shall be accepted at any time by the Trustee. For example, the Plan Administrator, in its sole discretion, may decide to allow Rollover Contributions from Participants and/or direct Rollover Contributions from another qualified retirement plan (as described in Code section 401(a)(31)) and may decide to pass through to the Covered Employee making the Rollover Contribution any recordkeeping fees directly attributable to his Rollover Contribution. In the event the Plan Administrator permits an Active Participant to make a Rollover Contribution, the amount of the Rollover Contribution shall be transferred to the Trustee and allocated as soon as practicable thereafter to a Rollover Account for the Active Participant. Unless the Plan Administrator permits otherwise, all Rollover Contributions shall be made in cash.

4.2 Transfer Contributions.

(a) Direct Transfers Permitted. The Plan Administrator, in its sole discretion, shall permit direct trustee-to-trustee transfers of assets and liabilities to the Plan (which shall be distinguished from direct Rollover Contributions as described in Code section 401(a)(31)) as a Transfer Contribution on behalf of an Active Participant. However, in no event shall a Transfer Contribution be accepted on behalf of an Active Participant if such Transfer Contribution is from a retirement plan which, with respect to such Participant, is subject to the requirements of providing any alternative form of benefit not permitted under the Plan.

(b) Mergers and Spin-offs Permitted. The Plan Administrator, in its sole discretion, shall permit other qualified retirement plans to transfer assets and liabilities to the Plan as part of a merger, spin-off or similar transaction. Any such transfer shall be made in accordance with the terms of the Code and subject to such rules and requirements as the Plan Administrator may deem appropriate. Without limitation, the Plan Administrator shall determine the schedule under which such Transfer Contributions shall vest. Notwithstanding anything herein to the contrary, in no event shall a Transfer Contribution be accepted if the transferring plan is subject to the requirements of providing any alternative form of benefit not permitted under the Plan.

(c) Establishment of Transfer Accounts. As soon as practicable after the date the Trustee receives a Transfer Contribution, there shall be credited to one or more Transfer Accounts of each Participant the total amount received from the respective accounts of such Participant in the transferring qualified retirement plan. Any amounts so credited as a result of any such merger or spin-off or other transfer shall be subject to all of the terms and conditions of the Plan from and after the date of such transfer.

(d) Certain Transfer Accounts. The Plan will only accept Transfer Contributions in the event that the Plan would not be required to provide any form of distribution with respect to the resulting Transfer Account other than a single sum distribution. For this reason, the Plan will not accept Transfer Contributions which are required to provide annuity or installment forms of distribution. The Plan Administrator may develop additional rules and terms applicable to Transfer Contributions and resulting Transfer Accounts.

4.3 Spin-offs to Other Plans. The Plan Administrator, in its sole discretion, may cause the Plan to transfer to another qualified retirement plan (as part of a spin-off or similar transaction) assets and liabilities maintained under the Plan. Any such transfer shall be made in accordance with the terms of the Code and subject to such rules and requirements as the Plan Administrator may deem appropriate. Upon the effectiveness of any such transfer, the Plan and Trust shall have no further responsibility or liability with respect to the transferred assets and liabilities.

ARTICLE V

PARTICIPANTS' ACCOUNTS: CREDITING AND ALLOCATIONS

5.1 Establishment of Participants' Account. The Plan Administrator shall establish and maintain, on behalf of each Participant and Beneficiary, an Account which shall be divided into segregated subaccounts. The subaccounts shall include (to the extent applicable) Pre-Tax, After-Tax, Matching, Profit Sharing, Rollover, and Transfer Accounts and such other subaccounts as the Plan Administrator shall deem appropriate or helpful. Each Account shall be credited with Contributions allocated to such Account and generally shall be credited with income on investments derived from the assets of such Accounts. Notwithstanding anything herein to the contrary, while Contributions may be allocated to a Participant's Account as of a particular date (as specified in the Plan), such Contributions shall actually be added to a Participant's Account and shall be credited with investment experience only from the date such Contributions are received and credited to the Participant's Account by the Trustee. Each Account of a Participant or Beneficiary shall be maintained until the value thereof has been distributed to or on behalf of such Participant or Beneficiary.

5.2 Allocation and Crediting of Pre-Tax, Matching, Profit Sharing, Rollover and Transfer Contributions. As of each Valuation Date coinciding with or immediately following the date on which Pre-Tax, Matching, Profit Sharing, Rollover and Transfer Contributions are received on behalf of an Active Participant, such Contributions shall be allocated and credited directly to the appropriate Pre-Tax, Matching, Profit Sharing, Rollover and Transfer Accounts, respectively, of such Active Participant.

5.3 Allocation and Crediting of Discretionary Contributions.

(a) General Provision. As of the last day of each Plan Year for which the Participating Companies make (or are deemed to have made) Discretionary Contributions, the Plan Administrator shall cause such Discretionary Contributions to be allocated in accordance with the terms of subsection (b), (c), (d) or (e), whichever is applicable.

(b) Per Capita Discretionary Contributions. To the extent that the Administrative Committee designates all or any portion of the Discretionary Contributions for a Plan Year as "Per Capita Discretionary Contributions," such Contributions shall be allocated to the Accounts of all Eligible Participants who were Employees on the last day of such Plan Year on a per capita basis (that is the same dollar amount shall be allocated to the Account of each such Eligible Participant).

(c) Proportional Discretionary Contributions. To the extent that the Plan Administrator designates all or any portion of the Discretionary Contributions for a Plan Year as "Proportional Discretionary Contributions," such Contributions shall be allocated to the Account of each Eligible Participant who was an Employee on the last day of such Plan Year in the same proportion that (i) the Compensation of such Eligible Participant for such Plan Year bears to (ii) the total Compensation of all such Eligible Participants for such Plan Year.

(d) Section 415 Discretionary Contributions. To the extent that the Plan Administrator designates all or any portion of the Discretionary Contributions for a Plan Year as "Section 415 Discretionary Contributions," such Contributions shall be allocated to the Discretionary Account of some or all Eligible Participants (i) beginning with such Eligible Participant(s) who have the lowest Compensation (within the meaning of "Testing Compensation" as described in Section 1.20(d)), until such Eligible Participants) reach their annual addition limits (as described in Section 6.6), or the amount of the Discretionary Contributions is fully allocated, and then (ii) continuing with successive individuals or groups of Eligible Participants in the same manner until the amount of the Section 415 Discretionary Contributions is fully allocated.

(e) Qualified Nonelective Contributions. To the extent that the Plan Administrator designates all or any portion of the Discretionary Contributions as "Qualified Nonelective Contributions," such contributions shall be allocated to the appropriate subaccount of each Eligible Participant with respect to whom such contributions are made.

5.4 Crediting of Restoration Contributions. As of each Valuation Date coinciding with or immediately following the date (i) on which a Restoration Contribution pursuant to Section 3.8 is received from an Active Participant, or (ii) on which the Plan restores the forfeitable portion of his Account pursuant to Section 3.8(c), such amount shall be credited to the appropriate Pre-Tax, Matching, Profit Sharing, Rollover and Transfer Accounts of the Active Participant, in the amounts distributed or forfeitable from such Accounts immediately prior to the earlier distribution to such Participant.

5.5 Allocation of Forfeitures. To the extent Forfeitures for a Plan Year are not used to pay Restoration Contributions pursuant to Section 3.8(b), to replace abandoned Accounts as provided in Section 9.9, or to pay Plan expenses as provided in Section 15.12, the Plan Administrator, in its sole discretion shall deem such Forfeitures to be Matching, Profit Sharing and/or Discretionary Contributions (which shall first be used to reduce the Participating Companies' obligation, if any, to make such Contributions pursuant to the terms of the Plan and then shall be added to, and combined with, any such other Contributions made for such Plan Year by the Participating Companies), and such Forfeitures shall be allocated pursuant to the terms of Section 5.2 or Section 5.3, as applicable.

5.6 Allocation and Crediting of Investment Experience. As of each Valuation Date, the Trustee shall determine the fair market value of the Trust Fund which shall be the sum of the fair market values of the Investment Funds. The Plan Administrator shall determine the amount of the Accounts as follows:

(a) Determination of Investment Experience. As of each Valuation Date, the investment earnings (or losses) of each Investment Fund shall be the amount by which the sum determined in (1) exceeds (or is less than) the sum determined in (2), where (1) and (2) are as follows:

(1) The sum of (A) the fair market value of such Investment Fund as of such Valuation Date, plus (B) the amount of distributions and withdrawals and

any transfers to other Investment Funds made since the immediately preceding Valuation Date from amounts invested in the Investment Fund; and

(2) The sum of (A) the fair market value of the Investment Fund as of the immediately preceding Valuation Date, plus (B) Contributions deposited in and amounts transferred to such Investment Fund since the immediately preceding Valuation Date.

(b) Utilization of Investment Experience. To the extent directed by the Plan Administrator, investment earnings initially shall be used to pay Restoration Contributions pursuant to Section 3.8(b), to replace abandoned Accounts as provided in Section 9.9 or to pay Plan expenses as provided in Section 15.12. As of each Valuation Date and prior to the allocations described in Section 5.2, Section 5.3, Section 5.4 and Section 5.5, each Participant’s Account shall be allocated and credited with a portion of such remaining earnings or debited with a portion of such losses of each Investment Fund, as determined in accordance with subsection (a) hereof, in the proportion that (i)(A) the amount credited to such Account that was invested in such Investment Fund as of the immediately preceding Valuation Date, minus (B) any distributions or withdrawals or transfers to other Investment Funds which were made from such Account since such preceding Valuation Date and on or before such current Valuation Date, plus (C) any amounts transferred to such Investment Fund since the immediately preceding Valuation Date bears to (ii)(A) the total amount invested in such Investment Fund by all Participants as of the immediately preceding Valuation Date, minus (B) any distributions or withdrawals or transfers to other Investment Funds which were made since such preceding Valuation Date and on or before such current Valuation Date, plus (C) any amounts transferred to such Investment Fund since the immediately preceding Valuation Date.

(c) Unitized Investments. To the extent that the Plan’s recordkeeper keeps its records on the basis of units, the fair market value of each Investment Fund shall be determined on the basis of units. Furthermore, adjustments for Contributions, distributions, withdrawals and transfers to or from each such Investment Fund for purposes of determining fair market value shall be made on the basis of units.

5.7 Notice to Participants of Account Balances. At least once for each Plan Year, the Plan Administrator shall cause a written statement of a Participant’s Account balance to be distributed to the Participant.

5.8 Good Faith Valuation Binding. In determining the value of the Trust Fund and the Accounts, the Trustee and the Plan Administrator shall exercise their best judgment, and all such determinations of value (in the absence of bad faith) shall be binding upon all Participants and Beneficiaries.

5.9 Errors and Omissions in Accounts. If an error or omission is discovered in the Account of a Participant or Beneficiary, the Plan Administrator shall cause appropriate, equitable adjustments to be made as of the Valuation Date as soon as practicable following the discovery of such error or omission.

ARTICLE VI

CONTRIBUTION AND SECTION 415 LIMITATIONS
AND NONDISCRIMINATION REQUIREMENTS

6.1 Deductibility Limitations. In no event shall the total Company Contribution amount for any taxable year of a Participating Company exceed that amount which is properly deductible for federal income tax purposes under the then appropriate provisions of the Code. Generally, the maximum, tax-deductible Company Contribution amount for any taxable year of a Participating Company shall be equal to 15 percent of the total Compensation paid or accrued during such taxable year to all Participants employed by such Participating Company; provided, no Company Contribution amount shall be deductible if it shall cause the Plan to exceed the applicable maximum allocation limitations under Code section 415, as described in Section 6.6. For purposes of this Section, a Company Contribution may be deemed made by a Participating Company for a taxable year if it is paid to the Trustee on or before the date of filing the Participating Company's federal income tax return (including extensions thereof) for that year or on or before such other date as shall be within the time allowed to permit proper deduction by the Participating Company of the amount so contributed for federal income tax purposes for the year in which the obligation to make such Company Contribution was incurred.

6.2 Maximum Limitation on Elective Deferrals.

(a) Maximum Elective Deferrals Under Participating Company Plans. The aggregate amount of a Participant's Elective Deferrals made for any calendar year under the Plan and any other plans, contracts or arrangements with the Participating Companies shall not exceed the Maximum Deferral Amount.

(b) Return of Excess Pre-Tax Contributions. If the aggregate amount of a Participant's Pre-Tax Contributions made for any calendar year by itself exceeds the Maximum Deferral Amount, the Participant shall be deemed to have notified the Plan Administrator of such excess, and the Plan Administrator shall cause the Trustee to recharacterize, if possible, all or a portion of such excess amount as a Catch-up Contribution to the extent permitted under Section 3.10 and Code Section 414(v), and then if there is still an excess remaining, to distribute to such Participant, on or before April 15 of the next succeeding calendar year, the total of (i) the amount by which such Pre-Tax Contributions exceed the Maximum Deferral Amount, plus (ii) any earnings allocable thereto. In determining the amount of earnings allocable to Excess Pre-Tax Contributions, any reasonable alternative method of calculating earnings allocable to Excess Pre-Tax Contributions may be utilized, including the safe harbor method. Earnings from the end of the Plan Year through a date that is no more than seven (7) days before the actual date of distribution ("gap period" income) will also be calculated and distributed with such Excess Pre-Tax Contributions. In addition, Matching Contributions made on behalf of the Participant which are attributable to the distributed Pre-Tax Contributions shall be forfeited.

(c) Return of Excess Elective Deferrals Provided by Other Participating Company Arrangements. If after the reduction described in subsection (b) hereof, a

Participant’s aggregate Elective Deferrals under plans, contracts and arrangements with Participating Companies still exceed the Maximum Deferral Amount, then, the Participant shall be deemed to have notified the Plan Administrator of such excess, and, unless the Plan Administrator directs otherwise, such excess shall be reduced by distributing to the Participant Elective Deferrals that were made for the calendar year under such plans, contracts and/or arrangements with Participating Companies other than the Plan. However, if the Plan Administrator decides to make any such distributions from Pre-Tax Contributions made to the Plan, such distributions (including forfeiture of Matching Contributions) shall be made in a manner similar to that described in subsection (b) hereof.

(d) Discretionary Return of Elective Deferrals. If, after the reductions described in subsections (b) and (c) hereof, (i) a Participant’s aggregate Elective Deferrals made for any calendar year under the Plan and any other plans, contracts or arrangements with Participating Companies and any other employers still exceed the Maximum Deferral Amount, and (ii) such Participant submits to the Plan Administrator, on or before the March 1 following the end of such calendar year, a written request that the Plan Administrator distribute to such Participant all or a portion of his remaining Pre Tax Contributions made for such calendar year, and any earnings attributable thereto (including “gap period” income as described in subsection (b) hereof), then the Plan Administrator may, but shall not be required to, cause the Trustee to distribute such amount to such Participant on or before the following April 15. However, if the Plan Administrator decides to make any such distributions from Pre-Tax Contributions made to the Plan, such distributions (including forfeiture of Matching Contributions) shall be made in a manner similar to that described in subsection (b) hereof.

(e) Return of Excess Annual Additions. Any Pre-Tax Contributions returned to a Participant to correct excess Annual Additions shall be disregarded for purposes of determining whether the Maximum Deferral Amount has been exceeded.

(f) Recharacterization of Catch-up Contributions. In the event a Participant’s Pre-Tax Contributions for a Plan Year do not equal the Maximum Deferral Amount, a Participant’s Catch-up Contributions, if any, for such Plan Year shall be recharacterized as Pre-Tax Contributions for all purposes to the extent necessary to increase Pre-Tax Contributions to equal such Maximum Deferral Amount. In the event that such Catch-up Contributions are recharacterized as Pre-Tax Contributions, such recharacterized amounts shall be treated as Pre-Tax Contributions for all purposes hereunder, including limitations.

6.3 Nondiscrimination Requirements for Pre-Tax Contributions.

(a) ADP Test. The annual allocation of the aggregate of all Pre-Tax Contributions, any Qualified Nonelective Contributions designated by the Plan Administrator for use in connection with the ADP Tests, and, to the extent taken into account under subsection (b) hereof, elective and/or qualified nonelective contributions made under another plan, shall satisfy at least one of the following ADP Tests for each Plan Year:

(1) The ADP for a Plan Year for the Highly Compensated Employees who are Active Participants shall not exceed the product of (A) the ADP for the current Plan Year for the Active Participants who are not Highly Compensated Employees, multiplied by (B) 1.25; or

(2) The ADP for a Plan Year for the Highly Compensated Employees who are Active Participants shall not exceed the ADP for the current Plan Year for the Active Participants who are not Highly Compensated Employees by more than 2 percentage points, nor shall it exceed the product of (A) the ADP for the current Plan Year of the Active Participants who are not Highly Compensated Employees, multiplied by (B) 2.

(b) Multiple Plans. If pre-tax and/or qualified nonelective contributions are made to one or more other plans (other than employee stock ownership plans as described in Code section 4975(e)(7)) which, along with the Plan, are considered as a single plan for purposes of Code section 401(a)(4) or section 410(b), such plans shall be treated as one plan for purposes of this Section, and the pre-tax and applicable qualified nonelective contributions made to those other plans shall be combined with the Pre-Tax and applicable Discretionary Contributions for purposes of performing the tests described in subsection (a) hereof. In addition, the Plan Administrator may elect to treat the Plan as a single plan along with the one or more other plans (other than employee stock ownership plans as described in Code section 4975(e)(7)) to which pre-tax and/or qualified nonelective contributions are made for purposes of this Section; provided, the Plan and all of such other plans also must be treated as a single plan for purposes of satisfying the requirements of Code section 401(a)(4) and section 410(b) (other than the requirements of Code section 410(b)(2)(A)(ii)). However, plans may be aggregated for purposes of this subsection only if they have the same plan year.

(c) Adjustments to Actual Deferral Percentages. In the event that the allocation of the Pre-Tax Contributions and qualified nonelective contributions for a Plan Year does not satisfy one of the ADP Tests of subsection (a) hereof, the Plan Administrator shall cause the Pre-Tax and Discretionary Contributions for such Plan Year to be adjusted in accordance with one or a combination of the following options:

(1) The Plan Administrator may cause the Participating Companies to make, with respect to such Plan Year, Discretionary Contributions on behalf of, and allocable to, the Eligible Participants described in Section 5.3 with respect to such Plan Year, in the minimum amount necessary to satisfy one of the ADP Tests. Such Discretionary Contributions shall be allocated among such Eligible Participants pursuant to one of the methods described in Section 5.3.

(2) (A) Notwithstanding any other provision of the Plan, Excess Contributions, plus any income and minus any loss allocable thereto, shall be distributed no later than the last day of each Plan Year to Participants to whose Accounts such Excess Contributions were allocated for the preceding Plan Year. The Committee will determine the aggregate amount of Excess Contributions to be distributed by reducing the ADP Percentage of the Highly Compensated

Employee with the highest ADP to the extent necessary to (i) satisfy the ADP limits of Section 6.3(a), or (ii) cause such Highly Compensated Employee's ADP to equal the ADP of the Highly Compensated Employee with the next highest ADP, and then repeat this process until the ADP limits of Section 6.3(a) are satisfied. The aggregate amount of Excess Contributions shall then be distributed, pro rata, to each Highly Compensated Employee with the highest dollar amount of Pre-Tax Contributions of such Highly Compensated Employee to equal the dollar amount of the Pre-Tax Contributions of the Highly Compensated Employee with the next highest dollar amount of Pre-Tax Contributions. This process shall be repeated until the aggregate amount of Excess Contributions is distributed.

(B) For purposes of this Section 6.3(c)(2), Excess Contributions shall mean, with respect to any Plan Year, the excess of:

(i) The aggregate amount of Pre-Tax Contributions and Qualified Nonelective contributions actually taken into account in computing the ADP of Highly Compensated Employees for such Plan Year, over

(ii) The maximum amount of such contributions permitted by the ADP Test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of the ADPs, beginning with the highest of such percentages).

(3) In determining the amount of income allocable to Excess Contributions which are distributed pursuant to subsection 6.3(c)(2), any reasonable alternative method of calculating earnings allocable to such Excess Contributions may be utilized, including the safe harbor method. Earnings from the end of the Plan Year through a date that is no more than seven (7) days before the actual date of distribution ("gap period" income) will also be calculated and distributed with such Excess Contributions.

6.4 Nondiscrimination Requirements for Matching Contributions.

(a) ACP Test. The amount of the aggregate of all of a Plan Year's After Tax and Matching Contributions, any Qualified Nonelective Contributions designated by the Plan Administrator for use in connection with the ACP Tests, and, to the extent designated by the Plan Administrator pursuant to subsection (b) hereof, other elective and/or qualified nonelective contributions made under another plan, shall satisfy at least one of the following ACP Tests for such Plan Year:

(1) The ACP for a Plan Year for the Highly Compensated Employees who are Active Participants shall not exceed the product of (A) the ACP for the current Plan Year for the Active Participants who are not Highly Compensated Employees, multiplied by (B) 1.25; or

(2) The ACP for a Plan Year for the Highly Compensated Employees who are Active Participants shall not exceed the ACP for the current Plan Year for the Active Participants who are not Highly Compensated Employees by more than 2 percentage points, nor shall it exceed the product of (A) the ACP for the current Plan Year of the Active Participants who are not Highly Compensated Employees, multiplied by (B) 2.

(b) Multiple Plans. If matching, after-tax, elective and/or qualified nonelective contributions are made to one or more other plans (other than employee stock ownership plans as described in Code section 4975(e)(7)) which, along with the Plan, are considered as a single plan for purposes of Code section 401(a)(4) or section 410(b), such plans shall be treated as one plan for purposes of this Section, and the matching, after-tax, pre-tax and applicable qualified nonelective contributions made to those other plans shall be combined with the Matching, Pre-Tax and Discretionary Contributions for purposes of performing the tests described in subsection (a) hereof. In addition, the Plan Administrator may elect to treat the Plan as a single plan along with one or more other plans (other than employee stock ownership plans as described in Code section 4975(e)(7)) to which matching, after-tax, elective and/or qualified nonelective contributions are made for purposes of this Section; provided, the Plan and all of such other plans also must be treated as a single plan for purposes of satisfying the requirements of Code section 401(a)(4) and section 410(b) (other than the requirements of Code section 410(b)(2)(A)(ii)). However, plans may be aggregated for purposes of this subsection only if they have the same plan year.

(c) Adjustments to Average Contribution Percentages. In the event that the allocation of the After-Tax, Pre-Tax, Matching and Discretionary Contributions and other elective and qualified nonelective contributions for a Plan Year does not satisfy one of the ACP Tests of subsection (a) hereof, the Plan Administrator shall cause such Matching and/or Discretionary Contributions for the Plan Year to be adjusted in accordance with one or a combination of the following options:

(1) The Plan Administrator may cause the Participating Companies to make, with respect to such Plan Year, Discretionary Contributions on behalf of, and specifically allocable to, the Eligible Participants described in Section 5.3 with respect to such Plan Year, in the minimum amount necessary to satisfy one of the ACP Tests; such Discretionary Contributions shall be allocated among the affected Eligible Participants pursuant to the methods described in Section 5.3. Alternatively or in addition, the Plan Administrator may add a portion of the Pre-Tax Contributions, that are made for the Plan Year by the Participants who are not Highly Compensated Employees and that are not needed for the Plan to satisfy the ADP Tests for the Plan Year, to the Matching Contributions for such Participants to increase the ACP for such Participants.

(2) Notwithstanding any other provision of the Plan, by the last day of the Plan Year following the Plan Year in which the annual allocation failed both of the ACP Tests, the Plan Administrator may direct the Trustee to reduce the Excess Aggregate Contributions taken into account with respect to Highly

Compensated Employees under such failed ACP Tests by the amount of Excess Aggregate Contributions. Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited and treated as a Forfeiture; provided, however, if the Excess Aggregate Contributions to be reduced are vested and therefore may not be forfeited, those Excess Aggregate Contributions (plus any earnings and minus any loss attributable thereto) shall be distributed to the Highly Compensated Employees from whose Accounts such reductions have been made. Such reductions in Excess Aggregate Contributions shall be made in accordance with, and solely to the Accounts of those Highly Compensated Employees who are affected by, the following procedure:

(A) Any distributions of Excess Aggregate Contributions shall be distributed first to the Highly Compensated Employees with the highest dollar amounts of Matching Contributions (and any qualified Matching Contributions taken into account in the ACP Test) pro rata, in an amount equal to the lesser of (i) the total amount of Excess Aggregate Contributions for the Plan Year or (ii) the amount necessary to cause the amount of such Employee's Matching Contributions (and any Pre-Tax Contributions taken into account in computing actual contribution percentages) to equal the amount of Matching Contributions (and any Pre-Tax Contributions taken into account in computing actual contribution percentages) of the Highly Compensated Employees with the next highest dollar amount of Matching Contributions (and any Pre-Tax Contributions taken into account in computing actual contribution percentages). This process is repeated until the aggregate amount distributed equals the total amount of Excess Aggregate Contributions. If such Excess Aggregate Contributions are distributed more than two and one-half (2-1/2) months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the Participating Company maintaining the Plan with respect to those amounts. Excess Aggregate Contributions shall be treated as Annual Additions under the Plan.

(B) For purposes of this Section 6.4(c)(2), Excess Aggregate Contributions shall mean, with respect to any Plan Year, the excess of:

(i) The aggregate amount of the Matching Contributions and after tax contributions (and any Qualified Nonelective Contributions or Pre-Tax Contributions taken into account in computing the ACP) actually made on behalf of Highly Compensated Employees for such Plan Year, over

(ii) The maximum amount of such contributions permitted by the ACP Test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their ACP, beginning with the highest of such percentages).

(3) In determining the amount of income allocable to Excess Aggregate Contributions which are forfeited or distributed pursuant to subsection 6.4(c)(2), any reasonable alternative method of calculating earnings allocable to such Excess Aggregate Contributions may be utilized, including the safe harbor method. Earnings from the end of the Plan Year through a date that is no more than seven (7) days before the actual date of forfeiture or distribution ("gap period" income) will also be calculated and forfeited or distributed with such Excess Aggregate Contributions.

6.5 Order of Application. For any Plan Year in which adjustments shall be necessary or otherwise made pursuant to the terms of Sections 6.2, 6.3 and/or 6.4, such adjustments shall be applied in the order prescribed by the Secretary of Treasury in Treasury Regulations or other published authority.

6.6 Code Section 415 Limitations on Maximum Contributions.

(a) General Limit on Annual Additions. In no event shall the Annual Addition to a Participant's Account for any Limitation Year, under the Plan and any other Defined Contribution Plan (including voluntary employee contribution accounts in a defined benefit plan, key employee accounts under a welfare benefit plan described in Section 419 of the Code, Participating Company contributions allocated to an individual retirement account under Section 408 of the Code and individual medical accounts, as defined in Section 415(1)(2) of the Code, maintained by a Participating Company, which provide Annual Additions) maintained by an Affiliate, exceed the lesser of:

(1) $40,000, or if greater, the amount as adjusted by the Secretary of Treasury for increases in the cost of living, or

(2) 100 percent (100%) of such Participant's Compensation as determined under Code Section 415 during such Plan Year, plus Pre-Tax Contributions and Participant Contributions excluded from income under Code Sections 125, 132, 402(g)(3) or 457.

(b) Correction of Excess Annual Additions. If, as a result of either the allocation of Forfeitures to an Account, a reasonable error in estimating a Participant's Compensation or Elective Deferrals, or such other occurrences as the Internal Revenue Service permits to trigger this subsection, the Annual Addition made on behalf of a Participant exceeds the limitations set forth in this Section, the Plan Administrator shall direct the Trustee to take such of the following actions as it shall deem appropriate, specifying in each case the amount of Contributions involved:

(1) As the first step in reducing a Participant's Annual Addition, the total of the Pre-Tax Contributions allocated to the Participant's Pre-Tax Account and the amount of any Matching Contributions attributable thereto shall be reduced in the amount of the excess. The amount of the reduction from the Participant's Pre-Tax Account (plus any earnings thereon) shall be returned to the Participant, and any Matching Contributions (and earnings thereon) attributable to

the returned Pre-Tax Contributions shall be forfeited and reallocated in the manner described in subsection (c)(2) or (c)(3) hereof.

(2) If further reduction is necessary, the Discretionary Contributions allocated to the Participant's Account shall be reduced in the amount of the lesser of (A) the amount of his Discretionary Contributions for such year, or (B) the excess. The amount of the reduction shall be reallocated to the Accounts of Active Participants who otherwise are eligible for allocations of Contributions and who are not affected by such limitations, pursuant to the same method as Discretionary Contributions otherwise are allocated to such Accounts, disregarding those Active Participants whose Annual Addition equals or exceed the limitations hereunder.

(3) If the reallocation to the Accounts of other Participants in the then current Limitation Year (as described in subsections (b)(1) and (b)(2) hereof) is impossible without causing them or any of them to exceed the Annual Addition limitations described in this Section, the amount that cannot be reallocated without exceeding such limitations shall continue to be held in a suspense account and shall be applied to reduce permissible Contributions in each successive Plan Year until such amount is fully allocated; provided, so long as any suspense account is maintained pursuant to this Section: (A) no Contributions shall be made to the Plan which would be precluded by Code section 415; (B) investment gains and losses of the Trust Fund shall not be allocated to such suspense account; and (C) amounts in the suspense account shall be allocated in the same manner as Contributions as of the earliest Valuation Date possible, until such suspense account is exhausted.

(c) Special Definitions Applicable to Code Section 415 Limitations.

(1) Annual Addition. For purposes of this Section, the term "Annual Addition" for any Participant means the sum for any Limitation Year of:

(A) contributions made by an Affiliate on behalf of the Participant under all Defined Contribution Plans;

(B) contributions made by the Participant under all Defined Contribution Plans of an Affiliate (excluding rollover contributions as defined in Code sections 402(c)(4), 403(a)(4), 403(b)(8) and 408(d)(3) and contributions of previously distributed benefits which result in such a Plan's restoration of previously forfeited benefits pursuant to Treasury Regulations Section 1.411(a)-7(d)); provided, the Annual Additions limitation for Limitation Years beginning before January 1, 1987 shall not be recomputed to treat all after-tax contributions as Annual Additions;

(C) forfeitures allocated to the Participant under all Defined Contribution Plans of an Affiliate;

(D) amounts allocated for the benefit of the Participant after March 31, 1984, to an individual medical account established under a pension or annuity plan maintained by an Affiliate, as described in Code section 415(1); and

(E) if the Participant was a Key Employee (as defined in Code section 419A(d)(3)) at any time during the Plan Year during which or coincident with which the Limitation Year ends or during any preceding Plan Year, any amount paid or accrued after December 31, 1985, by an Affiliate to a special account under a welfare benefit fund (as defined in Code section 419(e)) to provide post-retirement medical or life insurance benefits to the Participant, as described in Code section 419A(d)(2).

Contributions do not fail to be Annual Additions merely because they are (i) Pre-Tax Contributions that exceed the Maximum Deferral Amount, (ii) Pre-Tax Contributions that cause the Plan to fail the ADP Tests, or (iii) Matching Contributions that cause the Plan to fail the ACP Tests, or merely because the Contributions described in clauses (ii) and (iii) immediately above are corrected through distribution or recharacterization; Contributions described in clause (i) immediately above that are distributed in accordance with the terms of Section 6.2 shall not be Annual Additions. Rollover Contributions and Catch-up Contributions shall not be Annual Additions.

(2) Defined Contribution Plan. The term “Defined Contribution Plan” shall mean any qualified retirement plan maintained by an Affiliate which provides for an individual account for each Participant and for benefits based solely on the amount contributed to the Participant’s account and any income, expenses, gains, losses and forfeitures of accounts of other Participants, which may be allocated to such Participant’s account.

(d) Compliance with Code Section 415. The limitations in this Section are intended to comply with the provisions of Code section 415 so that the maximum benefits permitted under plans of the Affiliates shall be exactly equal to the maximum amounts allowed under Code section 415 and the regulations promulgated thereunder. The provisions of this Section generally are effective as of the Effective Date, but to the extent the Code requires an earlier or later effective date with respect to any portions) of this Section, such other effective date shall apply. If there is any discrepancy between the provisions of this, Section and the provisions of Code section 415 and the regulations promulgated thereunder, such discrepancy shall be resolved in such a way as to give full effect to the provisions of the Code.

6.7 Construction of Limitations and Requirements. The descriptions of the limitations and requirements set forth in this Article are intended to serve as statements of the minimum legal requirements necessary for the Plan to remain qualified under the applicable terms of the Code. The Participating Companies do not desire or intend, and the terms of this Article shall not be construed, to impose any more restrictions on the operation of the Plan than required by law. Therefore, the terms of this Article and any related terms and definitions in the Plan shall be interpreted and operated in a manner which imposes the least restrictions on the Plan. For example, if use of a more liberal definition of “Compensation” or a more liberal multiple use test is permissible at any time under the law, then the more liberal provisions may be applied as if such provisions were included in the Plan.

ARTICLE VII

INVESTMENTS

7.1 Establishment of Trust Account. All Contributions are to be paid over to the Trustee to be held in the Trust Fund and invested in accordance with the terms of the Plan and the Trust.

7.2 Investment Fund.

(a) Establishment of Investment Funds. In accordance with the investment policy and objectives established by the Plan Administrator and the terms of the Plan and the Trust, the Trustee shall establish and maintain for the investment of assets of the Trust Fund, Investment Funds for the investment of Contributions and Accounts. Such Investment Funds shall be made available in a manner sufficient to comply with ERISA Section 404(c). The Trustee shall also be permitted to eliminate one or more of the then existing Investment Funds, whether or not replaced with a new Investment Fund. Such Investment Funds shall be established and modified by the Trustee from time to time without necessity of amendment to the Plan. Investment Funds also may be established and maintained for any limited purpose(s) the Plan Administrator may direct (for example, for the investment of certain specified Accounts transferred from a prior plan). Notwithstanding the above, the Trustee, upon the direction of the Plan Administrator, shall establish a Company Stock Investment Fund. Such fund may only be established upon the direction of the Plan Administrator, and shall only be modified or eliminated upon direction of the Plan Administrator. The Trustee thus shall have no discretion with respect to or control over any such investment fund.

(b) Reinvestment of Cash Earnings. Any investment earnings received in the form of cash with respect to any Investment Fund (in excess of the amounts necessary to make cash distributions or Restoration Contributions or to pay Plan or Trust expenses) shall be reinvested in such Investment Fund.

7.3 Participant Direction of Investments. Subject to the provisions of section 404(c) of ERISA, each Participant or Beneficiary generally may direct the manner in which his Accounts and Contributions shall be invested in and among the Investment Funds described in Section 7.2. Participant investment directions shall be made in accordance with the requirements of ERISA section 404(c) and the following terms:

(a) Investment of Contributions. Except as otherwise provided in this Section, each Participant may elect, on a form provided by the Plan Administrator, through an interactive telephone system, website or in such other manner as the Plan Administrator may prescribe, the percentage of his future Contributions that will be invested in each Investment Fund. An initial election of a Participant shall be made as of the Entry Date coinciding with or immediately following the date the Participant commences or recommences participation in the Plan and shall apply to all such specified Contributions credited to such Participant's Account after such Entry Date; provided, an earlier investment election may be made with respect to a Rollover Contribution made before an Employee becomes an Active Participant. Such Participant may make subsequent elections as of any Valuation Date, and such elections shall apply to all such Contributions credited to such Participant's Accounts following such date; for purposes hereof, Contributions and/or Forfeitures that are credited to a Participant's or Beneficiary's Account shall be subject to the investment election in effect on the date on which such amounts are actually received and credited, regardless of any prior date "as of" which such Contributions may have been allocated to his Account. Any election made pursuant to this subsection with respect to future Contributions shall remain effective until changed by the Participant. In the event a Participant never makes an investment election or makes an incomplete or insufficient election in some manner, the Trustee, based on authorized directions from the Plan Administrator, shall direct the investment of the Participant's future Contributions.

(b) Investment of Existing Account Balances. Except as otherwise provided in this Section, each Participant or Beneficiary may elect, on a form provided by the Plan Administrator, through an interactive telephone system, website or in such other manner as the Plan Administrator may prescribe, the percentage of his existing Accounts that will be invested in each Investment Fund. Such Participant or Beneficiary may make such elections effective as of any Valuation Date following his Entry Date into the Plan. Each such election shall remain in effect until changed by such Participant or Beneficiary. In the event a Participant fails to make an election for his existing Account pursuant to the terms of this subsection (b) which is separate from any election he made for his Contributions pursuant to the terms of subsection (a) hereof, or if a Participant's or Beneficiary's investment election is incomplete or insufficient in some manner, the Participant's or Beneficiary's existing Account will continue to be invested in the same manner provided under the terms of the initial election affecting his Contributions.

(c) Conditions Applicable to Elections. Allocations of investments in the various Investment Funds, as described in Subsections (a) and (b) hereof, shall be made in even multiples of 1 percent as directed by the Participant or Beneficiary. The Plan Administrator shall have complete discretion to adopt and revise procedures to be followed in making such investment elections. Such procedures may include, but are not limited to, the process of the election, the permitted frequency of making elections, the deadline for making elections and the effective date of such elections; provided, elections must be permitted at least once every 3 months. Any procedures adopted by the Plan Administrator that are inconsistent with the deadlines or procedures specified in this Section shall supersede such provisions of this Section without the necessity of a Plan amendment.

(d) Restrictions on Investment. To the extent any investment or reinvestment restrictions apply with respect to any Investment Funds (for example, restrictions on changes of investments between competing funds) or as a result of unanticipated depletion of cash liquidity within an Investment Fund, a Participant's or Beneficiary's ability to direct investments hereunder may be limited.

(e) Sales and Purchases of Company Stock. Up to 100 percent of the Trust Fund may be invested in Company Stock by investing in the Company Stock Investment Fund described in Section 7.2, as follows:

(1) To the extent that any cash amounts received by or held in the Trust Fund are to be invested in Company Stock, the Trustee, as directed by the Plan Administrator, or, pursuant to Section 7.3, by a Participant or Beneficiary, shall effect purchases of whole shares of Company Stock pursuant to procedures established by the Plan Administrator. The Trustee shall make such purchases in compliance with all applicable securities laws and may purchase Company Stock (A) in the open market, (B) in privately negotiated transactions with holders of Company Stock and/or the Controlling Company, and/or (C) through the exercise of stock rights, warrants or options. With respect to Company Stock purchased on the open market, the total cost to Participants shall include acquisition costs.

(2) To the extent that any shares of Company Stock held in the Trust Fund are to be liquidated for purposes of investing in one or more of the other Investment Funds, making distributions and/or otherwise, the Trustee, in a manner consistent with the terms of subsection (e)(1) hereof, shall sell, at fair market value, the appropriate number of shares of Company Stock to effect such election.

(3) If Company Stock is to be purchased or sold, such purchases and sales shall be made as soon as administratively practicable.

7.4 Valuation.

(a) As of each Valuation Date, the Trustee shall determine the fair market value of each of the Investment Funds after first deducting any expenses which have not been paid by the Participating Companies. All costs and expenses incurred in connection with Plan investments and, unless paid by the Participating Companies, all costs and expenses incurred in connection with the general administration of the Plan and the Trust, shall be allocated between the Investment Funds in the proportion in which the amount invested in each Investment Fund bears to the amount invested in all Investment Funds as of the appropriate Valuation Date; provided, all costs and expenses directly identifiable to one Investment Fund shall be allocated to that Investment Fund.

(b) All purchases and sales of Company Stock or Investment Fund units shall be credited to a Participant's account for reporting purposes after the purchase and sale of the Company Stock or such units is settled by the Trustee.

(c) In the event Company Stock or other qualifying securities are or become not readily tradable on an established market, the fair market value thereof shall be as determined by an independent appraiser meeting requirements similar to those contained in Treasury Regulations promulgated under section 170(a)(1) of the Code and shall be determined (i), in the case of a transaction between the Plan and a disqualified person, as of the date of the transaction; or (ii), in the case of all other transactions, as of the most recent prior date in the Plan Year of the transaction or the immediately preceding Plan Year for which such value has been so determined by such an appraiser.

7.5 Voting and Tender Offer Rights.

(a) Voting and Tender Offer Rights With Respect to Investment Funds. To the extent and in the manner permitted by the Trust and/or any documents establishing or controlling any of the Investment Funds, Participants and Beneficiaries shall be given the opportunity to vote and tender their interests in each such Investment Fund. Otherwise, such interests shall be voted and/or tendered by the Investment Manager or other fiduciary that controls such Investment Fund, as may be provided in the controlling documents.

(b) Voting and Tender Offer Rights With Respect to Company Stock. Notwithstanding any other provisions of this Plan, the provisions of this Section 7.5(b) shall govern the voting and tendering of Company Stock held in the Trust Fund.

(1) Voting.

(A) At the time of mailing of notice of each annual or special stockholder's meeting, the Controlling Company or its soliciting agent shall send a copy of such notice and all proxy solicitation materials to each Participant, together with a voting instruction form for return to the Trustee or its designee. Such form shall show the number of full and fractional shares of Company Stock credited to the Participant's Account. For purposes of this Section 7.5(b), the number of shares of Company Stock deemed "credited" to any Participant's Account shall be determined as of the last preceding Valuation Date for which crediting and adjustment of Accounts has been completed. The Controlling Company shall provide the Trustee with a copy of any materials provided to the Participants and shall certify to the Trustee, if requested, that such materials have been mailed or otherwise sent to Participants.

(B) Each Participant shall have the right to instruct the Trustee as to the manner in which the Trustee is to vote that number of shares of Company Stock allocated to such Participant's Accounts. Instructions from a Participant to the Trustee concerning the voting of Company Stock shall be communicated in writing, or any other means established by the Trustee. Upon its receipt of such instructions, the Trustee shall vote such shares of Company Stock as instructed by the Participant. If the Trustee shall not receive voting instructions from a Participant with respect to shares of Company Stock allocated to the Participant's Account, the Trustee shall vote such shares in accordance with Section 7.5(b)(1)(C) below.

(C) The Trustee shall vote all shares of Company Stock as to which it has not received voting instructions in the same proportion on each issue as it votes those shares allocated to Participants' Accounts for which it received voting instructions from Participants.

(D) Any instruction or other communication by a Participant to the Trustee concerning any voting matter shall be held in confidence by the Trustee and shall not be divulged to the Controlling Company or to any officer or employee thereof or to any other person or entity.

(E) For purposes of this subsection (1), as well as subsection (2) below, the term "Participant" shall include the beneficiary of a deceased Participant and any alternate payee (as described in Section 9.5) for whom an account has been established with an interest in Company Stock.

(2) Tender Offers.

(A) Upon commencement of a tender offer for Company Stock, the Controlling Company shall notify each Participant of such tender offer and utilize its best efforts to distribute or cause to be distributed to the Participant such information as is distributed to shareholders of the Controlling Company in connection with such tender offer and shall provide a means by which the Participant can instruct the Trustee whether or not to tender the Company Stock credited to such Participant's Account. The Controlling Company shall provide the Trustee with a copy of any materials provided to the Participants and shall certify to the Trustee, if requested, that such materials have been mailed or otherwise sent to Participants.

(B) Each Participant, whether or not such Participant is then vested in such Participant's Accounts, shall have the right to instruct the Trustee as to the manner in which the Trustee is to respond to the tender offer for any or all of the Company Stock held in the Company Stock Investment Fund that are credited to such Participant's Account. Instructions from a Participant to the Trustee concerning the tender of Company Stock shall be communicated in writing, or any other means established by the Trustee. The Trustee shall respond to the tender offer with respect to such Company Stock as instructed by the Participant. if a Trustee has not received tender instructions from a Participant with respect to Company Stock credited to that Participant's Account, the Trustee shall have the responsibility for responding to the tender offer with respect to such shares.

(C) A Participant who has directed the Trustee to tender any or all of the shares of Company Stock credited to such Participant's Account may, at any time prior to the tender offer withdrawal date, instruct the

Trustee to withdraw, and the Trustee shall withdraw, such shares from the tender offer prior to the tender offer withdrawal deadline. A Participant shall not be limited as to the number of instructions to tender or withdraw that the Participant may give to the Trustee.

(D) Any instruction or other communication by a Participant to the Trustee concerning any tender offer matter shall be held in confidence by the Trustee and shall not be divulged to the Controlling Company or to any officer or employee thereof or to any other person or entity.

7.6 Fiduciary Responsibilities for Investment Directions. All fiduciary responsibility with respect to the selection of Investment Funds for the investment of a Participant's or Beneficiary's Accounts shall be allocated to the Participant or Beneficiary who directs the investment. Neither the Plan Administrator, the Investment Manager, the Trustee nor any Participating Company shall be accountable for any loss sustained by reason of any action taken, or investment made, pursuant to an investment direction.

7.7 Appointment of Investment Manager; Authorization to Invest in Collective Trust.

(a) Investment Manager. The Plan Administrator may appoint any one or more individuals or entities to serve as the Investment Manager or Managers of the entire Trust or of all or any designated portion of a particular Investment Fund or Investment Funds. The Investment Manager shall certify that it is qualified to act as an "investment manager" within the meaning of Section 3(38) of ERISA and shall acknowledge in writing its fiduciary status with respect to the assets placed under its control. The appointment of the Investment Manager shall be effective upon the Trustee's receipt of a copy of an appropriate Plan Administrator resolution (or such later effective date as may be contained therein), and the appointment shall continue in effect until receipt by the Trustee of a copy of an Plan Administrator resolution removing or accepting the resignation of the Investment Manager (or such later effective date as may be specified therein). If an Investment Manager is appointed, the Investment Manager shall have the power to manage, acquire and dispose of any and all assets of the Trust Fund, as the case may be, which have been placed under its control, except to the extent that such power is reserved to the Trustee by the Controlling Company. If an Investment Manager is appointed; the Trustee shall be relieved of any and all liability for the acts or omissions of the Investment Manager, and the Trustee shall not be under any obligation to invest or otherwise manage any assets which are subject to the management of the Investment Manager.

(b) Collective Trust. The Plan Administrator may designate that all or any portion of the Trust Fund shall be invested in a collective trust fund, in accordance with the provisions of Revenue Ruling 81-100 or any successor ruling, which collective trust fund shall have been specifically identified in the Trust and adopted thereby as part of the Plan. The trustee of said collective trust shall be appointed as either a co-trustee or Investment Manager of the Plan, effective upon the Trustee's receipt of a copy of an appropriate Plan Administrator resolution (or such later effective date as may be contained therein), and the investment in said collective trust shall continue in effect until receipt by the Trustee of a copy of an Plan Administrator resolution terminating said investment (or such later effective date as may be contained therein). Said designation or direction shall be in addition to the powers to invest in commingled funds maintained by the Trustee provided for in the Trust.

7.8 Purchase of Life Insurance. Life insurance contracts shall not be purchased.

7.9 Transition Rule. For purposes of effectuating a change in the Plan's recordkeeper, and notwithstanding anything contained in this Article VII to the contrary, the Plan Administrator may designate a period during which no participant direction of investments shall be permitted.

7.10 Effective Date of Employer Stock Fund Amendments. The provisions of Sections 1.19, 7.2(a), 7.3(e), 7.4 and 7.5 were first effective as of March 15, 2000.

ARTICLE VIII

VESTING IN ACCOUNTS

8.1 General Vesting Rule.

(a) Fully Vested Accounts. All Participants shall at all times be fully vested in their Pre-Tax and Rollover Accounts, as well as in any subaccount that holds Qualified Nonelective Contributions made in their behalf. Transfer Accounts shall be subject to the vesting schedule in subsection (d) hereof unless a different vesting schedule is specified on a schedule to the Plan.

(b) Prior Plan Participants. All individuals who were participants under the Prior Plan on December 31, 2000, shall be credited with years of vesting service in accordance with the terms of the Prior Plan on that date.

(c) Thorn Americas Plan Participants. All Participants who were participants in the Thorn Americas Plan shall become fully vested in all assets credited to their respective Matching Accounts on December 31, 1998.

(d) Matching Account and Profit Sharing Account. Except as provided in Sections 8.2, 8.3 and 8.4, the Matching Account and Profit Sharing Account of each Participant (including Participants who were participants in the Thorn Americas Plan, with respect to contributions credited to their respective Matching Accounts and Profit Sharing Accounts after January 1, 1999), who performs an Hour of Service on or after the Effective Date shall vest in accordance with the following vesting schedule, based on the total of the Participant's Years of Vesting Service:

Years of Vesting Service Completed by Participant	Vested Percentage of Participant's Matching Account and Profit Sharing Account
Less than 1 Year	0%
1 Year, but less than 2	20%
2 Years, but less than 3	40%
3 Years, but less than 4	60%
4 Years, but less than 5	80%
5 Years or more	100%

8.2 Vesting Upon Attainment of Normal Retirement Age, Death or Disability. Notwithstanding Section 8.1, a Participant's Matching Account and Profit Sharing Account shall become 100 percent vested and nonforfeitable upon the occurrence of any of the following events:

(a) The Participant's attainment of Normal Retirement Age while still employed as an employee of any Affiliate;

(b) The Participant's death while still employed as an employee of any Affiliate; or

(c) The Participant's becoming Disabled while still employed as an employee of any Affiliate.

8.3 Timing of Forfeitures and Vesting after Restoration Contribution. If a Participant who is not yet 100 percent vested in his Matching and Profit Sharing Accounts separates from service with all Affiliates, the nonvested amount in his Matching and Profit Sharing Accounts shall be forfeited and shall become available for allocation as a Forfeiture (in accordance with the terms of Section 5.5) in the Plan Year after such Participant incurs 5 consecutive 1-year Breaks in Service; provided, if such Participant elects to receive a distribution of all of his vested Matching and Profit Sharing Accounts, the nonvested amount in the Matching and Profit Sharing Accounts (i) shall be forfeited and shall become available for allocation as a forfeiture (in accordance with the terms of Section 5.5) in the Plan Year during which such distribution occurs and (ii) shall be subject to the restoration rules set forth herein; and, provided further, if a Participant has no vested interest in his Matching and Profit Sharing Accounts at the time he separates from service, he shall be deemed to have received a cash-out distribution at the time he separates from service, and the forfeiture provisions of this Section shall apply. If such a Participant resumes employment with an Affiliate after he has incurred 5 or more consecutive Breaks in Service, such nonvested amount shall not be restored. If such a Participant resumes employment with an Affiliate before he has incurred 5 consecutive Breaks in Service, the nonvested amount shall be restored as follows:

(a) Reemployment and Vesting After Cash-Out Distribution. If by the date of reemployment such a Participant has received a distribution of the entire vested interest in his Matching and Profit Sharing Accounts not later than the second Plan Year following the Plan Year in which his separation from service with all Affiliates occurred, the provisions of Section 3.7(a) shall be applicable (requiring repayment by such a Participant as a condition for restoration of the nonvested amount). Upon such repayment, the rehired individual immediately shall be credited on the Vesting Schedule set forth in Section 8.1 with all previously earned Years of Vesting Service.

(b) Reemployment and Vesting Before Any Distribution. If such a Participant has no vested interest in his Account (such that he had a deemed cashout of his Matching and Profit Sharing Accounts), his Matching and Profit Sharing Accounts shall be restored pursuant to the terms of Section 3.7 and then shall be subject to all of the vesting rules in this Article VIII as if no Forfeitures had occurred.

8.4 Vesting after Delayed or In-Service Distribution. If a Participant (i) has received an in-service withdrawal of all or a portion of his Matching Account and/or Profit Sharing Account, or (ii) or becomes reemployed by any Affiliate before incurring 5 consecutive 1-year Breaks in Service and after having received a distribution of the entire vested interest in his Matching and Profit Sharing Accounts later than the close of the second Plan Year following the Plan Year in which separation from service with all Affiliates occurred, then, notwithstanding the general rules set forth in Section 8.1, the nonvested amount of his Accounts shall be restored pursuant to the terms of Section 3.8, and the total amount of his undistributed Matching Account (including the restored amount) shall be credited to his Matching Account and the total amount of his undistributed Profit Sharing Account (including the restored amount shall be credited to his Profit Sharing Account. The vested interest of such Participant in such Matching and Profit Sharing Accounts prior to the date such Participant (i) again separates from service with all Affiliates, (ii) incurs 5 consecutive Breaks in Service (such that the nonvested portions of his Matching and Profit Sharing Accounts are forfeited), or (iii) becomes 100 percent vested pursuant to the terms of Sections 8.1 or 8.2 hereof (whichever is earliest), shall be determined pursuant to the following formula:

$$X = P\ (AB + [R \times D]) - (R \times D),$$

where X is the vested interest at the relevant time (that is, the time at which the vested percentage in such Matching Account cannot increase); P is the vested percentage at the relevant time; AB is the balance of his Matching Account at the relevant time; D is the amount of the distribution; and R is the ratio of his Matching Account balance at the relevant time to such Account's balance immediately after the distribution.

8.5 Amendment to Vesting Schedule. Notwithstanding anything herein to the contrary, in no event shall the terms of any amendment to the Plan reduce the vested percentage that any Participant has earned under the Plan. In the event that the Plan provides for Participants to vest in their Accounts at a rate which is faster than that provided under any amendment hereto (or in the event any other change is made that directly has an adverse effect on Participants' vested percentage), any Participant who has 3 or more years of vesting service (calculated in a manner consistent with Treasury Regulation Section 1.411(a)-8T (or any successor section)) may elect to have his vested percentage calculated under the schedule in the Plan before any such change, and the Plan Administrator shall give each such Participant notice of his rights to make such an election. The period during which the election may be made shall commence with the date the amendment is adopted or deemed to be made and shall end on the latest of: (1) 60 days after the amendment is adopted; (2) 60 days after the amendment becomes effective; or (3) 60 days after the Participant is issued written notice of the amendment by a Participating Company or Plan Administrator.

ARTICLE IX

PAYMENT OF BENEFITS FROM ACCOUNTS

9.1 Benefits Payable Upon Separation From Service for Reasons Other Than Death.

(a) General Rule Concerning Benefits Payable. In accordance with the terms of subsection (b) hereof and subject to the restrictions set forth in Subsections (c) and (d) hereof, if a Participant separates from service with all Affiliates for any reason other than death, or if a Participant becomes Disabled but remains an employee of an Affiliate, he (or his Beneficiary, if he dies after such separation from service) shall be entitled to receive or begin receiving a distribution of (i) the vested amount credited to his Account determined as of the Valuation Date on which such distribution is processed, plus (ii) the vested amount of any Contributions made on his behalf since such Valuation Date. For purposes of this Article, the “date on which such distribution is processed” refers to the date established for such purpose by administrative practice, even if actual payment and/or processing is made at a later date due to delays in the valuation, administrative or any other procedure.

(b) Timing of Distribution.

(1) Except as provided in Subsections (b)(2), (b)(3) and (d) hereof, benefits payable to a Participant under this Section shall be distributed as soon as administratively practicable after the Participant becomes Disabled or separates from service with all Affiliates for any reason other than death.

(2) Notwithstanding the foregoing, in the event that (A) the value of the Participant’s Account exceeds or at the time of any prior distribution exceeded $1,000 and (B) the distribution date described in subsection (b)(1) hereof occurs or is to occur prior to the Participant’s attainment of Normal Retirement Age, benefits shall not be distributed to such Participant at the time set forth in subsection (b)(1) hereof without the Participant’s written election on a form provided by the Plan Administrator. In order for such Participant’s election to be valid, he must actually separate from service or he must become Disabled on or before the distribution date described in subsection (b)(1), his election must be filed with the Plan Administrator within the 30-day period ending on such date, and the Plan Administrator (no later than 30 days before such distribution date) must have presented him with a notice informing him of his right to defer his distribution; provided, the Participant may elect to waive the minimum 30 day notice period and to receive his distribution before the end of such period. If the Participant does not consent in writing to the distribution of his benefit at such time, his benefit shall be distributed as soon as practicable after the earlier of (i)

the date he files a written election with the Plan Administrator requesting such payment, or (ii) the date he attains age 65.

(3) Notwithstanding anything in the Plan to the contrary, in no event shall payment of the Participant's benefit be made later than 60 days after the end of the Plan Year which includes the latest of (i) the date on which the Participant attained Normal Retirement Age, (ii) the date which is the 10th anniversary of the date he commenced participation in the Plan, or (iii) the date he actually separates from service with all Affiliates; provided, if the amount of the payment cannot be ascertained by the date as of which payments are scheduled to be made hereunder, payment shall be made no later than 60 days after the earliest date on which such payment can be ascertained under the Plan.

(4) Notwithstanding anything in the Plan to the contrary, the Participant's benefit payments shall be made (or commence) no later than as provided for in Section 9.12.

(c) Restrictions on Distributions from Pre-Tax Accounts. Notwithstanding anything in the Plan to the contrary, (i) amounts in the Participant's Pre-Tax Account, (ii) amounts in a Participant's Transfer Accounts credited with pre-tax contributions, and amounts in a Participant's Qualified Nonelective Contributions subaccount, if any, shall not be distributable to such Participant earlier than the earliest of the following to occur:

(1) The Participant's death, Disability or Severance from Employment with all Affiliates;

(2) The termination of the Plan without the establishment or maintenance of a successor defined contribution plan (other than an employee stock ownership plan as defined in Code section 4975(e)) at the time the Plan is terminated or within the period ending 12 months after the final distribution of all assets in all Pre-Tax and Transfer Accounts described above in this subsection (c); provided, if fewer than 2 percent of the Employees who are or were eligible under the Plan at the time of its termination are or were eligible under another defined contribution plan at any time during the 24 month period beginning 12 months before the time of termination, such other plan shall not be a successor plan;

(3) The date of disposition by the Participating Company employing such Participant of substantially all of its assets (within the meaning of Code section 409(d)(2)) that were used by such Participating Company in a trade or business; provided, such Participant continues employment with the corporation acquiring such assets. The sale of 85 percent of the assets used in a trade or business will be deemed a sale of "substantially all" of the assets used in such trade or business;

(4) The date of disposition by the Participating Company employing such Participant of its interest in a subsidiary (within the meaning of Code

section 409(d)(3)); provided, such Participant continues employment with such subsidiary;

(5) The attainment by such Participant of age 59½; or

(6) Except in the case of Qualified Nonelective Contributions (and the earnings thereon), the Participant's incurrence of a financial hardship as described in Section 10.1;

provided, for an event described in Subsections (c)(2), (c)(3) or (c)(4) hereof to constitute events permitting a distribution from a Pre-Tax Account or a sub-account containing Qualified Nonelective Contributions (or the affected Transfer Accounts), such distribution must be made on account of such event in the form of a lump sum distribution, as defined in Code section 402(d)(4) (without regard to clauses (i), (ii), (iii) and (iv) of subparagraph (A), or subparagraphs (B) and (F) thereof); and provided further, for the events described in Subsections (c)(3) or (c)(4) hereof to constitute events permitting such a distribution, the Participating Company must maintain the Plan after the disposition.

(d) Delay Upon Reemployment or Termination of Disability. If a Participant becomes eligible to receive a benefit payment in accordance with the terms of subsection (a) and subsequently is reemployed by an Affiliate (or ceases to be Disabled, as applicable) prior to the time his Account has been distributed, the distribution to such Participant shall be delayed until such Participant again becomes eligible to receive a distribution from the Plan.

9.2 Death Benefits.

(a) General Rule. If a Participant dies before payment of his benefits from the Plan is made, the Beneficiary or Beneficiaries designated by such Participant in his latest beneficiary designation form filed with the Plan Administrator in accordance with the terms of Section 9.6 shall be entitled to receive a distribution of the total of (i) the entire vested amount credited to such Participant's Account determined as of the Valuation Date on which the distribution is processed, plus (ii) any Contributions made on such Participant's behalf since such Valuation Date. Benefits shall be distributed to such Beneficiary or Beneficiaries as soon as administratively feasible (and, if practicable, within 90 days) after the date of the Participant's death (or, if later, after timing restrictions and requirements under the Code are satisfied). As required by Code section 401(a)(9), in no event shall any such distribution be made later than 5 years after the date of the Participant's death. The Plan Administrator may direct the Trustee to distribute a Participant's Account to a Beneficiary without the written consent of such Beneficiary.

(b) Rule for Surviving Spouse as Beneficiary. Notwithstanding subsection 9.2(a), if the Beneficiary is a surviving Spouse and is eligible to receive the Participant's benefits, payment of such benefit shall commence as soon as practicable following the later of (i) the date on which the Participant would have attained his

Normal Retirement Age (if he had survived) or (ii) the Participant's date of death; provided, if the Participant dies before his Normal Retirement Age, the Spouse instead may elect (in a form provided for this purpose by the Plan Administrator and in a manner that satisfies the requirements of the Retirement Equity Act of 1984) for the payment of his survivor benefit to be distributed in a single lump-sum as soon as practicable following the Participant's date of death.

(c) Minimum Benefit Rule. Since all distributions under the Plan will be made in a single lump-sum, all distributions will, in fact, comply with the "minimum benefit rule" of Code section 401(a)(9), the regulations promulgated under Code section 401(a)(9), including Treasury Regulation section 1.401(a)(9)-2 and any other provisions reflecting the requirements of Code section 401(a)(9) and prescribed by the Internal Revenue Service, all of which are incorporated by reference.

9.3 Forms of Distribution.

(a) General Rule. Except as provided in subsection (b), Participants shall be entitled to elect to have all benefits described in this Article IX distributed by payment in a lump sum; provided, to the extent a Participant's or Beneficiary's Account is invested in at least 5 whole shares of Company Stock, the Participant or Beneficiary may elect to receive his distribution in whole shares of such stock, rather than in cash.

(b) Direct Rollover Distributions. If a Participant, Surviving Spouse, or a spousal alternate payee under a qualified domestic relations order who is the recipient of any Eligible Rollover Distribution, elects to have such Eligible Rollover Distribution paid directly to an Eligible Retirement Plan and specifies (in such form and at such time as the Plan Administrator may prescribe) the Eligible Retirement Plan to which such distribution is to be paid, such distribution shall be made in the form of a direct trustee-to-trustee transfer to the specified Eligible Retirement Plan; provided, such transfer shall be made only to the extent that the Eligible Rollover Distribution would be included in gross income if not so transferred (determined without regard to Code section 402(c) and section 403(a)(4)).

9.4 Cash-Out Payment of Benefit. Notwithstanding anything to the contrary in this Article IX, in the event that (i) a Participant has not elected a distribution in accordance with Section 9.1(b)(2) and the amount of his vested Account balance falls below $1,000 at any time following the date he is first eligible for a distribution, or (ii) the amount of the Participant's vested Account balance is $1,000 or less when he is first eligible for a distribution, the Plan Administrator may distribute such Participant's vested Account balance to him without written consent, provided that (A) proper notice regarding the Participant's rights to a distribution is given to the Participant, and (B) the amount of the vested Account balance remains less than $1,000 on the date the distribution is made.

In determining the value of a Participant's Account for purposes of this Section 9.4 relating to the $1,000 limit, the Plan Administrator shall include that portion of the Participant's Account that is attributable to Rollover Contributions (and earnings allocable thereto) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii) and 457(e)(16).

In the event a Participant has no vested interest in his Account at the time of his separation from service, he shall be deemed to have received a cash-out distribution at the time of his separation from service, and the forfeiture provisions of Section 8.3 shall apply.

9.5 Qualified Domestic Relations Orders. In the event the Plan Administrator receives a domestic relations order which it determines to be a qualified domestic relations order, the Plan shall pay such benefit to the prescribed alternate payee(s) at such time and in such form as shall be described in the qualified domestic relations order and permitted under Section 15.1(b). If the qualified domestic relations order requires immediate payment, the specified benefit shall be paid to the alternate payee as soon as practicable following the end of the month within which the Plan Administrator determines that the order is qualified or, if later, after timing restrictions and requirements under the Code are satisfied. To the extent consistent with the qualified domestic relations order, the amount of the payment to an alternate payee shall include earnings, interest and other investment proceeds through (but not after) the Valuation Date as of which the Trustee processes the distribution. If a Participant's Account is partially paid or payable to an alternate payee, the Participant's remaining portion of his Account shall be reduced accordingly and shall be subject to the distribution provisions in this Article IX.

9.6 Beneficiary Designation.

(a) General. In accordance with the terms of this Section, Participants shall designate and from time to time may redesignate their Beneficiary or Beneficiaries of the benefits described in this Article IX in such form and manner as the Plan Administrator may determine. A Participant shall be deemed to have named his Surviving Spouse, if any, as his sole Beneficiary unless his Spouse consents to the payment of all or a specified portion of the Participant's benefit to a Beneficiary other than or in addition to the Surviving Spouse in a manner satisfying the requirements of a Qualified Spousal Waiver and such other procedures as the Plan Administrator may establish. Notwithstanding the foregoing, a married Participant may designate a nonspouse Beneficiary without a Qualified Spousal Waiver if the Participant establishes to the satisfaction of the Plan Administrator that a Qualified Spousal Waiver may not be obtained because his Spouse cannot be located or such other permissible circumstances exist as the Secretary of the Treasury may prescribe by regulation.

(b) No Designation or Designee Dead or Missing. In the event that:

(1) a Participant dies without designating a Beneficiary;

(2) the Beneficiary designated by a Participant is not surviving when a payment is to be made to such person under the Plan, and no contingent Beneficiary has been designated; or

(3) the Beneficiary designated by a Participant cannot be located by the Plan Administrator within 1 year after the date benefits are to commence to such person;

then, in any of such events, the Beneficiary of such Participant with respect to any benefits that remain payable under this Article IX shall be the Participant's Surviving Spouse, if any, and if not, then the estate of the Participant.

(c) Former Spouse. Upon the marriage of a single Participant who was formerly married and upon the entry of a decree of divorce respecting a married Participant and his or her former spouse, any designation of a former spouse as Beneficiary of such Participant shall be revoked automatically and become ineffective on and after the date the decree is entered, unless otherwise provided in a Qualified Domestic Relations Order. The automatic revocation of such Beneficiary designation shall cause the Participant's benefit to be distributed under the provisions of the Plan as if such spouse had predeceased the Participant. However, a Participant may designate a former spouse as a Beneficiary under the Plan, provided a properly completed Beneficiary designation form is filed with the Administrative Committee subsequent to the marriage of a single Participant who was formerly married or the entry of a decree of divorce respecting a Participant and a former spouse.

9.7 Claims and Appeal Procedures.

(a) Claims and Appeal Procedures. The Plan Administrator shall adopt, and may change from time to time, claims and appeal procedures, provided that such claims and appeal procedures and any changes thereto shall conform with Section 503 of the Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder. Such claims and appeal procedures, as in effect from time to time, shall be deemed to be incorporated herein and made a part hereof.

(b) Satisfaction of Claims. Any payment to a Participant or Beneficiary, or to his legal representative or heirs at law, all in accordance with the provisions of the Plan, shall to the extent thereof be in full satisfaction of all claims hereunder against the Trustee, the Plan Administrator and the Adopting Company, any of whom may require such Participant, Beneficiary, legal representative or heirs at law, as a condition to such payment, to execute a receipt and release therefore in such form as shall be determined by the Trustee, the Plan Administrator or the Adopting Company, as the case may be. If receipt and release shall be required but execution by such Participant, Beneficiary, legal representative or heirs at law shall not be accomplished so that the terms of Section 9.1 (b) (dealing with the timing of distributions) may be fulfilled, such benefits may be distributed or paid into any appropriate court or to such other place as such court shall direct, for disposition in accordance with the order of such court, and such distribution shall be deemed to comply with the requirements of Section 9.1(b).

9.8 Explanation of Rollover Distributions. Within a reasonable period of time (as defined for purposes of Code section 402(f)) before making an Eligible Rollover Distribution from the Plan to a Participant or Beneficiary, the Plan Administrator shall provide such Participant or Beneficiary with a written explanation of (i) the provisions under which the distributee may have the distribution directly transferred to another Eligible Retirement Plan, (ii) the provisions which require the withholding of tax on the distribution if it is not directly transferred to another Eligible Retirement Plan, (iii) the provisions under which the distribution will not be subject to tax if transferred to an Eligible Retirement Plan within 60 days after the date on which the distributee receives the distribution, and (iv) such other terms and provisions as may be required under Code section 402(f) and the regulations promulgated thereunder.

9.9 Unclaimed Benefits. The Plan shall not require either the Plan Administrator or the Trustee to search for, or to ascertain the whereabouts of, any Participant or Beneficiary. In the event (i) a Participant becomes entitled to benefits under this Article IX, other than death benefits, (ii) the Plan Administrator is unable to locate such Participant (after sending a letter return receipt requested to the Participant's last known address) and (iii) the Participant fails to claim his distributive share or make his whereabouts known in writing to the Plan Administrator within six (6) months from the date of the mailing of the letter notifying such Participant of his entitlement to such benefits, then the full Account of the Participant shall be deemed abandoned and treated as a Forfeiture. A Forfeiture under this paragraph, will occur at the end of the notice period or, if later, the earliest date applicable Treasury Regulations would permit the Forfeiture; provided, in the event such Participant is located or makes a claim subsequent to the allocation of the abandoned Account; the amount of such abandoned Account (unadjusted for any investment gains or losses from the time of abandonment) shall be restored (from abandoned Accounts, Forfeitures, Trust earnings or Contributions made by the Participating Companies) to such Participant, as appropriate; and provided further, the Plan Administrator, in its sole discretion, may delay the deemed date of abandonment of any such Account for a longer period if it believes that it is in the best interest of the Plan to do so.

9.10 Transition Rule. For purposes of effectuating a change in the Plan's recordkeeper, and notwithstanding anything contained in this Article IX to the contrary, the Plan Administrator may designate a period during which no distributions shall be permitted.

9.11 Distribution Upon Severance from Employment. A Participant's Accounts shall be distributable on account of the Participant's Severance from Employment, regardless of when the Severance from Employment occurred. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

9.12 Minimum Distribution Requirements. Rev. Proc. 2002-29 required that qualified retirement plans be amended by the end of the first plan year beginning on or after January 1, 2003, to comply with final and temporary regulations under Section 401(a)(9) of the Code, relating to required minimum distributions, and provided sample amendments for this purpose. The following provisions reflect such sample amendments, but are not intended to provide any right to any optional form of distribution not otherwise provided in the Plan. The Plan provides for distributions in a single, lump sum only.

(a) General Rules.

(1) Effective Date. The provisions of this Section 9.12 will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(2) Precedence. The requirements of this Section 9.12 will take precedence over any inconsistent provisions of the Plan.

(3) Requirements of Treasury Regulations Incorporated. All distributions required under this Section 9.12 will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Code.

(4) TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this Section 9.12 distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (“TEFRA”) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.

(b) Time and Manner of Distribution.

(1) Required Beginning Date. The Participant’s entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant’s required beginning date.

(2) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant’s entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant’s Surviving Spouse is the Participant’s sole designated Beneficiary, then, distributions to the Surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70$^1/_2$, if later.

(B) If the Participant’s Surviving Spouse is not the Participant’s sole designated Beneficiary, then, distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant’s death, the Participant’s entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant’s death.

(D) If the Participant’s Surviving Spouse is the Participant’s sole designated Beneficiary and the Surviving Spouse dies after the Participant but before distributions to the Surviving Spouse begin, this Subsection (b)(2), other than Subsection (b)(2)(A), will apply as if the Surviving Spouse were the Participant.

For purpose of this Subsection (b)(2) and Subsection (d), unless Subsection (b)(2)(D) applies, distributions are considered to begin on the

Participant's required beginning date. If Subsection (b)(2)(D) applies, distributions are considered to begin on the date distributions are required to begin to the Surviving Spouse under Subsection (b)(2)(A). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's Surviving Spouse before the date distributions are required to begin to the Surviving Spouse under Subsection (b)(2)(A)), the date distributions are considered to begin is the date distributions actually commence.

(3) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Subsections (c) and (d) of this Section 9.12. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

(c) Required Minimum Distributions During Participant's Lifetime.

(1) Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(A) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(B) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.

(2) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Subparagraph (c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

(d) Required Minimum Distributions After Participant's Death.

(1) Death On or After Date Distributions Begin.

(A) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:

(i) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) If the Participant's Surviving Spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the Surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the Surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the Surviving Spouse's death, the remaining life expectancy of the Surviving Spouse is calculated using the age of the Surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(iii) If the Participant's Surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(B) <u>No Designated Beneficiary</u>. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculation using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) <u>Death Before Date Distributions Begin</u>.

(A) <u>Participant Survived by Designated Beneficiary</u>. If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in Subparagraph(d)(1).

(B) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's Surviving Spouse is the Participant's sole designated Beneficiary, and the Surviving Spouse dies before distributions are required to begin to the Surviving Spouse under Subparagraph (b)(2)(A), this Subparagraph (d)(2) will apply as if the Surviving Spouse were the Participant.

(e) Definitions.

(1) Designated Beneficiary. The individual who is designated as the Beneficiary under Section 9.6 of the Plan and is the designated Beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(2) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Subparagraph(b)(2). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of the distribution calendar year.

(3) Life expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

(4) Participant's account balance. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(5) Required beginning date. The date specified in Section 401(a)(9)(C) of the Code.

ARTICLE X

WITHDRAWALS AND LOANS

10.1 Hardship Withdrawals.

(a) Parameters of Hardship Withdrawals. A Participant who is an Employee of an Affiliate may make, on account of hardship, a withdrawal from the Plan. Any such distribution shall first be made from his Pre-Tax Account balance (other than earnings in said Pre-Tax Account earned after December 31, 1988), then the vested portion of such a Participant's Matching Account and Profit Sharing Account. No distribution shall be made of a Participant's Qualified Nonelective Contributions. For purposes of this subsection, a withdrawal will be on account of "hardship" if it is necessary to satisfy an immediate and heavy financial need of the Participant.

(b) Immediate and Heavy Financial Need. For purposes of the Plan, an immediate and heavy financial need shall be deemed to exist if the withdrawal is on account of:

(1) Expenses for (or necessary to obtain) medical care that would be deductible under Code Section 213(a) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income) for the Participant, the Participant's spouse or dependents (as defined in Code Section 152);

(2) Costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments);

(3) Payment of tuition, related educational fees, and room and board expenses, for up to the next twelve (12) months of post-secondary education for the Participant or the Participant's spouse, children or dependents (as defined in Code Section 152 without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B));

(4) Payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of that residence;

(5) Payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code Section 152 without regard to Section 152(d)(1)(B));

(6) Expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); or

(7) Such other purposes as permitted by the Commissioner of Internal Revenue.

(c) Necessary to Satisfy a Financial Need. A distribution is deemed necessary to satisfy an immediate and heavy financial need of a Participant if all of the following requirements are satisfied: (1) the Participant may not make Elective Deferrals, Catch-up Contributions or Employee Contributions to the Plan for the 6-month period following the date of his receipt of the hardship withdrawal; (2) the hardship withdrawal is not in excess of the amount of the immediate and heavy financial need (including any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution); and (3) the Participant must have obtained all distributions, other than hardship distributions, and all nontaxable loans (determined at the time of the loan) currently available under this Plan and all other qualified plans maintained by one or more Participating Companies. The suspension of elective deferrals and employee contributions described in Subsection (1) must also apply to all other qualified and to all nonqualified plans of deferred compensation maintained by the Participating Employer, other than any mandatory employee contribution portion of a defined benefit plan, including any stock option, stock purchase and other similar plans, but not including health or welfare benefit plans (other than the cash or deferred arrangement portion of a cafeteria plan).

10.2 Age $59\frac{1}{2}$ Withdrawals. A Participant who has attained age $59\frac{1}{2}$ and is an Employee of an Affiliate may request a withdrawal of all or part of his vested Account.

10.3 Rollover Account and After-Tax Account Withdrawals. A Participant may request a withdrawal of all or a part of his Rollover Account and his After-Tax Account.

10.4 Source of Withdrawal Amounts. For a withdrawal permitted under Section 10.2, the withdrawal amount shall be charged against the vested portion of the Participant’s subaccounts in the same proportion as the vested balance of each subaccount bears to the total vested balance of all of a Participant’s subaccounts. If the assets of an Account are invested in more than one Investment Fund, the withdrawal amount shall be charged against each Investment Fund in the same proportion as the balance of a subaccount in each Investment Fund bears to the total balance of that subaccount in all Investment Funds.

10.5 Election to Withdraw. All applications for withdrawals shall be in writing on a form provided by the Plan Administrator (or in such other format or medium as the Plan Administrator may permit) and shall contain such information and be made at such time as the Plan Administrator may reasonably request.

10.6 Payment of Withdrawal. The amount of any withdrawal shall be paid to a Participant in a single-sum, cash payment as soon as practicable after the Plan Administrator receives and approves a property completed withdrawal application. At the time of making any withdrawals for a Participant, his Account may be charged with any administrative expenses (such as check processing fees) specifically allocable against his Account pursuant to the policies of the Plan Administrator. Any withdrawal shall be treated as a payment of benefits under Article IX and all of the requirements of that Article.

10.7 Loans to Participants. Loans to Participants, Beneficiaries and alternate payees who are parties-in-interest as defined in Section 3(14) of ERISA generally shall be allowed; provided, if the Plan Administrator determines in its sole discretion that it is not administratively feasible or desirable to make such loans during any period of time, no loans shall be made during such period. The Plan Administrator has established a loan policy which outlines the terms, conditions and limits relating to loans, which hereby is incorporated by reference.

10.8 Transition Rule. For purposes of effectuating a change in the Plan's recordkeeper, and notwithstanding anything contained in this Article X to the contrary, the Plan Administrator may designate a period during which no withdrawals or loans shall be permitted.

ARTICLE XI

ADMINISTRATION

11.1 Plan Administrator. The Controlling Company shall be the Plan Administrator and shall have the authority to appoint an individual or committee to carry out the duties of Plan Administrator.

11.2 Powers and Responsibility. The Plan Administrator shall fulfill the duties of "administrator" as set forth in Section 3(16) of ERISA and shall have complete control of the administration of the Plan hereunder, with all powers necessary to enable it properly to carry out its duties, in its sole discretion as set forth in the Plan and the Trust Agreement. The Plan Administrator shall have the following duties and responsibilities, all of which shall be exercisable within the sole discretion of the Plan Administrator:

(a) to construe the Plan and to determine all questions that shall arise thereunder;

(b) to have all powers elsewhere herein conferred upon it;

(c) to decide all questions relating to the eligibility of Employees to participate in the benefits of the Plan;

(d) to determine the benefits of the Plan to which any Participant or Beneficiary may be entitled;

(e) to maintain and retain records relating to Participants and Beneficiaries;

(f) to prepare and furnish to Participants all information required under federal law or provisions of the Plan to be furnished to them;

(g) to prepare and furnish to the Trustee sufficient employee data and the amount of Contributions received from all sources so that the Trustee may maintain separate accounts for Participants and Beneficiaries and make required payments of benefits;

(h) to prepare and file or publish with the Secretary of Labor, the Secretary of the Treasury, their delegates and all other appropriate government officials all reports and other information required under law to be so filed or published;

(i) to provide directions to the Trustee with respect to methods of benefit payment, and all other matters where called for in the Plan or requested by the Trustee;

(j) to engage assistants and professional advisers;

(k) to arrange for fiduciary bonding;

(l) to provide procedures for determination of claims for benefits; and

(m) to designate, from time to time, the Trustee; all as further set forth herein.

11.3 Reporting and Disclosure. The Plan Administrator shall keep all individual and group records relating to Participants and Beneficiaries and all other records necessary for the proper operation of the Plan. Such records shall be made available to the Participating Companies and to each Participant and Beneficiary for examination during normal business hours except that a Participant or Beneficiary shall examine only such records as pertain exclusively to the examining Participant or Beneficiary and the Plan and Trust Agreement.

11.4 Construction of the Plan. The Plan Administrator shall take such steps as are considered necessary and appropriate to remedy any inequity that results from incorrect information received or communicated in good faith or as the consequence of an administrative error. The Plan Administrator, in its sole and full discretion, shall interpret the Plan and shall determine the questions arising in the administration, interpretation and application of the Plan. The Plan Administrator shall correct any defect, reconcile any inconsistency or supply any omission with respect to the Plan.

11.5 Assistants and Advisors.

(a) Engaging Advisors. The Plan Administrator shall have the right to hire such professional assistants and consultants as it, in its sole discretion, deems necessary or advisable. To the extent that the costs for such assistants and advisors are not paid by the Controlling Company, they shall be paid at the direction of the Plan Administrator from the Trust Fund as an expense of the Trust Fund.

(b) Reliance on Advisors. The Plan Administrator and the Participating Companies shall be entitled to rely upon all certificates and reports made by an accountant, attorney or other professional adviser selected pursuant to this Section; the Plan Administrator, the Participating Companies, and the Trustee shall be fully protected in respect to any action taken or suffered by them in good faith in reliance upon the advice or opinion of any such accountant, attorney or other professional adviser; and any action so taken or suffered shall be conclusive upon each of them and upon all other persons interested in the Plan.

11.6 Investment Authority.

(a) Funding Policy. The Plan Administrator is authorized to establish and carry out a funding policy consistent with the Plan objectives and with the requirements of any applicable law. Such policy shall be in writing and shall have due regard for the liquidity needs of the Trust. Such funding policy shall also state the general investment objectives of the Trust and the philosophy upon which maintenance of the Plan is based.

(b) Duties. The Plan Administrator also shall have responsibility and authority:

(1) To appoint one or more persons to serve as investment manager with respect to all or part of the Plan assets, including assets maintained under separate accounts of an insurance company;

(2) To take any action appropriate to ensure that the Plan assets are invested for the exclusive purpose of providing benefits to Participants and their Beneficiaries in accordance with the Plan and defraying reasonable expenses of administering the Plan, subject to the requirements of any applicable law;

(3) To employ one or more persons to render advice with respect to any responsibility or authority being carried out by the Plan Administrator. To the extent that the costs for such assistants and advisors are not paid by the Controlling Company, they shall be paid at the direction of the Plan Administrator from the Trust Fund as an expense of the Trust Fund; and

(4) To select the investment alternatives for the Plan consistent with its funding policy and the Plan's objectives. The Plan Administrator in its sole discretion, may authorize the Trustee to select the investment alternatives for the Plan consistent with its funding policy and the Plan's objectives.

11.7 Direction of Trustee. The Plan Administrator shall have the power to provide the Trustee with general investment policy guidelines and directions to assist the Trustee respecting investments made in compliance with, and pursuant to, the terms of the Plan.

11.8 Bonding. The Plan Administrator shall arrange for fiduciary bonding as is required by law, but no bonding in excess of the amount required by law shall be required by the Plan.

11.9 Indemnification. Each officer, agent and member of the Board of Directors of the Controlling Company shall be indemnified by the Participating Companies against judgment amounts, settlement amounts (other than amounts paid in settlement to which the Participating Companies do not consent) and expenses, reasonably incurred by any member of the Board of Directors in connection with any action to which the Board of Directors or he may be a party (by reason of his service as a member of the Board of Directors) except in relation to matters as to which the Board or he shall be adjudged in such action to be personally guilty of gross negligence or willful misconduct in the performance of its or his duties. The foregoing right to indemnification shall be in addition to such other rights as such Board or each Board member may enjoy as a matter of law or by reason of insurance coverage of any kind. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which such Board or each Board member may be entitled pursuant to the by-laws of the Controlling Company.

ARTICLE XII

ALLOCATION OF AUTHORITY AND RESPONSIBILITIES

12.1 Controlling Company and Board.

(a) General Responsibilities. The Controlling Company, as Plan sponsor, and the Board each shall serve as a Named Fiduciary having the authority and responsibility to serve as Plan Administrator.

(b) Allocation of Authority. In the event any of the areas of authority and responsibilities of the Controlling Company and the Board overlap with that of any other Plan fiduciary, the Controlling Company and the Board shall coordinate with such other fiduciaries the execution of such authority and responsibilities; provided, the decision of the Controlling Company and the Board with respect to such authority and responsibilities ultimately shall be controlling.

(c) Authority of Participating Companies. Notwithstanding anything herein to the contrary, and in addition to the authority and responsibilities specifically given to the Participating Companies in the Plan, the Controlling Company, in its sole discretion, may grant the Participating Companies such authority and charge them with such responsibilities as the Controlling Company deems appropriate.

12.2 Trustee. The Trustee shall have the powers and duties set forth in the Trust Agreement.

12.3 Limitations on Obligations of Fiduciaries. No fiduciary shall have authority or responsibility to deal with matters other than as delegated to it under the Plan, under the Trust Agreement or by operation of law. A fiduciary shall not in any event be liable for breach of fiduciary responsibility or obligation by another fiduciary (including Named Fiduciaries) if the responsibility or authority for the act or omission deemed to be a breach was not within the scope of such fiduciary’s authority or delegated responsibility.

12.4 Delegation. Named Fiduciaries shall have the power to delegate specific fiduciary responsibilities (other than Trustee responsibilities). Such delegations maybe to officers or Employees of a Participating Company or to other persons, all of whom shall serve at the pleasure of the Named Fiduciary making such delegation and, if full-time Employees of a Participating Company, without compensation. Any such person may resign by delivering a written resignation to the delegating Named Fiduciary. Vacancies created by any reason may be filled by the appropriate Named Fiduciary or the assigned responsibilities may be reabsorbed or redelegated by the Named Fiduciary.

12.5 Multiple Fiduciary Role. Any person may hold more than one position of fiduciary responsibility and shall be liable for each such responsibility separately.

ARTICLE XIII

AMENDMENT, TERMINATION AND ADOPTION

13.1 Amendment. The provisions of the Plan may be amended at any time and from time to time by the Controlling Company or the Board; provided:

(a) No amendment shall increase the duties or liabilities of the Trustee without the consent of such party;

(b) No amendment shall decrease the balance or vested percentage of an Account or eliminate an optional form of benefit, other than as permitted pursuant to Code Section 411(d)(b), Regulations thereunder and other applicable guidance from the Internal Revenue Service.

(c) No amendment shall be made which would divert any of the assets of the Trust Fund to any purpose other than the exclusive benefit of Participants and Beneficiaries, except that the Plan and Trust Agreement may be amended retroactively and to affect the Accounts of Participants and Beneficiaries if necessary to cause the Plan and Trust to be qualified and exempt from taxation under the Code;

(d) No amendment which increases the rate of Company Contributions under the Plan shall be made without approval of the Board; and

(e) Each amendment shall be approved by the Plan Administrator by resolution.

13.2 Termination.

(a) Right to Terminate. The Controlling Company expects the Plan to be continued indefinitely, but it reserves the right to terminate the Plan or to completely discontinue Contributions to the Plan at any time by action of the Board. In either event, the Plan Administrator, each Participating Company and the Trustee shall be promptly advised of such decision in writing. (For termination of the Plan by a Participating Company as to itself (rather than the termination of the entire Plan) refer to Section 13.3(e).)

(b) Vesting Upon Complete Termination. If the Plan is terminated by the Controlling Company or Contributions to the Plan are completely discontinued, the Accounts of all Participants and Beneficiaries or other successors in interest as of such date shall become 100 percent vested and nonforfeitable. Upon termination of the Plan, the Plan Administrator, in its sole discretion, shall instruct the Trustee either (i) to continue to manage and administer the assets of the Trust for the benefit of the Participants and their Beneficiaries pursuant to the terms and provisions of the Trust

Agreement, or (ii) if there is no successor plan permitted under the terms of Section 9.1(c) or no benefits subject to the restrictions in said Section, to pay over to each Participant the value of his interest in a single sum and to thereupon dissolve the Trust.

(c) Dissolution of Trust. In the event that the Plan Administrator decides to dissolve the Trust, as soon as practicable following the termination of the Plan or the Plan Administrator's decision, whichever is later, the assets under the Plan shall be converted to cash or other distributable assets, to the extent necessary to effect a complete distribution of the Trust assets as described herein below. Following completion of the conversion, on a date selected by the Plan Administrator, each individual with an Account under the Plan on such date shall receive a distribution of the total amount then credited to his Account. The amount of cash and other property distributable to each such individual shall be determined as of the date of distribution (treating, for this purpose, such distribution date as the Valuation Date as of which the distributable amount is determined). In the case of a termination distribution as provided herein, the Plan Administrator may direct the Trustee to take any applicable action provided in Article IX dealing with unclaimed benefits, except that it shall not be necessary to hold funds for any period of time stated in such Section. Within the expense limitations set forth in the Plan, the Plan Administrator may direct the Trustee to use assets of the Trust Fund to pay any due and accrued expenses and liabilities of the Trust and any expenses involved in termination of the Plan (other than expenses incurred for the benefit of the Participating Companies).

(d) Vesting Upon Partial Termination. In the event of a partial termination of the Plan (as provided in Code section 411(d)(3)), the Accounts of those Participants and Beneficiaries affected shall become 100 percent vested and nonforfeitable and, unless transferred to another qualified plan, shall be distributed in a manner and at a time consistent with the terms of Article IX.

13.3 Adoption of the Plan by a Participating Company.

(a) Procedures for Participation. As of the Effective Date, the Controlling Company and the other Affiliates listed on Schedule B hereto shall be Participating Companies in the Plan. Any other company may become a Participating Company and commence participation in the Plan subject to the provisions of this subsection. In order for a company to become a Participating Company, the Plan Administrator must designate such company as a Participating Company and specify the effective date of such designation. The name of any company which shall commence participation in the Plan, along with the effective date of its participation, shall be recorded on Schedule B hereto which shall be appropriately modified each time a Participating Company is added or deleted. To adopt the Plan as a Participating Company, the board of directors of the company must approve a resolution expressly adopting the Plan for the benefit of its eligible employees and accepting designation as a Participating Company, subject to all of the provisions of this Plan and of the Trust. The resolution shall specify the date as of which the designation as a Participating Company shall be effective. A copy of the resolution (certified if requested) of the board of directors of the adopting Participating Company shall be provided to the Plan Administrator. Upon adoption of the Plan by a

Participating Company as herein provided, the Employees of such company shall be eligible to participate in the Plan subject to the terms hereof and of the resolution of the Plan Administrator designating the adopting company as such.

(b) Single Plan. The Plan, as adopted by all Participating Companies, shall be considered a single plan for purposes of Treasury Regulation section 1.414(l)-1(b)(1). All assets contributed to the Plan by the Participating Companies shall be held together in a single fund and shall be available to pay benefits to all Participants and Beneficiaries. Nothing contained herein shall be construed to prohibit the separate accounting of assets contributed by the Participating Companies for purposes of cost allocation, contributions, forfeitures and other purposes, pursuant to the terms of the Plan and as directed by the Plan Administrator.

(c) Authority under Plan. As long as a Participating Company's designation as such remains in effect, such Participating Company shall be bound by, and subject to, all provisions of the Plan and the Trust. The exclusive authority to amend the Plan and the Trust shall be vested in the Plan Administrator, and no other Participating Company shall have any right to amend the Plan or the Trust. Any amendment to the Plan or the Trust adopted by the Plan Administrator shall be binding upon every Participating Company without further action by such Participating Company.

(d) Contributions to Plan. A Participating Company shall be required to make Contributions to the Plan at such times and in such amounts as specified in Articles III and VI. The Contributions made (or to be made) to the Plan by the Participating Companies shall be allocated between and among such companies in whatever equitable manner or amounts as the Plan Administrator shall determine.

(e) Withdrawal from Plan. The Plan Administrator may terminate the designation of a Participating Company, effective as of any date. A Participating Company may withdraw from participation in the Plan, with the approval of the Plan Administrator, by action of its board of directors, provided such action is communicated in writing to the Plan Administrator. The withdrawal of a Participating Company shall be effective as of the last day of the Plan Year in which the notice of withdrawal is received by the Plan Administrator (unless the Controlling Company or Plan Administrator consents to a different effective date). Any such Participating Company which ceases to be a Participating Company shall be liable for all costs and liabilities (whether imposed under the terms of the Plan, the Code or ERISA) accrued through the effective date of its withdrawal or termination. The withdrawing or terminating Participating Company shall have no right to direct that assets of the Plan be transferred to a successor plan for its employees unless such transfer is approved by the Controlling Company or Plan Administrator in its sole discretion.

13.4 Merger, Consolidation and Transfer of Assets or Liabilities. In the event of any merger or consolidation of the Plan with, or transfer of assets or liabilities of the Plan to, any other plan, each Participant and Beneficiary shall have a plan benefit in the surviving or transferee plan (determined as if such plan were then terminated immediately after such merger, consolidation or transfer of assets or liabilities) that is equal to or greater than the benefit he would have been entitled to receive under the Plan immediately before such merger, consolidation or transfer of assets or liabilities, if the Plan had terminated at that time.

ARTICLE XIV

TOP-HEAVY PROVISIONS

14.1 Top-Heavy Plan Years. The provisions set forth in this Article XIV shall become effective for any Plan Years with respect to which the Plan is determined to be a Top-Heavy Plan and shall supersede any other provisions of the Plan which are inconsistent with these provisions; provided, if the Plan is determined not to be a Top-Heavy Plan in any Plan Year subsequent to a Plan Year in which the Plan was a Top-Heavy Plan, the provisions of this Article XIV shall not apply with respect to such subsequent Plan Year; and, provided, further, to the extent that any of the requirements of this Article XIV shall no longer be required under Code section 416 or any other section of the Code, such requirements shall be of no force or effect.

14.2 Determination of Top-Heavy Status.

(a) Application. The Plan will be considered a Top-Heavy Plan for a Plan Year if either:

(1) the Plan is not part of a Required Aggregation Group or a Permissive Aggregation Group and, as of the Determination Date of such Plan Year, the value of the Accounts of the Participants who are Key Employees under the Plan exceeds 60 percent of the value of the Accounts of all Participants; or

(2) the Plan is part of a Required Aggregation Group which, as of the Determination Date of such Plan Year, is a Top-Heavy Group; provided, the Plan shall not be considered a Top-Heavy Plan for a Plan Year under subsection (a)(2) hereof if the Plan also is part of a Permissive Aggregation Group which is not a Top-Heavy Group for such Plan Year.

(b) Special Definitions.

(1) Determination Date. The term "Determination Date" shall mean (i) in the case of the Plan Year that includes the Effective Date of the Plan, the last day of such Plan Year, and (ii) with respect to any other Plan Year of the Plan, the last day of the immediately preceding Plan Year, and (iii) for any plan year of each other qualified plan maintained by a Participating Company or Affiliate which is part of a Required or Permissive Aggregation Group, the date determined under (i) or (ii) above as if the term "Plan Year" means the plan year for each such other qualified plan.

(2) Key Employee. The term "Key Employee" shall mean any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Company having annual compensation greater than $130,000 (as adjusted

under Section 416(i)(1) of the Code), a 5-percent owner of the Company, or a 1-percent owner of the Company having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

(3) Non-Key Employee. The term "Non-Key Employee" shall mean any Employee who is not a Key Employee. For purposes hereof, former Key Employees shall be treated as Non-Key Employees.

(4) Permissive Aggregation Group. The term "Permissive Aggregation Group" shall mean a Required Aggregation Group and any other qualified plan or plans maintained or contributed to by an Affiliate which, when considered with the Required Aggregation Group, would continue to satisfy the requirements of Code sections 401(a)(4) and 410.

(5) Required Aggregation Group. The term "Required Aggregation Group" shall mean a group of plans of the Affiliates consisting of (i) each plan which, for such Plan Year or any of the 5 preceding Plan Years, including plans which have been terminated within the last five (5) years ending on the Determination Date, qualifies under Code section 401(a) and in which a Key Employee is a participant, and (ii) each other plan which, during this 5-year period, qualifies under Code section 401(a) and which enables any plan described in clause (i) hereof to satisfy the requirements of Code section 401(a)(4) or 410.

(6) Top-Heavy Group. The term "Top-Heavy Group" shall mean a Required or Permissive Aggregation Group with respect to which the sum (determined as of a Determination Date) of (i) the present value of the cumulative accrued benefits for Key Employees under all Defined Benefit Plans included in such group, and (ii) the aggregate of the accounts of Key Employees under all Defined Contribution Plans included in such group, exceeds 60 percent of a similar sum determined for all Employees.

(7) Present Value. This Subsection 14.2(b)(7) shall apply for purposes of determining the present values of accrued benefits and the amount of Account balances of Employees as of the determination date:

(A) Distributions during year ending on the determination date. The present values of accrued benefits and the amounts of Account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than Severance from Employment, death, or disability, this provision shall be applied by substituting 5-year period for 1-year period.

(B) Employees not performing services during year ending on the determination date. The accrued benefits and Account of any individual who has not performed services for the Company during the 1-year period ending on the determination date shall not be taken into account.

(c) Special Rules. The following rules shall apply in determining whether the Plan is a Top-Heavy Plan under subsection (a)(1) or (a)(2) above:

(1) The value of any account balance under any Defined Contribution Plan and the value of any accrued benefit under any Defined Benefit Plan shall be determined as of the most recent valuation date that falls within, or ends with, the 12-month period ending on the Determination Date or, if plans are aggregated, the Determination Dates that fall within the same calendar year;

(2) The value of the Accounts under the Plan or the accounts under any other Defined Contribution Plan included in a Required or Permissive Aggregation Group for any Determination Date, other than the Determination Date for the first plan year, shall include the amounts actually contributed and paid to the plan on or before the Determination Date, and shall exclude any amounts to be contributed with respect to such preceding plan year but not actually paid to the plan on or before the Determination Date. The value of the accounts under any Defined Contribution Plan for the Determination Date of the first plan year shall include all amounts contributed to the plan as of the Determination Date, regardless of whether such amounts shall have been actually paid or merely accrued as of the Determination Date;

(3) The value of any account balance under any Defined Contribution Plan and the present value of any accrued benefit under any Defined Benefit Plan as of any Determination Date shall be increased by the aggregate distributions made under the plan during the 5-year period ending on the Determination Date;

(4) Accrued benefits and accounts of the following individuals shall not be taken into account for a Plan Year: (A) any Non-Key Employee who, in a prior Plan Year, was a Key Employee or (B) any Employee who had not performed an Hour of Service for a Participating Company at any time during the 5-year period ending on the Determination Date for such Plan Year;

(5) The value of any account balance shall not include deductible employee contributions, as described in Code section 72(o)(5)(A);

(6) The extent to which rollovers and plan-to-plan transfers are taken into account in determining the value of any account balance or accrued benefit

shall be determined in accordance with Code section 416 and the regulations thereunder; and

(7) Effective for Plan Years beginning after December 31, 1986, each Non-Key Employee's accrued benefit under the Plan and any Defined Benefit Plans shall be determined (A) under the method, if any, that uniformly applies for accrual purposes under all Defined Benefit Plans, or (B) if there is no such method, as if such benefit accrued more rapidly than the slowest accrual rate permitted under the fractional accrual rate set forth under Code section 411(b)(1)(C).

14.3 Top-Heavy Minimum Contribution.

(a) Multiple Defined Contribution Plans. For any Plan Year in which the Plan is a Top-Heavy Plan, the aggregate Company Contributions (when added to similar contributions made under other defined contribution plans) allocated to the Account of any Active Participant who is a Non-Key Employee shall not be less than the Defined Contribution Minimum. To the extent that the Company Contributions are less than the Defined Contribution Minimum, additional Company Contributions shall be provided under the Plan.

For purposes hereof, a Non-Key Employee shall not fail to receive a minimum contribution hereunder for a Plan Year because (i) such Non-Key Employee fails to complete 1,000 Hours of Service for such Plan Year or (ii) such Non-Key Employee is excluded from participation (or receives no allocation) merely because his Compensation is less than a stated amount or because he failed to make a Deferral Election for such Plan Year.

(b) Defined Contribution and Benefit Plans. In the event that Non-Key Employees are covered under both the Plan and one or more Defined Benefit Plans maintained by an Affiliate, the minimum contribution level set forth in subsection (a) hereof shall be satisfied if each such Non-Key Employee receives a benefit level under such Defined Contribution and Defined Benefit Plans which is not less than the Defined Benefit Minimum offset by any benefits provided under the Plan and any other Defined Contribution Plans maintained by any Affiliate.

(c) Defined Contribution Minimum. The term "Defined Contribution Minimum" means, with respect to the Plan, a minimum level of Company Contributions allocated with respect to a Plan Year to the Account of each Active Participant who is a Non-Key Employee; such level being the lesser of:

(1) 3 percent of such Active Participant's Compensation for the entire Plan Year; or

(2) if no Defined Benefit Plan of an Affiliate uses the Plan to satisfy the requirements of Code sections 401(a)(4) or 410, the highest percentage of

Compensation at which Company Contributions are made, or are required to be made, under the Plan for such Plan Year for any Key Employee.

For purposes of this subsection, (1) qualified nonelective contributions made by the Company in order to satisfy the anti-discrimination tests of Code section 401(k) or section 401(m) (for example, Discretionary Contributions) may be treated as Company Contributions; (2) Pre-Tax and Matching Contributions shall be taken into account as Company Contributions for Key Employees; (3) Matching Contributions may be treated as Company Contributions and may be taken into account for satisfying the Minimum Contribution Requirement for Non-Key Employees; and (4) Pre-Tax Contributions shall not be taken into account for satisfying the Minimum Contribution Requirement for Non-Key Employees.

(d) Defined Benefit Minimum. The term "Defined Benefit Minimum" means, with respect to a Defined Benefit Plan, a minimum level of accrued benefit derived from employer contributions with respect to a plan year for each participant who is a Non-Key Employee; such level, when expressed as an annual retirement benefit, being not less than the product of (1) and (2), where:

(1) equals the Non-Key Employee's average Compensation for the period of consecutive years (not exceeding 5) when such Non-Key Employee had the highest aggregate Compensation from all Affiliates; and

(2) equals the lesser of (A) 2 percent times such Non-Key Employee's number of years of service or (B) 20 percent.

For purposes of determining the Defined Benefit Minimum, "years of service" shall not include any year of service if the Plan was not a Top-Heavy Plan for the Plan Year ending during such year of service and shall not include any years of service completed in a Plan Year beginning before January 1, 1984. Compensation in years before January 1, 1984, and Compensation in years after the close of the last Plan Year in which the Plan is a Top-Heavy Plan shall be disregarded. All accruals of employer-provided benefits, whether or not attributable to years for which the Plan is top-heavy, may be used in determining whether the minimum contribution requirements set forth in this Section are satisfied.

14.4 Top-Heavy Minimum Vesting. The vesting schedule set forth in Section 8.1(d) satisfies the top heavy minimum vesting requirements.

14.5 Construction of Limitations and Requirements. The descriptions of the limitations and requirements set forth in this Article are intended to serve as statements of the minimum legal requirements necessary for the Plan to remain qualified under the applicable terms of the Code. The Participating Companies do not desire or intend, and the terms of this Article shall not be construed, to impose any more restrictions on the operation of the Plan than required by law. Therefore, the terms of this Article and any related terms and definitions in the Plan shall be interpreted and operated in a manner which imposes the least restrictions on the Plan. For example, if use of a more liberal definition of "Compensation" is permissible at any time under the law, then the more liberal provisions may be applied as if such provisions were included in the Plan.

ARTICLE XV

MISCELLANEOUS

15.1 Nonalienation of Benefits and Spendthrift Clause.

(a) General Nonalienation Requirements. Except to the extent permitted by law and as provided in Subsections (b) and (c) hereof, none of the Accounts, benefits, payments, proceeds or distributions under the Plan shall be subject to the claim of any creditor of a Participant or Beneficiary or to any legal process by any creditor of such Participant or of such Beneficiary; and neither such Participant nor any such Beneficiary shall have any right to alienate, commute, anticipate or assign any of the Accounts, benefits, payments, proceeds or distributions under the Plan except to the extent expressly provided herein.

(b) Exception for Qualified Domestic Relations Orders.

(1) The nonalienation requirements of subsection (a) hereof shall apply to the creation, assignment or recognition of a right to any benefit, payable with respect to a Participant pursuant to a domestic relations order, unless such order is (i) determined to be a qualified domestic relations order, as defined in Code section 414(p), entered on or after January 1, 1985, or (ii) any domestic relations order, as defined in Code section 414(p), entered before January 1,1985, pursuant to which a transferor plan was paying benefits on January 1, 1985. The Plan Administrator shall establish reasonable written procedures to determine the qualified status of a domestic relations order. Further, to the extent provided under a qualified domestic relations order, a former spouse of a Participant shall be treated as the Spouse or Surviving Spouse for all purposes under the Plan.

(2) The Plan Administrator shall establish reasonable procedures to administer distributions under qualified domestic relations orders which are submitted to it. The Plan Administrator, to the extent provided in a qualified domestic relations order, shall direct the Trustee to pay, in a single sum payment, the full amount of the benefit payable to any alternate payee under a qualified domestic relations order. Such cash-out payment shall be made as soon as practicable after the end of the month within which the Plan Administrator determines that a domestic relations order is a qualified domestic relations order, or if later, when the terms of the qualified domestic relations order permit such a distribution. (See also Section 9.5) If the terms of a qualified domestic relations order do not permit an immediate cash-out payment, the benefits shall be paid to the alternate payee in accordance with the terms of such order and the applicable terms of the Plan.

(c) Exception for Loans from the Plan. All loans made by the Trustee to any Participant or Beneficiary shall be secured by a pledge of the borrower's interest in the Plan.

(d) Exception for Benefit Offset Pursuant to Code Section 401(a)(13)(C). The prohibitions contained in Section 15.1(a) hereof shall not apply to any offset of a Participant's benefits provided under the Plan in an amount that the Participant is ordered or required to pay to the Plan (1) due to conviction of a crime against the Plan, (2) under a court order in a civil suit for breach of fiduciary duty under ERISA, or (3) under a settlement agreement with the Department of Labor or the Pension Benefit Guaranty Corporation for breach of fiduciary duty. The court order or settlement agreement must expressly provide for the offset of the Participant's benefits.

15.2 Headings. The headings and subheadings in the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

15.3 Construction, Controlling Law. In the construction of the Plan, the masculine shall include the feminine and the feminine the masculine, and the singular shall include the plural and the plural the singular, in all cases where such meanings would be appropriate. Unless otherwise specified, any reference to a section shall be interpreted as a reference to a section of the Plan. The Plan shall be construed in accordance with the laws of the State of Texas and applicable federal laws.

15.4 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant, Employee or any person whomsoever the right to be retained in the service of any Affiliate, and all Participants and other Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

15.5 Legally Incompetent. The Plan Administrator may in its discretion direct that payment be made and the Trustee shall make payment on such direction, directly to an incompetent or disabled person, whether incompetent or disabled because of minority or mental or physical disability, or to the guardian of such person or to the person having legal custody of such person, without further liability with respect to or in the amount of such payment either on the part of any Participating Company, the Plan Administrator or the Trustee.

15.6 Heirs, Assigns and Personal Representatives. The Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant and Beneficiary, present and future.

15.7 Title to Assets, Benefits Supported Only By Trust Fund. No Participant or Beneficiary shall have any right to, or interest in, any assets of the Trust Fund upon termination of his employment or otherwise, except as provided from time to time under the Plan, and then only to the extent of the benefits payable under the Plan to such Participant out of the assets of the Trust Fund. Any person having any claim under the Plan shall look solely to the assets of the Trust Fund for satisfaction. The foregoing sentence notwithstanding, each Participating Company shall indemnify and save any of its officers, members of its board of directors or agents, and each of them, harmless from any and all claims, loss, damages, expense and liability arising from their responsibilities in connection with the Plan and from acts, or omissions and conduct in their official capacity, except to the extent that such effects and consequences shall result from their own willful misconduct or gross negligence.

15.8 Legal Action. In any action or proceeding involving the assets held with respect to the Plan or Trust Fund or the administration thereof, the Participating Companies, the Plan Administrator and the Trustee shall be the only necessary parties and no Participants, Employees, or former Employees of the Company, their Beneficiaries or any other person having or claiming to have an interest in the Plan shall be entitled to any notice of process; provided, that such notice as is required by the Internal Revenue Service and the Department of Labor to be given in connection with Plan amendments, termination, curtailment or other activity shall be given in the manner and form and at the time so required. Any final judgment which is not appealed or appealable that may be entered in any such action or proceeding shall be binding and conclusive on the parties hereto, the Plan Administrator and all persons having or claiming to have an interest in the Plan.

15.9 Severability. If any provisions of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

15.10 Exclusive Benefit: Refund of Contributions. No part of the Trust Fund shall be used for or diverted to purposes other than the exclusive benefit of the Participants and Beneficiaries, subject, however, to the payment of all costs of maintaining and administering the Plan and Trust. Notwithstanding the foregoing, Contributions to the Trust by a Participating Company may be refunded to the Participating Company under the following circumstances and subject to the following limitations:

(a) Permitted Refunds. If and to the extent permitted by the Code and other applicable laws and regulations thereunder, upon the Participating Company's request, a Contribution which is (i) made by a mistake in fact, (ii) conditioned upon initial qualification of the Plan with the Plan receiving an adverse determination even though the application for determination is submitted to the Internal Revenue Service for review within the remedial amendment period (as defined in Treasury Regulation section 1.401(b)-1) with respect to the Plan, or (iii) conditioned upon the deductibility of the Contribution under Code section 404, shall be returned to the Participating Company making the Contribution within 1 year after the payment of the Contribution or the disallowance of the deduction (to the extent disallowed), whichever is applicable.

(b) Payment of Refund. If any refund is paid to a Participating Company hereunder, such refund shall be made without interest or other investment gains, shall be reduced by any investment losses attributable to the refundable amount and shall be apportioned among the Accounts of the Participants as an investment loss, except to the extent that the amount of the refund can be attributed to one or more specific Participants (for example, as in the case of certain mistakes of fact), in which case the amount of the refund attributable to each such Participant's Account shall be debited directly against such Account.

(c) Limitation on Refund. No refund shall be made to a Participating Company if such refund would cause the balance in a Participant's Account to be less than the balance would have been had the refunded contribution not been made.

15.11 Predecessor Service. In the event a Participating Company maintains the Plan as successor to a predecessor employer who maintained the Plan, service for the predecessor employer shall be treated as service for the Participating Company.

15.12 Plan Expenses. As permitted under the Code and ERISA, expenses incurred with respect to administering the Plan and Trust shall be paid by the Trustee from the Trust Fund to the extent such costs are not paid by the Participating Companies or to the extent the Controlling Company requests that the Trustee reimburse it or any other Participating Company for its payment of such expenses. The Plan Administrator may provide for any expenses specifically attributable to transactions involving an Account to be charged against such Account.

15.13 Residents of Puerto Rico. This Plan shall at all times be maintained and administered in accordance with any applicable laws of Puerto Rico, and their related regulations, in connection with contributions made by or on behalf of, or benefits paid, to Participants who are residents of Puerto Rico.

IN WITNESS WHEREOF, the Controlling Company has caused the Plan to be executed by its duly authorized representative on the 29th day of January, 2007.

RENT-A-CENTER, INC.

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

SCHEDULE A
TO THE
RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN

SPECIAL EFFECTIVE DATES FOR CHANGES IN LAW

1. Effective Date. Changes in the law required the Prior Plan to be amended in various respects. To comply with the requirements of such changes, the provisions of the Plan described below amend the Prior Plan as of dates other than the Effective Date.

(A) Code Section 411(a) Compliance. To comply with the "cash-out" rule of Code Section 411(a)(11): The cash-out limit of $1,000 in Sections 9.1 and 9.4, as modified in Amendment One to the January 1, 2003 Amended and Restated Prior Plan executed on November 8, 2005, was effective on March 28, 2005, the date on which the $1,000 limit was first applied in operation.

SCHEDULE B
TO THE
RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN

PARTICIPATING COMPANIES
[see Plan Section 1.58 and Section 13.3]

As of May 13, 2004, the following companies are Participating Companies in the Plan. Any company which becomes a Participating Company after May 13, 2004 shall be set forth below or in the records of the Plan Administrator, including such company's effective date of participation.

COMPANY	EIN	EFFECTIVE DATE
ColorTyme, Inc. (acquired May 1996)	75-2651408	October 1, 1997
Get-It-Now, LLC	16-1628325	October 1, 2002
Rent-A-Center East, Inc. (formerly Rent-A-Center, Inc.)	48-1024367	December 31, 2002
Rent-A-Center Texas, LP	45-0491512	December 31, 2002
Rent-A-Center West, Inc.	48-1156618	December 31, 2002
RAC National Product Service, LLC	42-1626381	May 1, 2004
RAC RR, Inc.	73-1702183	May 7, 2004
Rent Rite Servicing, Inc.	01-0677577	May 7, 2004
Rainbow Rentals, Inc.	34-1512520	May 13, 2004
Rent-Way, Inc.	25-1407782	January 1, 2007
dPi Teleconnect, LLC	75-2793726	January 1, 2007

SCHEDULE C
TO THE
RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN

SERVICE WITH PREDECESSOR EMPLOYERS
INCLUDED PURSUANT TO PLAN SECTIONS 1.85(f) AND 2.1(d)

An Employee's periods of employment with the following entities, prior to such entities becoming (or becoming part of such) Affiliates, shall be taken into account for eligibility (and vesting purposes) under the Plan:

1. Advantage Companies, Inc. and its affiliates, to the extent such Employee became an Employee immediately following and as a result of the acquisition of Advantage Companies, of Thorn Americas, Inc and its affiliates by the Thorn Americas, Inc. on January 2, 1996.

2. Tidewater Rental Corporation, and its affiliates, to the extent such Employee became an Employee immediately following and as a result of the acquisition of Advantage Companies, Inc. and its affiliates by the Thorn Americas, Inc. on January 2, 1996.

3. Thorn Americas, Inc. and its affiliates, to the extent such Employee became an Employee immediately following and as a result of the acquisition of Thorn Americas, Inc. by Renters Choice, Inc.

4. Rent Rite, Inc. and its affiliates, to the extent such Employee became an Employee immediately following and as a result of the acquisition of Rent Rite, Inc. and its affiliates by Rent-A-Center, Inc. on May 7, 2004.

5. Rainbow Rentals, Inc. and its affiliates, to the extent such Employee became an Employee immediately following and as a result of the acquisition of Rainbow Rentals, Inc. and its affiliates by Rent-A-Center, Inc. on May 13, 2004.

SCHEDULE D
TO THE
RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN

PROVISIONS FOR FORMER PARTICIPANTS
OF THE
RENT RITE 401(k) RETIREMENT SAVINGS PLAN

D.1. Background. The provisions of this Schedule D supersede any contrary provisions of the Plan with respect to Participants described in Section D.2. The Plan as modified by this Schedule D reflects the provisions of this Plan as they apply to such Participants for periods on and after May 7, 2004.

D.2. Participant. A Participant means any Participant who was formerly a participant in the Rent Rite 401(k) Retirement Savings Plan (“Rent Rite Plan”).

D.3. Early Retirement Age. For purposes of monies transferred to the Plan from the Rent Rite Plan, “Early Retirement Age” shall mean the date on which occurs the later of (i) the fifty-fifth (55th) birthday of a Participant, or (ii) the completion of six (6) years of vesting service by the Participant. All provisions in the Plan which provide for full vesting on attainment of Normal Retirement Age will apply to the Early Retirement Age for such monies.

D.4. Vesting. A Participant under this Schedule D shall at all times be fully vested in all “safe harbor” matching contributions made on his behalf in the Rent Rite Plan.

**AMENDMENT NO. ONE TO THE
RENT-A-CENTER, INC.
401(k) RETIREMENT SAVINGS PLAN**

WHEREAS, Rent-A-Center, Inc., a Delaware corporation (the “Company”), established the Rent-A-Center, Inc. 401(k) Retirement Savings Plan (the “Plan”), and its related Trust (the “Trust”) by documents effective October 1, 1997; and

WHEREAS, the Plan has been amended from time to time since October 1, 1997; and

WHEREAS, the Plan provides, at Section 14.1 of Article XIV that the Company retains the right to amend the Plan from time to time; and

WHEREAS, the Company wishes to amend the Plan to incorporate automatic enrollment provisions for certain employees who do not otherwise make a specific election to make or not make Pre-Tax Contributions at the time they first become eligible to participate in the Plan; and

WHEREAS, the Plan requires amendment to incorporate certain regulatory and legislative changes relating to final regulations issued by the Internal Revenue Service on April 5, 2007 under Code Section 415 (the “Final 415 Regulations”), which are required to be adopted with an effective date of limitation years beginning on or after July 1, 2007; and

WHEREAS, the Company intends this amendment as good faith compliance with the requirements of the Final 415 Regulations and that it is to be construed in accordance with the Final 415 Regulations and guidance issued thereunder, the terms of which are incorporated herein by reference.

NOW THEREFORE, the Plan is hereby amended effective as of the dates noted herein, as follows:

1. Section 1.20 is hereby amended effective January 1, 2008 by adding a new paragraph (e) at the end of such section to read as follows:

(e) Notwithstanding the foregoing paragraphs, for Limitation Years beginning on or after July 1, 2007, payments made within 2½ months after severance from employment (within the meaning of Code Section 401(k)(2)(B)(i)(I)) will be considered Compensation for all purposes of subsections (a) through (d) above and within the meaning of Code Section 415(c)(3) if they are payments that, absent a severance from employment, would have been paid to the Employee while the Employee continued in employment with his employer and are regular Compensation for services during the Employee’s regular working hours, Compensation for services outside the Employee’s regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation, and payments for accrued bona fide sick, vacation or other leave, but only if the Employee would have been able to use the leave if employment had continued. Any payments not described above are not considered Compensation if paid after severance from employment, even if they are paid within 2½ months following severance from employment, except for payments to an individual who does not currently perform services for his employer by reason of qualified military service (within the meaning of Code Section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for his employer rather than entering qualified military service.

2. Section 3.1 is hereby amended effective May 1, 2008 by adding a new subsection (c) to the end to read as follows:

(c) Automatic Enrollment for Store Managers. Notwithstanding the foregoing provisions of this Section 3.1, effective May 1, 2008, to the extent an Active Participant who is a Store Manager (as that position and title is determined by each Participating Company) fails to make a specific election to decline to make Pre-Tax Contributions when such Active Participant is first eligible to make Pre-Tax Contributions, such Active Participant will be considered to have automatically elected to contribute four percent (4%) of his Compensation as a Pre-Tax Contribution, unless, after appropriate advance notice is given, he affirmatively elects not to make a Pre-Tax Contribution or to make a Pre-Tax Contribution in another amount.

Additionally, at the time an Active Participant is promoted to Store Manager, if he is not currently electing to make Pre-Tax Contributions, he will receive a one-time notice of the option to make such contributions and, if he fails to make a specific election to decline to make such contributions, such Active Participant will be considered to have automatically elected to contribute four percent (4%) of his Compensation as a Pre-Tax Contribution.

Further, all Store Managers who are Active Participants as of May 1, 2008 and who are not currently electing to make Pre-Tax Contributions will receive a one-time notice of the option to make such contributions and, if any such Active Participant fails to make a specific election to decline to make such contributions, such Active Participant will be considered to have automatically elected to contribute four percent (4%) of his Compensation as a Pre-Tax Contribution.

3. Section 6.6(b) is hereby amended effective January 1, 2008 by adding a new section (4) to the end of such section to read as follows:

(4) Notwithstanding the foregoing paragraphs (1) through (3), effective for Limitation Years beginning on or after July 1, 2007, the provisions of those sections and any other Plan provisions incorporating the requirements of prior Treas. Reg. Section 1.415-6(b)(6) (as in effect for Limitation Years beginning prior to July 1, 2007) shall not apply for any Limitation Year beginning on or after July 1, 2007. Any correction of excess Annual Additions shall be administered pursuant to applicable Internal Revenue Service and Treasury guidance in effect at the time of such correction.

IN WITNESS WHEREOF, this Amendment has been executed this 1st day of April, 2008.

RENT-A-CENTER, INC.

By: /s/ Robert D. Davis
Name: Robert D. Davis
Title: EVP – Finance & CFO

EXHIBIT 21.1

SUBSIDIARIES OF RENT-A-CENTER, INC.

AAA Rent to Own, Reno, Inc., a Nevada corporation

AAA Rent to Own, Elko, Inc., a Nevada corporation

ColorTyme, Inc., a Texas corporation

ColorTyme Finance, Inc., a Texas corporation

dPi Energy, LLC, a Delaware limited liability company

DPI Holdings, Inc., a Texas corporation

dPi Teleconnect, LLC, a Delaware limited liability company

Get It Now, LLC, a Delaware limited liability company

Rainbow Rentals, Inc., an Ohio corporation

RAC Canada Finance LP, a Canadian limited partnership

RAC Canada Holdings, a Canadian partnership

RAC Military Product Service, LLC, a Delaware limited liability company

RAC Military Rentals East, LLC, a Delaware limited liability company

RAC National Product Service, LLC, a Delaware limited liability company

RAC West Acquisition Sub, Inc., a Delaware corporation

Remco America, Inc., a Delaware corporation

Rent-A-Center Addison, L.L.C., a Delaware limited liability company

Rent-A-Center East, Inc., a Delaware corporation

Rent-A-Center International, Inc., a Delaware corporation

Rent-A-Center Texas, L.P., a Texas limited partnership

Rent-A-Center Texas, L.L.C., a Nevada limited liability company

Rent-A-Center West, Inc., a Delaware corporation

Rent-A-Centre Canada, Ltd., a Canadian corporation

Rent-Way, Inc., a Pennsylvania corporation

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our reports, dated February 26, 2009, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Rent-A-Center, Inc. and Subsidiaries on Form 10-K for the year ended December 31, 2008. We hereby consent to the incorporation by reference of said reports in the following Registration Statements of Rent-A-Center, Inc. and Subsidiaries:

Form Type	File Number	Effective Date
Form S-3	333-136840	08/23/2006
Form S-8	333-62582	06/8/2001
Form S-8	33-98800	11/21/1996
Form S-8	333-53471	05/22/2008
Form S-8	333-66645	11/2/1998
Form S-8	333-40958	07/7/2007
Form S-8	333-32296	12/31/2002
Form S-8	333-136615	08/14/2006
Form S-8	333-139792	01/4/2007
Form S-8	333-145121	08/3/2007

/s/ GRANT THORNTON LLP

Dallas, Texas
February 26, 2009

Exhibit 31.1

I, Mark E. Speese, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rent-A-Center, Inc.;

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

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

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

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2009

/s/ Mark E. Speese
Mark E. Speese
Chairman of the Board
and Chief Executive Officer

Exhibit 31.2

I, Robert D. Davis, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rent-A-Center, Inc.;

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

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

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

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2009

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

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Rent-A-Center, Inc. (the “***Company***”) for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “***Report***”), I, Mark E. Speese, Chairman of the Board and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

/s/ Mark E. Speese
Mark E. Speese
Chairman of the Board and
Chief Executive Officer

Dated: February 27, 2009

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

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Rent-A-Center, Inc. (the "***Company***") for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Robert D. Davis, Executive Vice President — Finance, Treasurer and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

/s/ Robert D. Davis
Robert D. Davis
Executive Vice President –Finance,
Treasurer and Chief Financial Officer

Dated: February 27, 2009

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