

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2004

Commission File Number 0-25370

RENT-A-CENTER, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	45-0491516 (I.R.S. Employer Identification No.)
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5700 Tennyson Parkway, Suite 100
Plano, Texas 75024
(972) 801-1100
(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive offices)

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

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

YES NO

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

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 27, 2004:

Class	Outstanding
Common stock, \$.01 par value per share	75,788,087

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RENT-A-CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Three months ended September 30,	
	2004	2003
	Unaudited	
Revenues		
Store		
Rentals and fees	\$ 516,576	\$ 497,881
Merchandise sales	36,265	34,453
Installment sales	5,469	4,633
Other	919	697
Franchise		
Merchandise sales	8,967	10,754
Royalty income and fees	1,411	1,407
	<u>569,607</u>	<u>549,825</u>
Operating expenses		
Direct store expenses		
Cost of rentals and fees	112,582	107,777
Cost of merchandise sold	26,978	25,901
Cost of installment sales	2,180	2,120
Salaries and other expenses	326,410	296,427
Franchise cost of merchandise sold	8,585	10,298
	<u>476,735</u>	<u>442,523</u>
General and administrative expenses	18,772	16,617
Amortization of intangibles	2,756	3,183
Class action litigation settlement	47,000	—
Total operating expenses	545,263	462,323
Operating profit	24,344	87,502
Finance charges from recapitalization	4,173	7,512
Interest expense	9,914	11,565
Interest income	(1,391)	(1,305)
Earnings before income taxes	11,648	69,730
Income tax expense	6,075	25,992
NET EARNINGS	5,573	43,738
Preferred dividends	—	—
Net earnings allocable to common stockholders	<u>\$ 5,573</u>	<u>\$ 43,738</u>
Basic earnings per common share	<u>\$ 0.07</u>	<u>\$ 0.54</u>
Diluted earnings per common share	<u>\$ 0.07</u>	<u>\$ 0.52</u>

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Nine months ended September 30,	
	2004	2003
	Unaudited	
Revenues		
Store		
Rentals and fees	\$ 1,541,459	\$ 1,495,652
Merchandise sales	130,287	119,645
Installment sales	17,968	15,423
Other	2,966	2,224
Franchise		
Merchandise sales	31,099	32,087
Royalty income and fees	4,193	4,460
	<u>1,727,972</u>	<u>1,669,491</u>
Operating expenses		
Direct store expenses		
Cost of rentals and fees	333,868	323,778
Cost of merchandise sold	91,081	86,684
Cost of installment sales	7,802	7,441
Salaries and other expenses	946,552	880,649
Franchise cost of merchandise sold	29,691	30,795
	<u>1,408,994</u>	<u>1,329,347</u>
General and administrative expenses	56,350	49,761
Amortization of intangibles	8,402	9,352
Class action litigation settlement	47,000	—
Total operating expenses	<u>1,520,746</u>	<u>1,388,460</u>
Operating profit	207,226	281,031
Finance charges from recapitalization	4,173	35,260
Interest expense	30,525	38,158
Interest income	(4,382)	(3,284)
Earnings before income taxes	<u>176,910</u>	<u>210,897</u>
Income tax expense	67,934	80,900
NET EARNINGS	<u>108,976</u>	<u>129,997</u>
Preferred dividends	—	—
Net earnings allocable to common stockholders	<u>\$ 108,976</u>	<u>\$ 129,997</u>
Basic earnings per common share	<u>\$ 1.38</u>	<u>\$ 1.52</u>
Diluted earnings per common share	<u>\$ 1.34</u>	<u>\$ 1.47</u>

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	September 30, 2004	December 31, 2003
ASSETS		
Cash and cash equivalents	\$ 64,521	\$ 143,941
Accounts receivable, net	15,455	14,949
Prepaid expenses and other assets	47,387	70,702
Rental merchandise, net		
On rent	555,024	542,909
Held for rent	162,489	137,792
Merchandise held for installment sale	1,343	1,666
Property assets, net	139,839	121,909
Goodwill, net	909,409	788,059
Intangible assets, net	10,697	9,375
	<u>\$ 1,906,164</u>	<u>\$ 1,831,302</u>
LIABILITIES		
Accounts payable – trade	\$ 85,393	\$ 72,708
Accrued liabilities	220,205	132,844
Deferred income taxes	124,194	132,918
Senior debt	399,125	398,000
Subordinated notes payable, net of discount	300,000	300,000
Redeemable convertible voting preferred stock	2	2
	<u>1,128,919</u>	<u>1,036,472</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value; 250,000,000 shares authorized; 102,056,146 and 101,148,417 shares issued in 2004 and 2003, respectively	1,021	1,012
Additional paid-in capital	607,564	572,628
Retained earnings	718,912	609,930
Treasury stock, 26,254,699 and 21,020,041 shares at cost in 2004 and 2003, respectively	(550,252)	(388,740)
	<u>777,245</u>	<u>794,830</u>
	<u>\$ 1,906,164</u>	<u>\$ 1,831,302</u>

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine months ended September 30,	
	2004	2003
	Unaudited	
Cash flows from operating activities		
Net earnings	\$ 108,976	\$ 129,997
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	331,918	323,778
Depreciation of property assets	35,591	32,068
Amortization of intangibles	8,402	9,352
Amortization of financing fees	557	631
Deferred income taxes	(8,724)	9,356
Finance charges from recapitalization	4,173	23,329
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(302,578)	(281,684)
Accounts receivable, net	(506)	(5,781)
Prepaid expenses and other assets	6,268	22,093
Accounts payable – trade	12,685	15,393
Accrued liabilities	87,367	22,050
Net cash provided by operating activities	<u>284,129</u>	<u>300,582</u>
Cash flows from investing activities		
Purchase of property assets	(53,387)	(40,200)
Proceeds from sale of property assets	3,937	619
Acquisitions of businesses, net of cash acquired	(158,680)	(110,900)
Net cash used in investing activities	<u>(208,130)</u>	<u>(150,481)</u>
Cash flows from financing activities		
Purchase of treasury stock	(169,749)	(246,380)
Exercise of stock options	13,205	25,035
Issuance of subordinated notes	—	300,000
Payment of refinance charges	—	(17,049)
Proceeds from debt	400,000	400,000
Repurchase of subordinated notes, including premium paid	—	(290,956)
Repayments of debt	(398,875)	(250,500)
Net cash used in financing activities	<u>(155,419)</u>	<u>(79,850)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(79,420)	70,251
Cash and cash equivalents at beginning of period	<u>143,941</u>	<u>85,723</u>
Cash and cash equivalents at end of period	<u>\$ 64,521</u>	<u>\$ 155,974</u>

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Supplemental cash flow information	Nine months ended September 30,	
	2004	2003
	(in thousands)	
Cash paid during the period for:		
Interest	\$ 23,521	\$ 40,936
Income taxes	\$ 66,573	\$ 45,800
Supplemental schedule of non-cash investing and financing activities		
Fair value of assets acquired	\$ 188,658	\$ 110,900
Cash paid	\$ 158,680	\$ 110,900

The difference between the fair value of assets acquired and cash paid in 2004 is due to non-cash consideration, including approximately \$23.9 million in common stock issued and the approximately \$6.1 million in fair value assigned to the stock options assumed in connection with the acquisition of Rent Rite, Inc.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Significant Accounting Policies.* The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Commission's rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. We suggest that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K/A for the year ended December 31, 2003, our Quarterly Report on Form 10-Q/A for the three months ended March 31, 2004, and our Quarterly Report on Form 10-Q for the six months ended June 30, 2004. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

Stock Split. On July 28, 2003, we announced that our Board of Directors had approved a 5 for 2 stock split on our common stock to be paid in the form of a stock dividend. Each common stockholder of record on August 15, 2003 received 1.5 additional shares of common stock for each share of common stock held on that date. No fractional shares were issued in connection with the stock dividend. Each stockholder who would otherwise have received a fractional share received an additional share of common stock. The distribution date for the stock dividend was August 29, 2003. The effect of the stock split has been recognized retroactively in the stockholder's equity accounts and in all share data in the consolidated statements of earnings, notes to the consolidated financial statements and management's discussion and analysis, unless otherwise noted.

Principles of Consolidation and Nature of Operations. These financial statements include the accounts of Rent-A-Center, Inc. and its direct and indirect wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Unless the context indicates otherwise, references to "Rent-A-Center" refer only to Rent-A-Center, Inc., the parent, and references to "we," "us" and "our" refer to the consolidated business operations of Rent-A-Center and all of its direct and indirect subsidiaries.

At September 30, 2004, we operated 2,860 company-owned stores nationwide and in Canada and Puerto Rico, including 21 stores in Wisconsin operated by a subsidiary, Get It Now, LLC, under the name "Get It Now," and five stores in Canada operated by a subsidiary, Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Rent-A-Center's primary operating segment consists of leasing household durable goods to customers on a rent-to-own basis. Get It Now offers merchandise on an installment sales basis in Wisconsin.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At September 30, 2004, ColorTyme had 314 franchised stores operating in 40 states. ColorTyme's primary source of revenues is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenues is generated primarily from royalties based on franchisees' monthly gross revenues.

Cost of Rentals and Fees. Cost of rentals and fees has replaced depreciation of rental merchandise on the Statement of Earnings. The additional costs included in this classification relate to the Company's membership programs commenced in 2004. Depreciation of rental merchandise is separately identified in Note 2 in the Notes to the Consolidated Financial Statements.

Stock Based Compensation. Rent-A-Center's Amended and Restated Long-Term Incentive Plan (the "Plan") for the benefit of certain employees, consultants and directors provides the Board of Directors broad discretion in creating equity incentives. Under the Plan, 14,562,865 shares of Rent-A-Center's common stock were reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to our employees under the Plan generally become exercisable over a period of one to four years from the date of grant and may be exercised up to a maximum of 10 years from the date of grant. Options granted to directors are immediately exercisable. There have been no grants of stock appreciation rights and all options have been granted with fixed prices. At September 30, 2004, there were 9,811,584 shares available for issuance under the Plan, of which 5,853,225 shares were allocated to options currently outstanding. However, pursuant to the terms of the Plan, when an optionee leaves our employ, unvested options granted to that employee terminate and become available for re-issuance under the Plan. Vested options not exercised within 90 days from the date the optionee leaves the Company's employ generally terminate and become available for re-issuance under the Plan.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

	Nine months ended September 30,	
	2004	2003
(In thousands, except per share data)		
Net earnings allocable to common stockholders		
As reported	\$ 108,976	\$ 129,997
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related tax expense	9,124	11,808
Pro forma	<u>\$ 99,852</u>	<u>\$ 118,189</u>
Basic earnings per common share		
As reported	\$ 1.38	\$ 1.52
Pro forma	\$ 1.26	\$ 1.39
Diluted earnings per common share		
As reported	\$ 1.34	\$ 1.47
Pro forma	\$ 1.22	\$ 1.34
	Three months ended September 30,	
	2004	2003
(In thousands, except per share data)		
Net earnings allocable to common stockholders		
As reported	\$ 5,573	\$ 43,738
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related tax expense	2,725	4,190
Pro forma	<u>\$ 2,848</u>	<u>\$ 39,548</u>
Basic earnings per common share		
As reported	\$ 0.07	\$ 0.54
Pro forma	\$ 0.04	\$ 0.49
Diluted earnings per common share		
As reported	\$ 0.07	\$ 0.52
Pro forma	\$ 0.04	\$ 0.47

For all periods prior to April 1, 2004, the fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 55.0%, risk-free interest rates of 2.9% and 3.7% and expected lives of four years and seven years in 2004 and 2003, respectively, and no dividend yield. For options granted on or after April 1, 2004, the fair value of the options was estimated at the date of grant using the binomial method pricing model with the following weighted average assumptions: expected volatility of 52.4% to 55.1%, a risk-free interest rate of 2.5% to 2.9%, no dividend yield and an expected life of four years. Had we changed from using the Black-Scholes option pricing model to a binomial method pricing model effective January 1, 2004 rather than April 1, 2004, the impact would not have been significant.

RENT-A-CENTER, INC. AND SUBSIDIARIES

2. Reconciliation of Merchandise.

	Nine months ended September 30, 2004	Nine months ended September 30, 2003
(in thousands)		
Beginning merchandise value	\$ 682,367	\$ 631,724
Inventory additions through acquisitions	65,829	53,988
Purchases	453,358	424,021
Depreciation of rental merchandise	(331,918)	(323,778)
Cost of goods sold	(98,883)	(94,125)
Skips and stolens	(39,984)	(36,527)
Other inventory deletions ⁽¹⁾	(11,913)	(11,685)
Ending merchandise value	<u>\$ 718,856</u>	<u>\$ 643,618</u>
(in thousands)		
Beginning merchandise value	\$ 736,193	\$ 676,330
Inventory additions through acquisitions	904	1,730
Purchases	141,696	118,891
Depreciation of rental merchandise	(111,490)	(107,777)
Cost of goods sold	(29,158)	(28,021)
Skips and stolens	(14,802)	(14,224)
Other inventory deletions ⁽¹⁾	(4,487)	(3,311)
Ending merchandise value	<u>\$ 718,856</u>	<u>\$ 643,618</u>

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

3. Intangibles.

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

Intangibles consist of the following (in thousands):

	Avg. Life (years)	September 30, 2004		December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets					
Franchise network	10	\$ 3,000	\$ 2,475	\$ 3,000	\$ 2,250
Non-compete agreements	3	5,662	2,794	5,275	1,788
Customer relationships	1.5	30,208	22,904	20,699	15,561
Total		<u>38,870</u>	<u>28,173</u>	<u>28,974</u>	<u>19,599</u>
Intangible assets not subject to amortization					
Goodwill		1,008,571	99,162	887,221	99,162
Total intangibles		<u>\$ 1,047,441</u>	<u>\$ 127,335</u>	<u>\$ 916,195</u>	<u>\$ 118,761</u>

RENT-A-CENTER, INC. AND SUBSIDIARIES

3. *Intangibles* – (continued)

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

	Estimated Amortization Expense
	(in thousands)
2004	\$ 2,376
2005	6,907
2006	1,313
2007	101
2008	—
Total	<u>\$ 10,697</u>

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

	At September 30, 2004	At December 31, 2003
	(in thousands)	
Balance as of January 1,	\$ 788,059	\$ 736,395
Additions from acquisitions	108,800	48,445
Post-purchase price allocation adjustments	12,550	3,219
Balance as of the end of the period	<u>\$ 909,409</u>	<u>\$ 788,059</u>

4. *Earnings Per Share.*

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

Nine months ended September 30, 2004			
(In thousands, except per share data)	Net earnings	Shares	Per share
Basic earnings per common share	\$ 108,976	79,246	\$ 1.38
Effect of dilutive stock options	—	2,352	
Diluted earnings per common share	<u>\$ 108,976</u>	<u>81,598</u>	<u>\$ 1.34</u>
Nine months ended September 30, 2003			
	Net earnings	Shares	Per share
Basic earnings per common share	\$ 129,997	85,331	\$ 1.52
Effect of dilutive stock options	—	3,006	
Diluted earnings per common share	<u>\$ 129,997</u>	<u>88,337</u>	<u>\$ 1.47</u>
Three months ended September 30, 2004			
(In thousands, except per share data)	Net earnings	Shares	Per share
Basic earnings per common share	\$ 5,573	77,989	\$ 0.07
Effect of dilutive stock options	—	1,939	
Diluted earnings per common share	<u>\$ 5,573</u>	<u>79,928</u>	<u>\$ 0.07</u>
Three months ended September 30, 2003			
	Net earnings	Shares	Per share
Basic earnings per common share	\$ 43,738	81,253	\$ 0.54
Effect of dilutive stock options	—	3,153	
Diluted earnings per common share	<u>\$ 43,738</u>	<u>84,406</u>	<u>\$ 0.52</u>

RENT-A-CENTER, INC. AND SUBSIDIARIES

For the nine months ended September 30, 2004 and 2003, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 560,084 and 276,125, respectively.

For the three months ended September 30, 2004 and 2003, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 1,241,709 and 12,500, respectively.

5. *Subsidiary Guarantors.*

11% Senior Subordinated Notes. In December 2001, Rent-A-Center East, Inc., one of our subsidiaries, issued \$100.0 million of 11% senior subordinated notes (the "11% Notes"), maturing on August 15, 2008, under an indenture dated as of December 19, 2001 among Rent-A-Center East, its subsidiary guarantors and The Bank of New York, as trustee. On May 2, 2002, Rent-A-Center East closed an exchange offer for, among other things, approximately \$175.0 million of senior subordinated notes issued by it under a previous indenture, such that, on that date, all senior subordinated notes were governed by the terms of the 2001 indenture. On May 6, 2003, Rent-A-Center East repurchased approximately \$183.0 million of its then outstanding 11% Notes. On August 15, 2003, Rent-A-Center East redeemed the remaining outstanding 11% Notes.

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

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

- incur additional debt;
- sell assets or its subsidiaries;
- grant liens to third parties;
- pay dividends or repurchase stock; and
- engage in a merger or sell substantially all of its assets.

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that Rent-A-Center defaults in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding \$50.0 million, 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 7½% Notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require Rent-A-Center to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facility.

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

Set forth below is certain condensed consolidating financial information as of September 30, 2004 and December 31, 2003 and for the nine months ended September 30, 2004 and 2003. The financial information includes the subsidiary guarantors from the dates they were acquired or formed by Rent-A-Center and Rent-A-Center East and is presented using the push-down basis of accounting.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Condensed Consolidating Statements of Operations – (in thousands)

	Parent Company	Subsidiary Guarantors	Total
Nine Months Ended September 30, 2004 (unaudited)			
Total revenues	\$ —	\$1,727,972	\$1,727,972
Direct store expenses	—	1,379,303	1,379,303
Other expenses	—	239,693	239,693
Net earnings	<u>\$ —</u>	<u>\$ 108,976</u>	<u>\$ 108,976</u>

	Parent Company	Subsidiary Guarantors	Total
Nine Months Ended September 30, 2003 (unaudited)			
Total revenues	\$ —	\$1,669,491	\$1,669,491
Direct store expenses	—	1,298,552	1,298,552
Other expenses	—	240,942	240,942
Net earnings	<u>\$ —</u>	<u>\$ 129,997</u>	<u>\$ 129,997</u>

	Parent Company	Subsidiary Guarantors	Total
Three months ended September 30, 2004 (unaudited)			
Total revenues	\$ —	\$569,607	\$569,607
Direct store expenses	—	468,150	468,150
Other expenses	—	95,884	95,884
Net earnings	<u>\$ —</u>	<u>\$ 5,573</u>	<u>\$ 5,573</u>

	Parent Company	Subsidiary Guarantors	Total
Three months ended September 30, 2003 (unaudited)			
Total revenues	\$ —	\$549,825	\$549,825
Direct store expenses	—	432,225	432,225
Other expenses	—	73,862	73,862
Net earnings	<u>\$ —</u>	<u>\$ 43,738</u>	<u>\$ 43,738</u>

Condensed Consolidating Balance Sheets – (in thousands)

	Parent Company	Subsidiary Guarantors	Consolidating Adjustments	Totals
September 30, 2004 (unaudited)				
Rental merchandise, net	\$ —	\$ 717,513	\$ —	\$ 717,513
Intangible assets, net	—	920,106	—	920,106
Other assets	801,291	138,304	(671,050)	268,545
Total assets	<u>\$ 801,291</u>	<u>\$ 1,775,923</u>	<u>\$ (671,050)</u>	<u>\$ 1,906,164</u>
Senior debt	\$399,125	\$ —	\$ —	\$ 399,125
Other liabilities	300,002	759,100	(329,308)	729,794
Stockholders' equity	102,164	1,016,823	(341,742)	777,245
Total liabilities and equity	<u>\$ 801,291</u>	<u>\$ 1,775,923</u>	<u>\$ (671,050)</u>	<u>\$ 1,906,164</u>

RENT-A-CENTER, INC. AND SUBSIDIARIES

Condensed Consolidating Balance Sheets - *continued* – (in thousands)

	Parent Company	Guarantors Subsidiary	Consolidating Adjustments	Totals
December 31, 2003				
Rental merchandise, net	\$ —	\$ 680,701	\$ —	\$ 680,701
Intangible assets, net	—	797,434	—	797,434
Other assets	882,876	233,559	(763,268)	353,167
Total assets	<u>\$882,876</u>	<u>\$1,711,694</u>	<u>\$(763,268)</u>	<u>\$1,831,302</u>
Senior debt	\$ 398,000	\$ —	\$ —	\$ 398,000
Other liabilities	300,002	759,996	(421,526)	638,472
Stockholders' equity	184,874	951,698	(341,742)	794,830
Total liabilities and equity	<u>\$882,876</u>	<u>\$1,711,694</u>	<u>\$(763,268)</u>	<u>\$1,831,302</u>

Condensed Consolidating Statements of Cash Flows – (in thousands)

	Parent Company	Subsidiary Guarantors	Total
Nine months ended September 30, 2004 (unaudited)			
Net cash provided by operating activities	\$ —	\$ 284,129	\$ 284,129
Cash flows from investing activities			
Purchase of property assets	—	(53,387)	(53,387)
Acquisitions of businesses, net of cash acquired	—	(158,680)	(158,680)
Proceeds from sale of property assets	—	3,937	3,937
Net cash used in investing activities	—	(208,130)	(208,130)
Cash flows from financing activities			
Purchase of treasury stock	(169,749)	—	(169,749)
Exercise of stock options	13,205	—	13,205
Proceeds from debt	400,000	—	400,000
Repayments of debt	(398,875)	—	(398,875)
Intercompany advances	115,789	(115,789)	—
Net cash used in financing activities	(39,630)	(115,789)	(155,419)
Net decrease in cash and cash equivalents	(39,630)	(39,790)	(79,420)
Cash and cash equivalents at beginning of period	61,006	82,935	143,941
Cash and cash equivalents at end of period	<u>\$ 21,376</u>	<u>\$ 43,145</u>	<u>\$ 64,521</u>

	Parent Company	Subsidiary Guarantors	Total
Nine months ended September 30, 2003 (unaudited)			
Net cash provided by operating activities	\$ —	\$ 300,582	300,582
Cash flows from investing activities			
Purchase of property assets	—	(40,200)	(40,200)
Acquisitions of businesses, net of cash acquired	—	(110,900)	(110,900)
Other	—	619	619
Net cash used in investing activities	—	(150,481)	(150,481)
Cash flows from financing activities			
Purchase of treasury stock	(246,380)	—	(246,380)
Exercise of stock options	25,035	—	25,035
Issuance of subordinated notes	300,000	—	300,000
Payment of refinancing charges	(17,049)	—	(17,049)
Proceeds from debt	400,000	—	400,000
Repurchase of subordinated notes, including premium paid	—	(290,956)	(290,956)
Repayments of debt	(1,000)	(249,500)	(250,500)
Intercompany advances	(394,414)	394,414	—
Net cash provided by (used in) financing activities	<u>66,192</u>	<u>(146,042)</u>	<u>(79,850)</u>
Net increase in cash and cash equivalents	<u>66,192</u>	<u>4,059</u>	<u>70,251</u>
Cash and cash equivalents at beginning of period	—	85,723	85,723
Cash and cash equivalents at end of period	<u>\$ 66,192</u>	<u>\$ 89,782</u>	<u>\$ 155,974</u>

RENT-A-CENTER, INC. AND SUBSIDIARIES**6. Comprehensive Income.**

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

	Nine months ended September 30,	
	2004	2003
	(in thousands)	
Net earnings	\$ 108,976	\$ 129,997
Other comprehensive (loss) income:		
Unrealized gain on derivatives held as cash flow hedges:		
Change in unrealized gain during period	—	4,480
Reclassification adjustment for loss included in net earnings	—	(4,480)
Other comprehensive income	—	—
Comprehensive income	\$ 108,976	\$ 129,997

	Three months ended September 30,	
	2004	2003
	(in thousands)	
Net earnings	\$ 5,573	\$ 43,738
Other comprehensive (loss) income:		
Unrealized gain on derivatives held as cash flow hedges:		
Change in unrealized gain during period	—	—
Reclassification adjustment for loss included in net earnings	—	—
Other comprehensive income	—	—
Comprehensive income	\$ 5,573	\$ 43,738

7. Common Stock Transactions.

In April 2000, we announced that our Board of Directors had authorized a program to repurchase, from time to time, in the open market and in privately negotiated transactions, up to an aggregate of \$25.0 million of our common stock. Our Board of Directors increased the amount of repurchases authorized under this common stock repurchase program over a period of time to \$100.0 million. We repurchased a total of approximately 1.6 million shares (on a pre-split basis) of our common stock for an aggregate of \$91.5 million under this common stock repurchase program through October 24, 2003.

On October 24, 2003, we announced our Board of Directors had rescinded our old common stock repurchase program and authorized a new common stock repurchase program, permitting us to purchase, from time to time, in the open market and in privately negotiated transactions, up to an aggregate of \$100.0 million of our common stock. On September 28, 2004, we announced that our Board of Directors increased the authorization for stock repurchases under our new common stock repurchase program to \$300.0 million, following increases on May 19, 2004 and July 23, 2004, to \$115 million and \$200 million, respectively. As of September 30, 2004, we had purchased a total of 6,879,600 shares of our common stock for an aggregate of \$196.8 million under this common stock repurchase program. Please see "Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities" later in this report.

RENT-A-CENTER, INC. AND SUBSIDIARIES8. *Acquisitions.***Rent Rite, Inc.**

On May 7, 2004, we completed the acquisition of Rent Rite, Inc. d/b/a Rent Rite Rental Purchase for an aggregate purchase price of \$59.9 million. Rent Rite operated 90 stores in 11 states, of which 26 stores were merged with our existing store locations. The results of operations have been included in our financial statements since the acquisition date. Approximately 40% of the consideration was paid with 815,592 shares of our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite's stock options and retirement of Rent Rite's outstanding debt. The common stock paid as well as the assumption of stock options were recorded at the fair value determined at the effective date of the purchase. The table below summarizes the preliminary allocation of the purchase price based on the fair values of the significant assets acquired:

	Fair Values (in thousands)
Rental merchandise	\$ 18,644
Property assets	1,262
Customer relationships	3,180
Non-compete agreements	242
Goodwill	36,568
Total assets acquired	<u>\$59,896</u>

Rainbow Rentals, Inc.

On May 14, 2004, we completed the acquisition of Rainbow Rentals, Inc. for an aggregate purchase price of \$109.0 million. Rainbow Rentals operated 124 stores in 15 states, of which 29 stores were merged with our existing store locations. The results of operations have been included in our financial statements since the acquisition date. We funded the acquisition entirely with cash on hand. The table below summarizes the preliminary allocation of the purchase price based on the fair values of the significant assets acquired:

	Fair Values (in thousands)
Rental merchandise	\$ 41,337
Property assets	2,864
Customer relationships	4,553
Non-compete agreements	100
Goodwill	60,192
Total assets acquired	<u>\$109,046</u>

We entered into these transactions seeing them as opportunistic acquisitions that would allow us to expand our store base in conjunction with our strategic growth plans. The prices of the acquisitions were determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total. Customer relationships acquired in these transactions are being amortized utilizing the straight-line method over an 18 month period. The non-compete agreements in these transactions are being amortized using the straight-line method over a three year period and, in accordance with SFAS 142, the goodwill associated with the acquisitions will not be amortized.

RENT-A-CENTER, INC. AND SUBSIDIARIES

9. *Guarantees.*

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., which provides \$50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional \$15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of \$65.0 million, of which \$27.0 million was outstanding as of September 30, 2004.

Other guarantees. We also provide assurance to our insurance providers that if they are not able to draw funds from us for claims paid, they have the ability to draw against our letters of credit. Generally our letters of credit are renewed automatically every year unless we notify the institution not to renew. At September 30, 2004, we had \$103.3 million in outstanding letters of credit under our senior credit facilities all of which is supported by our \$250.0 million revolving facility.

10. *Recapitalization.*

In April 2003, we announced and commenced a program to recapitalize a portion of our financial structure in a series of transactions. The recapitalization consisted of the tender offer for all of Rent-A-Center East's \$272.25 million 11% Notes, the redemption of the 11% Notes, the issuance of \$300.0 million 7-1/2% Notes, the refinancing of our senior debt and the repurchase of shares of our common stock.

On May 6, 2003, we repurchased approximately \$183.0 million principal amount of 11% Notes pursuant to a debt tender offer announced on April 23, 2003. On August 15, 2003, we redeemed all of the remaining outstanding 11% Notes in accordance with the terms of the indenture governing the 11% Notes, at the applicable redemption price of 105.5% of the principal amount, plus accrued and unpaid interest to that date. The aggregate redemption price for the remaining 11% Notes was approximately \$93.75 million, including \$4.65 million in accrued interest and \$4.65 million in redemption premium. Proceeds from the offering of \$300.0 million in 7-1/2% Notes were used to pay for the redemption.

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

On May 6, 2003, Rent-A-Center issued \$300.0 million in 7-1/2% Notes, the proceeds of which were used, in part, to fund the repurchase and redemption of the 11% Notes.

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

11. *Refinancing of Senior Debt.*

On July 14, 2004, we refinanced our then existing senior secured debt by entering into new \$600.0 million senior credit facility. Our new \$600.0 million senior credit facilities consist of a \$350.0 million term loan and a \$250.0 million revolving credit facility. On that day, we drew down the \$350.0 million term loan and \$50.0 million of the revolving facility and utilized the proceeds to repay our existing senior term debt. We recorded a \$4.2 million non-cash charge to write off the remaining unamortized balance of financing costs in the third quarter 2004.

RENT-A-CENTER, INC. AND SUBSIDIARIES

12. *Subsequent Events.*

Griego/Carrillo Prospective Settlement. On October 25, 2004, we announced that we had reached a prospective settlement with the plaintiffs to resolve *the Benjamin Griego, et al. v. Rent-A-Center, Inc., et al/Arthur Carrillo, et al. v. Rent-A-Center, Inc., et al* coordinated matters pending in state court in San Diego, California. These matters challenge certain of our business practices in California. Under the terms contemplated, we anticipate we will pay an aggregate of \$37.5 million in cash, to be distributed to an agreed-upon class of our customers from February 1999 through October 2004, as well as the plaintiffs' attorneys fees up to \$9.0 million and costs to administer the settlement in amounts to be determined. In addition, we anticipate issuing vouchers to qualified class members for two weeks free rent on a new rental agreement for merchandise of their choice. Under the terms of the prospective settlement, we are entitled to any undistributed monies up to an aggregate of \$8.0 million, with any additional undistributed funds paid to non-profit organizations to be determined. In connection with the prospective settlement, we are not admitting liability for our past business practices in California. To account for the aforementioned costs, as well as our own attorneys' fees, we recorded a pre-tax charge of \$47.0 million in the third quarter of 2004.

The terms of the prospective settlement are subject to the parties entering into a definitive settlement agreement and obtaining court approval. While we believe that the terms of this prospective settlement are fair, there can be no assurance that the settlement, if completed, will be approved by the court in its present form.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

The statements, other than statements of historical facts, included in this report are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "would," "expect," "intend," "could," "estimate," "should," "anticipate" or "believe." We believe that the expectations reflected in 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 stores;
- our ability to acquire additional rent-to-own stores on favorable terms;
- our ability to enhance the performance of these acquired stores;
- our ability to control store level costs;
- our ability to realize benefits from our margin enhancement initiatives;
- the results of our litigation;
- the passage of legislation adversely affecting the rent-to-own industry;
- interest rates;
- our ability to collect on our rental purchase agreements;
- our ability to enter into new rental purchase agreements;
- changes in our effective tax rate;
- our ability to maintain an effective system of internal controls;
- changes in our stock price and the number of shares of common stock that we may or may not repurchase; and
- the other risks detailed from time to time in our SEC reports.

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

Our Business

We are the largest rent-to-own operator in the United States with an approximate 34% market share based on store count. At September 30, 2004, we operated 2,860 company-owned stores nationwide and in Canada and Puerto Rico, including 21 stores located in Wisconsin and operated by our subsidiary Get It Now, LLC under the name "Get It Now" and five stores located in Canada and operated by our subsidiary Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Another of our subsidiaries, ColorTyme, is a national franchisor of rent-to-own stores. At September 30, 2004, ColorTyme had 314 franchised stores in 40 states, 302 of which operated under the ColorTyme name and 12 stores of which operated under the Rent-A-Center name. Our stores generally offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. These rental purchase agreements are designed to appeal to a wide variety of customers by allowing them to obtain merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. These agreements also cater to customers who only have a temporary need or who simply desire to rent rather than purchase the merchandise.

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

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

We are evaluating other growth strategies as well, including the entry into additional lines of business offering products and services designed to appeal to our existing customer base. There can be no assurance that we will be successful in our efforts to expand our operations to include such complementary products or services, or that such operations, should they be added, will prove to be profitable.

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

Recent Developments

Store Growth. As of October 27, 2004, we have opened 15 new stores during the fourth quarter of 2004. For the entire year ending December 31, 2004, we intend to add approximately 5-10% to our store base by opening approximately 90-100 new store locations as well as pursuing opportunistic acquisitions.

Griego/Carrillo Prospective Settlement. On October 25, 2004, we announced that we reached a prospective settlement with the plaintiffs to resolve the *Benjamin Griego, et al. v. Rent-A-Center, Inc., et al/Arthur Carrillo, et al. v. Rent-A-Center, Inc., et al* coordinated matters pending in state court in San Diego, California. Under the terms contemplated, we anticipate we will pay an aggregate of \$37.5 million in cash, to be distributed to an agreed-upon class of our customers from February 1999 through October 2004, as well as the plaintiffs' attorneys fees up to \$9.0 million and costs to administer the settlement in amounts to be determined. To account for the aforementioned costs, as well as our attorneys' fees, we recorded a pre-tax charge of \$47.0 million in the third quarter of 2004.

The terms of the prospective settlement are subject to the parties entering into a definitive settlement agreement and obtaining court approval. While we believe that the terms of this prospective settlement are fair, there can be no assurance that the settlement, if completed, will be approved by the court in its present form. Please refer to "Legal Proceedings" later in this report.

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

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. 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.

RENT-A-CENTER, INC. AND SUBSIDIARIES

We make assumptions on our liabilities within our self-insured retentions using loss forecasts, which are prepared using methods and assumptions that are in accordance with standard actuarial practice and third party claims administrator loss estimates, which are based on known facts surrounding individual claims. Each quarter, we reevaluate our estimate of liability within our self-insured retentions, including our assumptions related to our loss forecasts, and obtain updated loss forecast reports using currently valued loss data. We evaluate the adequacy of our accruals by comparing amounts accrued on our balance sheet for anticipated losses to our loss forecasts and to the third party claim administrator loss estimates, and make adjustments to our accruals as needed based upon such review.

Over the previous 10 years, our loss exposure has increased, primarily as a result of our growth. We instituted procedures to manage our loss exposure 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.

As of the quarter ended September 30, 2004, the net amount accrued for losses within our self-insured retentions was \$78.7 million, as compared to \$56.5 million at September 30, 2003. The increase in the net amount accrued for the 2004 period is a result of store growth, increased number of employees, new claims made during the period, and the net effect of prior period claims which have closed or for which additional development or changes in estimates have occurred.

Litigation Reserves. We are the subject of litigation in the ordinary course of our business. Our litigation involves, among other things, actions relating to claims that our rental purchase agreements constitute installment sales contracts, violate state usury laws or violate other state laws to protect consumers, claims asserting violations of wage and hour laws in our employment practices, as well as claims we violated the federal securities laws. In preparing our financial statements at a given point in time, we account for these contingencies pursuant to the provisions of FASB No. 5, which requires that we accrue for losses that are both probable and reasonably estimable.

Each quarter, we make estimates of our probable liabilities, 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. For the quarter ended September 30, 2004, we had accrued \$47.0 million in connection with the prospective settlement of the *Griego/Carrillo* matter, and an additional \$2.6 million for probable litigation costs with respect to our outstanding litigation (other than the *Griego/Carrillo* matter) as compared to \$2.3 million for the quarter ended September 30, 2003. The amounts accrued, relating to the prospective settlement in the *Griego/Carrillo* matter, and legal fees and expenses with respect to our remaining outstanding litigation (other than *Griego/Carrillo*), represent our estimate of the probable liabilities with respect to such litigation. The ultimate outcome of our litigation is uncertain, and the amount of loss we may incur, if any, cannot in our judgment be reasonably estimated. Additional developments in our litigation, such as the failure to agree to a definitive settlement agreement and obtain court approval in the *Griego/Carrillo* matter, or other adverse or positive developments or rulings in our litigation, could effect our assumptions and thus, our accrual.

If we make changes to our accruals in any of these areas 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 \$1.3 million in our estimates would result in a corresponding \$.01 change in our earnings per share.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

Other Significant Accounting Policies

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

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

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

Depreciation of Rental Merchandise. We depreciate our rental merchandise using the income forecasting method. The income forecasting method of depreciation we use does not consider salvage value and does not allow the depreciation of rental merchandise during periods when it is not generating rental revenue. The objective of this method of depreciation is to provide for consistent depreciation expense while the merchandise is on rent and generating revenue. We accelerate the depreciation on computers that are 21 months old or older and which have become idle using the straight-line method for a period of at least six months, generally not to exceed an aggregate depreciation period of 30 months. The purpose is to better reflect the depreciable life of a computer in our stores and to encourage the sale of older computers.

Cost of Merchandise Sold. Cost of merchandise sold represents the book value net of accumulated depreciation of rental merchandise at time of sale.

Salaries and Other Expenses. Salaries and other expenses include all salaries and wages paid to store level employees, together with market 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, as well as regional directors' salaries, travel and office expenses.

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

Results of Operations

Nine months ended September 30, 2004 compared to Nine months ended September 30, 2003

Store Revenue. Total store revenue increased by \$59.7 million, or 3.7%, to \$1,692.7 million for the nine months ended September 30, 2004 as compared to \$1,632.9 million for the nine months ended September 30, 2003. The increase in total store revenue is primarily attributable to approximately \$121.5 million in incremental revenue from new stores and acquisitions during the first nine months of 2004 as compared to 2003, offset by a decrease in same store sales of 3.4%.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire nine month periods ending September 30, 2004 and 2003, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues decreased by \$44.2 million, or 3.4%, to \$1,254.7 million for the nine months ended September 30, 2004 as compared to \$1,298.9 million in 2003. The decrease in same store revenues was primarily attributable to a decrease in the average number of customers on a per store basis during the first nine months of 2004 versus the first nine months of 2003.

Franchise Revenue. Total franchise revenue decreased by \$1.2 million, or 3.4%, to \$35.3 million for the nine months ended September 30, 2004 as compared to \$36.5 million in 2003. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of fewer franchised locations operating in the first nine months of 2004 as compared to the first nine months of 2003. The number of franchised locations operating in the first nine months of 2004 declined primarily as a result of fewer stores opening and the purchase by the Company of certain franchised locations.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs, which began in 2004. Depreciation of rental merchandise, which accounts for 99.4% of the cost of rentals and fees for the nine months ended September 30, 2004, increased by \$8.1 million, or 2.5%, to \$331.9 million for the nine months ended September 30, 2004 as compared to \$323.8 million in 2003. This increase is a result of an increase in rental revenue for the first nine months of 2004 compared to the first nine months of 2003. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue decreased slightly to 21.5% in 2004 from 21.6% for the same period in 2003. The slight decrease was primarily attributable to a more normalized depreciation rate in the first nine months of 2004 as compared to 2003, resulting from the continued integration of the inventory acquired in our acquisition of 295 stores from Rent-Way in February of 2003, offset slightly by the depreciation associated with the Rainbow Rentals and Rent Rite acquisitions in May 2004.

Cost of Merchandise Sold. Cost of merchandise sold increased by \$4.4 million, or 5.1%, to \$91.1 million for the nine months ended September 30, 2004 as compared to \$86.7 million in 2003. This increase was primarily a result of an increase in the number of items sold during the first nine months of 2004 as compared to the first nine months 2003. The gross margin percent of merchandise sales increased to 30.1% in 2004 from 27.5% in 2003. This percentage increase was primarily attributable to an increase in the average purchase price on merchandise sales during the first nine months of 2004 as compared to 2003.

Salaries and Other Expenses. Salaries and other expenses increased by \$66.0 million, or 7.5% to \$946.6 million for the nine months ended September 30, 2004 as compared to \$880.6 million in 2003. The increase was primarily the result of an increase in salaries and wages and occupancy costs due to an increased number of stores in the 2004 period. Salaries and other expenses expressed as a percentage of total store revenue increased to 55.9% for the nine months ended September 30, 2004 from 53.9% for the nine months ended September 30, 2003. This increase was primarily attributable to de-leveraging as a result of the decrease in same store sales coupled with an increase in salaries and other expenses in the first nine months of 2004 compared to the first nine months of 2003 resulting from an increase in our store base. In the first nine months of 2004, there were nine more new stores and 42 more acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by \$1.1 million or 3.6%, to \$29.7 million for the nine months ended September 30, 2004 as compared to \$30.8 million in 2003. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of fewer franchised locations operating in the first nine months of 2004 as compared to the first nine months of 2003. The number of franchised locations operating in the first nine months of 2004 declined primarily as a result of fewer stores opening and the purchase by the Company of certain franchised locations.

General and Administrative Expenses. General and administrative expenses expressed as a percentage of total revenue increased to 3.3% for the nine months ending September 30, 2004 as compared to 3.0% for the nine months ending September 30, 2003. This increase is primarily attributable to the operation of the Rainbow Rentals and Rent Rite headquarters during the integration and transition period pursuant to those acquisitions, as well as the impact of a decrease in our same stores sales for the first nine months of 2004.

Amortization of Intangibles. Amortization of intangibles decreased by \$1.0 million, or 10.2%, to \$8.4 million for the nine months ended September 30, 2004, as compared to \$9.4 million for the nine months ended September 30, 2003. This decrease was primarily attributable to the completed amortization of some intangibles, offset by the customer relationship and non-compete amortization related to the Rainbow Rentals and Rent Rite acquisitions in May 2004.

Operating Profit. Operating profit decreased by \$73.8 million, or 26.3%, to \$207.2 million for the nine months ended September 30, 2004 as compared to \$281.0 million in 2003. Excluding the pre-tax litigation charge of \$47.0 million recorded in the third quarter of 2004, operating profit decreased \$26.8 million, or 9.5%, to \$254.2 million for the nine months ended September 30, 2004 as compared to \$281.0 million in 2003. Operating profit as a percentage of total revenue decreased to 14.7% for the nine months ended September 30, 2004 before the pre-tax litigation charge of \$47.0 million, from 16.8% for the nine months ended September 30, 2003. These decreases, excluding the pre-tax litigation charge, were primarily attributable to the increase in salaries and other expenses and the decrease in same store sales during the first nine months of 2004 versus 2003 as discussed above. In the first nine months of 2004, there were nine more new stores and 42 more acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Net Earnings. Including the litigation charge adjustments noted above, net earnings decreased by \$21.0 million, or 16.2%, to \$109.0 million for the nine months ended September 30, 2004 as compared to \$130.0 million in 2003. Excluding the after tax effects of the \$47.0 million litigation charge and \$4.2 million refinance charge recorded in the third quarter of 2004, net earnings decreased by \$10.7 million, or 7.1%, to \$141.0 million for the nine months ended September 30, 2004 from \$151.7 million before the after tax effects of the \$35.3 million in recapitalization charges recorded in the second and third quarters of 2003. This decrease is primarily attributable to the operating profit decrease mentioned above, offset by lower interest expense during the nine months ended September 30, 2004 as compared to the same period in 2003.

Three Months Ended September 30, 2004 compared to Three Months Ended September 30, 2003

Store Revenue. Total store revenue increased by \$21.5 million, or 4.0%, to \$559.2 million for the three months ended September 30, 2004 as compared to \$537.7 million for the three months ended September 30, 2003. The increase in total store revenue is primarily attributable to approximately \$53.0 million in incremental revenue from new stores and acquisitions during the third quarter of 2004 as compared to 2003, offset by a decrease in same store sales of 5.5%.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending September 30, 2004 and 2003, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues decreased by \$26.9 million, or 5.5%, to \$466.0 million for the three months ended September 30, 2004 as compared to \$492.9 million in 2003. The decrease in same store revenues was primarily attributable to a decrease in the average number of customers on a per store basis during the third quarter of 2004 versus the third quarter of 2003.

Franchise Revenue. Total franchise revenue decreased by \$1.8 million, or 14.7%, to \$10.4 million for the three months ended September 30, 2004 as compared to \$12.2 million in 2003. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of fewer franchised locations operating in the third quarter of 2004 as compared to the third quarter of 2003. The number of franchised locations operating for the three months ended September 30, 2004 declined primarily as a result of fewer stores opening and the purchase by the Company of certain franchised locations.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs, which began in 2004. Depreciation of rental merchandise, which accounts for 99.0% of the cost of rentals and fees for the three months ended September 30, 2004, increased by \$3.7 million, or 3.4%, to \$111.5 million for the three months ended September 30, 2004 as compared to \$107.8 million in 2003. This increase is a result of an increase in rental revenue for the third quarter of 2004 compared to the third quarter of 2003. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue remained constant at 21.6% for the third quarter of 2003 and 2004.

Cost of Merchandise Sold. Cost of merchandise sold increased by \$1.1 million, or 4.2%, to \$27.0 million for the three months ended September 30, 2004 as compared to \$25.9 million in 2003. This increase was primarily a result of an increase in the number of items sold during the third quarter of 2004 as compared to the third quarter of 2003. The gross margin percent of merchandise sales increased to 25.6% in 2004 from 24.8% in 2003. This percentage increase was primarily attributable to an increase in the average purchase price on merchandise sales during the third quarter of 2004 as compared to 2003.

Salaries and Other Expenses. Salaries and other expenses increased by \$30.0 million, or 10.1%, to \$326.4 million for the three months ended September 30, 2004 as compared to \$296.4 million for the three months ended September 30, 2003. The increase was primarily the result of an increase in salaries and wages and occupancy costs due to an increased number of stores in the 2004 period. Salaries and other expenses expressed as a percentage of total store revenue increased to 58.4% for the three months ended September 30, 2004 from 55.1% for the three months ended September 30, 2003. This increase was primarily attributable to de-leveraging as a result of the decrease in same store sales coupled with an increase in salaries and other expenses in the third quarter of 2004 compared to the third quarter of 2003 resulting from an increase in our store base. In the third quarter of 2004, there were nine more new stores and 42 acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by \$1.7 million or 16.6%, to \$8.6 million for the three months ended September 30, 2004 as compared to \$10.3 million in 2003. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of fewer franchised locations operating in the third quarter of 2004 as compared to the third quarter of 2003. The number of franchised locations operating for the three months ended September 30, 2004 declined primarily as a result of fewer stores opening and the purchase by the Company of certain franchised locations.

General and Administrative Expenses. General and administrative expenses expressed as a percentage of total revenue increased to 3.3% for the three months ending September 30, 2004 as compared to 3.0% for the three months ending September 30, 2003. This increase is primarily attributable to the operation of the Rainbow Rentals and Rent Rite headquarters during the integration and transition period pursuant to those acquisitions, which has now been completed, as well as the impact of a decrease in our same stores sales for the three month period ending September 30, 2004.

Amortization of Intangibles. Amortization of intangibles decreased by \$400,000, or 13.4%, to \$2.8 million for the three months ended September 30, 2004 as compared to \$3.2 million for the three months ended September 30, 2003. This decrease was primarily attributable to the completed amortization of some intangibles, offset by the customer relationship and non-compete amortization related to the Rainbow Rentals and Rent Rite acquisitions in May 2004.

Operating Profit. Operating profit decreased by \$63.2 million, or 72.2%, to \$24.3 million for the three months ended September 30, 2004 as compared to \$87.5 million in 2003. Excluding the pre-tax litigation charge of \$47.0 million recorded in the third quarter of 2004, operating profit decreased \$16.2 million, or 18.5%, to \$71.3 for the three months ended September 30, 2004 as compared to \$87.5 million in 2003. Operating profit as a percentage of total revenue decreased to 12.5% for the three months ended September 30, 2004 before the pre-tax litigation charge of \$47.0 million, from 15.9% for the three months ended September 30, 2003. These decreases, excluding the pre-tax litigation charge, were primarily attributable to the increase in salaries and other expenses and the decrease in same store sales during the third quarter of 2004 versus 2003 as discussed above. In the third quarter of 2004, there were nine more new stores and 42 more acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

Net Earnings. Including the litigation charge adjustments noted above, \$4.2 million of refinancing fees recorded in the third quarter of 2004 and \$7.5 million of recapitalization charges recorded in the third quarter of 2003, net earnings decreased by \$38.1 million, or 87.3%, to \$5.6 million for the three months ended September 30, 2004 as compared to \$43.7 million in 2003. Excluding the after tax effects of the \$47.0 million litigation charge and \$4.2 million refinance charge recorded in the third quarter of 2004, net earnings decreased by \$10.9 million, or 22.5%, to \$37.6 million for the three months ended September 30, 2004 from \$48.5 million before the after tax effects of the \$7.5 million in recapitalization charges recorded in the third quarter of 2003. This decrease is primarily attributable to the operating profit decrease mentioned above, offset partially by lower interest expense during the three months ended September 30, 2004 as compared to the same period in 2003.

Liquidity and Capital Resources

Cash provided by operating activities decreased by \$16.5 million to \$284.1 million for the nine months ending September 30, 2004 as compared to \$300.6 million in 2003. This decrease is attributable to a decrease in net earnings and changes in the adjustments for deferred income taxes, finance charges from recapitalization and prepaid expenses, as well as an increase in rental merchandise purchases, all of which are partially offset by the increase in depreciation of rental merchandise and the net increase of our accounts payable and accrued liabilities.

Cash used in investing activities increased by \$57.6 million to \$208.1 million during the nine month period ending September 30, 2004 as compared to \$150.5 million in 2003. This increase is primarily attributable to the acquisition of the stores from Rent Rite and Rainbow Rentals in May 2004 coupled with an increase in property assets purchased during the period.

Cash used in financing activities increased by \$75.5 million to \$155.4 million during the nine month period ending September 30, 2004 as compared to \$79.9 million in 2003. This increase is primarily related to the effects of the recapitalization in 2003 as compared to our refinancing in 2004, offset by a decrease in stock repurchases in 2004.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, rental merchandise purchases, capital expenditures and our store expansion programs into 2005. Our revolving credit facilities provide us with revolving loans in an aggregate principal amount not exceeding \$250.0 million, of which \$96.8 million was available at October 27, 2004. At October 27, 2004, we had approximately \$37.9 million in cash. To the extent we have available cash that is not necessary for working capital, store openings or acquisitions, we intend to repurchase additional shares of our common stock as well as make payments to service our existing debt. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect.

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

Litigation. On October 25, 2004, we announced that we had reached a prospective settlement with the plaintiffs to resolve the *Benjamin Griego, et al. v. Rent-A-Center, Inc., et al/Arthur Carrillo, et al. v. Rent-A-Center, Inc., et al* coordinated matters pending in state court in San Diego, California. These matters challenge certain of our business practices in California. Under the terms contemplated, we anticipate we will pay an aggregate of \$37.5 million in cash, to be distributed to an agreed-upon class of our customers from February 1999 through October 2004, as well as the plaintiffs' attorneys fees and costs to administer the settlement, in amounts to be determined. In addition, we anticipate issuing vouchers to qualified class members for two weeks free rent on a new rental agreement for merchandise of their choice. Under the terms of the prospective settlement, we are entitled to any undistributed monies up to an aggregate of \$8.0 million, with any additional undistributed funds distributed to non-profit organizations to be determined. In connection with the prospective settlement, we are not admitting liability for our past business practices in California. To account for the aforementioned costs, as well as our own attorneys' fees, we recorded a pre-tax charge of \$47.0 million in the third quarter of 2004.

The terms of the prospective settlement are subject to the parties entering into a definitive settlement agreement and obtaining court approval. While we believe that the terms of this prospective settlement are fair, there can be no assurance that the settlement, if completed, will be approved by the court in its present form. We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund the prospective settlement without adversely affecting our liquidity in a material way.

Additional settlements or judgments against us on our existing litigation could affect our liquidity. Please refer to "Legal Proceedings" later in this report.

Deferred Taxes. On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30 percent of the basis of qualifying property is deductible in the year the property is placed in service, with the remaining 70 percent of the basis depreciated under the normal tax depreciation rules. For assets placed in service between May 6, 2003 and December 31, 2004, the Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the percent of the basis of qualifying property deductible in the year the property is placed in service from 30% to 50%. Accordingly, our cash flow will benefit from having a lower current cash tax obligation, which in turn will provide additional cash flows from operations until the deferred tax liabilities begin to reverse. We estimate that our operating cash flow will have increased by approximately \$107.8 million through 2004 before the deferred tax liabilities begin to reverse over a three year period beginning in 2005, of which approximately 75% will reverse in 2005, 20% will reverse in 2006 and the remainder will reverse in 2007.

Rental Merchandise Purchases. We purchased \$453.4 million and \$424.0 million of rental merchandise during the nine month periods ending September 30, 2004 and 2003, respectively.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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 \$53.4 million and \$40.2 million on capital expenditures during the nine month periods ending September 30, 2004 and 2003, respectively, and expect to spend approximately \$16.6 million for the remainder of 2004.

Acquisitions and New Store Openings. For the first nine months of 2004, we spent approximately \$158.7 million on acquiring stores and accounts. For the entire year ending December 31, 2004, we intend to add approximately 5-10% to our store base by opening approximately 90-100 new store locations as well as pursuing opportunistic acquisitions.

On May 7, 2004, we completed the acquisition of Rent Rite for an aggregate purchase price of \$59.9 million. Rent Rite operated 90 stores in 11 states, of which we merged 26 stores with our existing store locations. Approximately 40% of the consideration was paid with our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite's stock options and retirement of Rent Rite's outstanding debt.

On May 14, 2004, we completed the acquisition of Rainbow Rentals for an aggregate purchase price of \$109.0 million. Rainbow Rentals operated 124 stores in 15 states, of which we merged 29 stores with our existing store locations. We funded the acquisition entirely with cash on hand.

We entered into these transactions seeing them as opportunistic acquisitions that would allow us to expand our store base in conjunction with our strategic growth plans. The prices of the acquisitions were determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total.

Furthermore, during the first nine months of 2004, we acquired 28 additional stores, accounts from 39 additional locations, opened 69 new stores, and closed 44 stores. Of the closed stores, 36 were merged with existing store locations, and eight stores were sold. The additional stores and acquired accounts were the result of 33 separate transactions for an aggregate price of approximately \$16.9 million in cash. The table below summarizes the store growth activity for the year ended December 31, 2003 and the nine months ended September 30, 2004.

<u>For the year ending December 31, 2003</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Stores at beginning of period	2,407	2,542	2,567	2,600
New store openings	20	18	27	36
Acquired stores	120	10	13	17
Closed stores				
Merged with existing stores	5	3	7	5
Sold	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Stores at end of period	2,542	2,567	2,600	2,648
	<hr/>	<hr/>	<hr/>	<hr/>
Stores from which we acquired accounts	178	12	9	21
	<hr/>	<hr/>	<hr/>	<hr/>
<u>For the nine months ending September 30, 2004</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	
Stores at beginning of period	2,648	2,671	2,846	
New store openings	22	25	22	
Acquired stores	23	161	3	
Closed stores				
Merged with existing stores	15	11	10	
Sold	7	—	1	
	<hr/>	<hr/>	<hr/>	
Stores at end of period	2,671	2,846	2,860	
	<hr/>	<hr/>	<hr/>	
Stores from which we acquired accounts	20	63	11	

As of October 27, 2004, we have opened 15 new stores during the fourth quarter of 2004.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

Senior Credit Facilities. On July 14, 2004, we announced the completion of the refinancing of our senior secured debt. Our new \$600.0 million senior credit facilities consist of a \$350.0 million term loan and a \$250.0 million revolving credit facility. On that day, we drew down the \$350.0 million term loan and \$50.0 million of the revolving facility and utilized the proceeds to repay our old senior term debt. In connection with the refinancing, we recorded a \$4.2 million non-cash charge to write off the remaining unamortized balance of financing costs in the third quarter of 2004.

The table below shows the scheduled maturity dates of our term debt outstanding on September 30, 2004.

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2004	\$ 875
2005	3,500
2006	3,500
2007	3,500
2008	3,500
Thereafter	334,250
	<u>\$ 349,125</u>

The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which \$93.5 had been utilized as of October 27, 2004. The revolving credit facility expires in July 2009 and the term loan expires in 2010.

Borrowings under our senior credit facilities bear interest at varying rates equal to 1.75% over the Eurodollar rate, which was 1.96% at October 27, 2004. We also have a prime rate option under the facilities, but have not exercised it to date. We have not entered into any interest rate protection agreements with respect to the term loans under our senior credit facilities.

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

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

- incur additional debt (including subordinated debt) in excess of \$50 million at any one time outstanding;
- repurchase our capital stock and 7½% notes;
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all our property or business;
- sell assets, other than inventory in the ordinary course of business;
- make investments or acquisitions unless we meet financial tests and other requirements;
- make capital expenditures; or
- enter into an unrelated line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio and a minimum fixed charge coverage ratio. The table below shows the required and actual ratios under our credit facilities calculated as at September 30, 2004:

	Required ratio	Actual ratio
Maximum consolidated leverage ratio	No greater than 2.75:1	1.67:1
Minimum consolidated interest coverage ratio	No less than 4.0:1	10.54:1
Minimum fixed charge coverage ratio	No less than 1.50:1	2.58:1

RENT-A-CENTER, INC. AND SUBSIDIARIES

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. An event of default under the senior credit facilities would occur if there is a change of control. This is defined to include the case where a third party becomes the beneficial owner of 35% or more of our voting stock or certain changes in our Board of Directors occurs. An event of default would also occur if one or more judgments were entered against us of \$20.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

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

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

- incur additional debt;
- sell assets or our subsidiaries;
- grant liens to third parties;
- pay dividends or repurchase stock; or
- engage in a merger or sell substantially all of its assets.

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding \$50.0 million, 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 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. If we do not comply with this repurchase obligation, this would trigger an event of default under our senior credit facilities.

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

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., which provides \$50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional \$15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, not considering the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of \$65.0 million, of which \$27.0 million was outstanding as of September 30, 2004. Mark E. Speese, Rent-A-Center's Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Repurchases of Outstanding Securities. On April 25, 2003, we announced that we entered into an agreement with Apollo which provided for the repurchase of a number of shares of our common stock sufficient to reduce Apollo's aggregate record ownership to 19.00% after consummation of our planned tender offer at the price per share paid in the tender offer. On April 28, 2003, we commenced a tender offer to purchase up to 2.2 million shares of our common stock (on a pre-split basis) pursuant to a modified "Dutch Auction." On June 25, 2003, we closed the tender offer and purchased 1,769,960 shares of our common stock (on a pre-split basis) at \$73 per share (on a pre-split basis) for approximately \$129.2 million. On July 11, 2003, we closed the Apollo transaction and purchased 774,547 shares of our common stock (on a pre-split basis) at \$73 per share (on a pre-split basis) for approximately \$56.5 million. As contemplated by the Apollo agreement, Apollo also exchanged their shares of Series A preferred stock for shares of Series C preferred stock.

In April 2000, we announced that our Board of Directors had authorized a program to repurchase, from time to time, in the open market and in privately negotiated transactions, up to an aggregate of \$25.0 million of our common stock. Our Board of Directors increased the amount of repurchases authorized under this common stock repurchase program over a period of time to \$100.0 million. We repurchased a total of approximately 1.6 million shares (on a pre-split basis) of our common stock for an aggregate of \$91.5 million under this common stock repurchase program through October 24, 2003.

On October 24, 2003, we announced our Board of Directors had rescinded our old common stock repurchase program and authorized a new 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 \$100.0 million of our common stock. On September 28, 2004, we announced that our Board of Directors increased the authorization for stock repurchases under our new common stock repurchase program to \$300.0 million, following increases on May 19, 2004 and July 23, 2004, to \$115 million and \$200 million, respectively. As of September 30, 2004, we had purchased a total of 6,879,600 shares of our common stock for an aggregate of \$196.8 million under this common stock repurchase program. Please see "Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities" later in this report.

Economic Conditions. Although our performance has not suffered in previous economic downturns, we cannot assure you that demand for our products, particularly in higher price ranges, will not significantly decrease in the event of a prolonged recession. Recent nationwide increases in fuel and energy costs may reduce the disposable income of our customers and could adversely impact our results of operations.

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 demand for our products in the third quarter of each fiscal year when compared to other quarters throughout the year. As a result, we would expect revenues for the third quarter of each fiscal year to remain relatively flat or slightly below the prior quarter. We expect this trend to continue in future periods unless we add significantly to our store base during the third quarter of future fiscal years as a result of new store openings or opportunistic acquisitions.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

As of September 30, 2004, we had \$300.0 million in subordinated notes outstanding at a fixed interest rate of 7½% and \$399.1 million in senior debt outstanding at interest rates indexed to the Eurodollar rate. The fair value of the subordinated notes is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of the 7½% subordinated notes at September 30, 2004 was \$309.0 million which is \$9.0 million above their carrying value. Unlike the subordinated notes, the \$399.1 million in senior debt has variable interest rates indexed to current Eurodollar rates. As of September 30, 2004, we have not entered into any interest rate swap agreements with respect to term loans under our senior credit facilities.

Market Risk

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

Interest Rate Risk

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

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. An evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective.

Changes in internal controls. During the quarter ended September 30, 2004, we improved our internal controls pertaining to our financial reporting of tax related matters. During that quarter, Grant Thornton LLP, our independent registered public accounting firm, informed our management and our Audit Committee of a material weakness in our internal controls in this area. Members of our management and our Audit Committee have investigated this matter and have concluded that the area identified has neither had a material impact on, nor has it led to material misstatements in, our financial statements to date. Management, together with our Audit Committee, has taken steps to improve and enhance our internal controls to address the issues raised. For the quarter ended September 30, 2004, we obtained additional assistance in this area from an independent accounting firm, other than Grant Thornton LLP, with experience in financial reporting of tax matters. Management and the Audit Committee are further evaluating any additional needs and will take appropriate actions as considered necessary.

RENT-A-CENTER, INC. AND SUBSIDIARIES

PART II – Other Information

Item 1. Legal Proceedings

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. Except as described below, we are not currently a party to any material litigation. The ultimate outcome of our litigation is uncertain and the amount of any loss we may incur, if any, cannot in our judgment be reasonably estimated. Accordingly, other than with respect to anticipated legal fees and expenses, no provision has been made in our consolidated financial statements for any such loss.

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

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

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

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

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

On September 30, 2003, the court granted our motion to dismiss without prejudice, dismissed without prejudice the outside directors' and underwriters' separate motions to dismiss and denied our motion to transfer venue. In its order on the motions to dismiss, the court granted the lead plaintiffs leave to replead the case within certain parameters. On October 9, 2003, the lead plaintiffs filed a motion for reconsideration with the court with respect to the Securities Act claims, which the court subsequently denied.

On July 7, 2004, the plaintiffs again repled their claims by filing a third amended consolidated complaint, raising allegations of similar violations against the same parties generally based upon alleged facts not previously asserted. We, along with certain officer and director defendants and the underwriter defendants, filed a motion to dismiss the third amended consolidated complaint on August 23, 2004. The plaintiffs subsequently filed response briefs to these motions, to which we will reply no later than November 15, 2004.

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

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

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

In accordance with a previously issued opinion from the California Legislative Counsel, we believe that the pricing formula utilized by us in California complies with the Rental Purchase Act. In addition, we believe that under California case law, courts have found that arrangements similar to the guaranteed merchandise replacement benefit offered to our customers do not constitute insurance.

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

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

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

On October 17, 2003, the plaintiffs filed their motion for class certification. On October 24, 2003, we filed a motion to dismiss certain of the plaintiffs' claims and on October 31, 2003, filed our opposition to the plaintiffs' motion for class certification. The hearing on our motion to dismiss and plaintiffs' motion for class certification was held on November 14, 2003. On December 4, 2003, the court denied our motion to dismiss and granted the plaintiffs' motion for class certification. The class definition includes our customers in California from February 1, 1999 through January 31, 2002, and encompasses customers who entered into approximately 407,000 rental purchase agreements. Such customers also purchased approximately 167,000 memberships. With respect to such rental purchase agreements, we believe that twenty-five percent of the total amount of payments to obtain ownership (the maximum percentage applicable to statutory damages) was approximately \$600 per agreement on average. On February 20, 2004, the court ruled that it would enter an order certifying the class described above and, with respect to the cash price claims, a sub-class of our customers during the same time period who rented electronic appliances and entertainment equipment. We believe this sub-class encompasses customers who entered into approximately 249,000 of the 407,000 rental purchase agreements, with an average revenue of approximately \$700 per agreement. On March 16, 2004, the court entered the certification order.

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

On May 28, 2004, we petitioned the California Court of Appeal to review certain of the April 2004 trial court rulings. On June 24, 2004, the California Court of Appeal denied our petition to hear our appeal at this time, but did not rule on the merits. On July 6, 2004, we petitioned the California Supreme Court to review the Court of Appeal's denial. On August 18, 2004, the California Supreme Court denied our petition to hear our appeal at this time, but likewise did not rule on the merits.

On September 10, 2004, we filed a motion to decertify or modify the class and a motion to reconsider the court's ruling on the requirement that class members prove harm or injury resulting from an alleged statutory violation. On October 25, 2004, before any ruling on these matters, we announced that we had reached a prospective settlement with the plaintiffs to resolve these matters. Under the terms contemplated, we anticipate that we will pay an aggregate of \$37.5 million in cash, to be distributed to an agreed-upon class of our customers from February 1999 through October 2004, as well as the plaintiffs' attorneys fees up to \$9.0 million and costs to administer the settlement in amounts to be determined. In addition, we anticipate issuing vouchers to qualified class members for two weeks free rent on a new rental agreement for merchandise of their choice. Under the terms of the prospective settlement, we are entitled to any undistributed monies up to an aggregate of \$8.0 million, with any additional undistributed funds paid to non-profit organizations to be determined. In connection with the prospective settlement, we are not admitting liability for our past business practices in California. To account for the aforementioned costs, as well as our own attorneys' fees, we recorded a pre-tax charge of \$47.0 million in the third quarter of 2004.

The terms of the prospective settlement are subject to the parties entering into a definitive settlement agreement and obtaining court approval. While we believe that the terms of this prospective settlement are fair, there can be no assurance that the settlement, if completed, will be approved by the court in its present form.

During the second quarter of 2004, we received an inquiry from the California Attorney General regarding our business practices in California with respect to our cash prices and our membership program. We are cooperating with the Attorney General's office in this inquiry.

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

When this matter was filed, we promptly investigated Duron's allegations, including the formula we use to calculate late fees in Texas. While we do not believe the formula utilized by us during this time period violated Texas law, in late 2003, we sent written notice to approximately 29,500 of our Texas customers for whom we had records and who were potentially adversely impacted by our calculation. We also refunded approximately \$37,000 in the aggregate to the customers we could locate. In taking these measures, we believe we complied with the curative measures provided for under the Texas statute. We also reprogrammed our computer system in Texas to modify the formula by which late fees are calculated.

On November 26, 2003, we filed a motion for summary judgment in this matter. On December 4, 2003, Duron filed her motion for class certification. On March 11, 2004, we were notified that the court denied our summary judgment motion and granted Duron's motion for class certification. The certified class includes our customers in Texas from August 29, 1999 through March 5, 2004 who were charged and paid a late fee in excess of the amount permitted by Texas law. We appealed the certification order to the Court of Appeals, which we were entitled to do as a matter of right under applicable Texas law. On October 28, 2004, the Court of Appeals reversed the trial court's certification order and remanded the case back to the trial court.

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

We believe the claims in Duron's complaint are unfounded and that we have meritorious defenses to the allegations made. Although we intend to vigorously defend ourselves in this case, we cannot assure you that we will be found to have no liability in this matter.

State Wage and Hour Class Actions. We are subject to various actions filed against us in the states of Oregon, California and Washington alleging we violated the wage and hour laws of such states. As of September 30, 2004, we operated 24 stores in Oregon, 161 stores in California and 41 stores in Washington.

Rob Pucci, et. al. v. Rent-A-Center, Inc. On August 20, 2001, this putative class action was filed against us in state court in Multnomah County, Oregon alleging we violated various provisions of Oregon state law regarding overtime, lunch and work breaks, that we failed to pay all wages due to our Oregon employees, and various contract claims that we promised but failed to pay overtime. Pucci seeks to represent a class of all present and former executive assistants, inside/outside managers and account managers employed by us within the six year period prior to the filing of the complaint as to the contract claims, and three years as to the statutory claims, and seeks class certification, payments for all unpaid wages under Oregon law, statutory and civil penalties, costs and disbursements, pre- and post-judgment interest in the amount of 9% per annum and attorneys fees. On July 25, 2002, the plaintiffs filed a motion for class certification and on July 31, 2002, we filed our motion for summary judgment. On January 15, 2003, the court orally granted our motion for summary judgment in part, ruling that the plaintiffs were prevented from recovering overtime payments at the rate of "time and a half," but stated that the plaintiffs may recover "straight-time" to the extent plaintiffs could prove purported class members worked in excess of forty hours in a work week but were not paid for such time worked. The court denied our motion for summary judgment on the remaining claims. We strongly disagree with the court's rulings against our positions and requested that the court grant us interlocutory appeal on those matters. The plaintiffs filed a motion for summary judgment seeking to resolve certain factual issues related to the purported class, which was denied on July 1, 2003. On October 10, 2003, the court issued an opinion letter stating that it would certify a class and not permit an interlocutory appeal, and issued its written order to that effect on December 9, 2003. We subsequently filed a petition for a writ of mandamus with the Oregon Supreme Court, which was denied on January 24, 2004. On June 15, 2004, notice to the class was distributed advising them of their right to opt out of the class. We intend to

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continue to challenge the appropriateness of the court's class certification. Although we believe the court's certification ruling is inappropriate and that the claims remaining in this case are without merit, we cannot assure you we will be found to have no liability in this matter.

Jeremy Burdusis, et al. v. Rent-A-Center, Inc., et al./Israel French, et al. v. Rent-A-Center, Inc. These matters pending in Los Angeles, California were filed on October 23, 2001, and October 30, 2001, respectively, and allege similar violations of the wage and hour laws of California as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in *Burdusis*. The *Burdusis* and *French* proceedings are pending before the same judge in California. On March 24, 2003, the *Burdusis* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On April 25, 2003, the plaintiffs in *Burdusis* filed a notice of appeal of that ruling, and on May 8, 2003, the *Burdusis* court, at our request, stayed further proceedings in *Burdusis* and *French* pending the resolution on appeal of the court's denial of class certification in *Burdusis*. In June 2004, the *Burdusis* plaintiffs filed their appellate brief. Our response brief was filed in September 2004, and the *Burdusis* plaintiffs filed their reply in October 2004.

On October 30, 2003, the plaintiffs' counsel in *Burdusis* and *French* filed a new non-class lawsuit in Orange County, California entitled *Kris Corso, et al. v. Rent-A-Center, Inc.* The plaintiffs' counsel later amended this complaint to add additional plaintiffs, totaling approximately 339 individuals. The claims made are substantially the same as those in *Burdusis*. On January 16, 2004, we filed a demurrer to the complaint, arguing, among other things, that the plaintiffs in *Corso* were misjoined. On February 19, 2004, the court granted our demurrer on the misjoinder argument, with leave for the plaintiffs to replead. On March 8, 2004, the plaintiffs filed an amended complaint in *Corso*, increasing the number of plaintiffs to approximately 400. The claims in the amended complaint are substantially the same as those in *Burdusis*. We filed a demurrer with respect to the amended complaint on April 12, 2004, which the court granted on May 6, 2004. However, the court allowed the plaintiffs to again replead the action on a representative basis, which they did on May 26, 2004. We subsequently filed a demurrer with respect to the newly repleaded action, which the court granted on August 12, 2004. The court subsequently stayed the *Corso* matter pending the outcome of the *Burdusis* matter.

Kevin Rose, et al. v. Rent-A-Center, Inc. et al. This matter pending in Clark County, Washington was filed on June 26, 2001, and alleges similar violations of the wage and hour laws of Washington as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in this matter. On May 14, 2003, the *Rose* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On June 3, 2003, the plaintiffs in *Rose* filed a notice of appeal. On September 8, 2003, the Commissioner appointed by the Court of Appeals denied review of the *Rose* court decision. On October 10, 2003, the *Rose* plaintiffs filed a motion seeking to modify the Commissioner's ruling, to which we responded on October 30, 2003. The Court of Appeals denied the plaintiffs' motion on November 26, 2003. Following the denial by the Court of Appeals, the plaintiffs' counsel filed 14 county-wide putative class actions in Washington with substantially the same claims as in *Rose*. The purported classes in these county-wide class actions range from approximately 20 individuals to approximately 100 individuals. Subsequently, we filed motions to dismiss and/or stay the class allegations in each of the county-wide actions. Four of these motions were subsequently granted, permitting the claims to proceed on an individual basis, one of which was subsequently dismissed on summary judgment. Accordingly, ten of the county-wide claims are now proceeding as putative class actions and three are proceeding on an individual plaintiff basis. We subsequently filed motions to compel arbitration with respect to 18 individual purported plaintiffs and class representatives in certain counties, which the applicable courts subsequently granted. Following such motions, approximately 19 purported plaintiffs and class representatives remain with respect to the claims made in the thirteen counties. The plaintiffs have not filed motions to certify a class in any of the putative county-wide class actions. In the event they do so, we intend to vigorously oppose class certification.

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

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In October 2003, we eliminated our previous stock repurchase program and adopted a new common stock repurchase program which as of September 30, 2004, authorized us to repurchase up to \$300.0 million in aggregate purchase price of our common stock. As of September 30, 2004, we had repurchased \$196.8 million in aggregate purchase price of our common stock under this stock repurchase program. In the third quarter of 2004, we effected the following repurchases of our common stock under this stock repurchase program:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share (including fees)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs (including fees)</u>
July 1 through July 31	0	\$ 0.0000	0	\$ 195,761,281
August 1 through August 31	1,451,100	\$ 28.7980	1,451,100	\$ 153,972,539
September 1 through September 30	<u>1,971,500</u>	<u>\$ 25.7639</u>	<u>1,971,500</u>	<u>\$ 103,178,994</u>
Total	3,422,600	\$ 27.0503	3,422,600	\$ 103,178,994

Item 6. Exhibits

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

By: /s/ Robert D. Davis

Robert D. Davis
Senior Vice President-Finance,
Chief Financial Officer and Treasurer

Date: October 29, 2004

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INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc. and Rent-Way, Inc., Rent-Way of Michigan, Inc. and Rent-Way of TTIG, L.P. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.) (Incorporated herein by reference to Exhibit 2.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
2.2	Letter Agreement, dated December 31, 2002 (Incorporated herein by reference to Exhibit 2.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
2.3	Letter Agreement, dated January 7, 2003 (Incorporated herein by reference to Exhibit 2.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
2.4	Letter Agreement, dated February 7, 2003 (Incorporated herein by reference to Exhibit 2.5 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
2.5	Letter Agreement, dated February 10, 2003 (Pursuant to the rules of the SEC, the exhibit has been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.) (Incorporated herein by reference to Exhibit 2.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
2.6	Letter Agreement, dated March 10, 2003 (Pursuant to the rules of the SEC, the exhibit has been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.) (Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
2.7	Agreement and Plan of Merger, dated as of February 4, 2004, by and between Rent-A-Center, Inc., Eagle Acquisition Sub, Inc. and Rainbow Rentals, Inc. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.) (Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
2.8	Agreement and Plan of Merger, dated as of April 27, 2004, by and between Rent-A-Center, Inc., RAC RR, Inc. and Rent Rite, Inc. d/b/a Rent Rite Rental Purchase (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.) (Incorporated herein by reference to Exhibit 2.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
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 3.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
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	Certificate of Elimination of Series A Preferred Stock (Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
4.3	Certificate of Designations, Preferences and relative Rights and Limitations of Series C Preferred Stock of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
4.4	Form of Certificate evidencing Series C Preferred Stock (Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
4.5	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.)



RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit No.	Description
4.6	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.)
4.7	Second Supplemental Indenture, dated as of April 26, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (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.)
4.8	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.)
4.9	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.)
4.10	Form of 2003 Exchange Note (Incorporated herein by reference to Exhibit 4.11 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
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.)
10.2	Amended and Restated Credit Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, among Rent-A-Center, Inc., Rent-A-Center East, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent, and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
10.3	First Amendment, dated as of April 22, 2003, to the Amended and Restated Credit Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, among Rent-A-Center, Inc., Rent-A-Center East, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent, and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent (Incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.)
10.4	Credit Agreement, dated as of May 28, 2003, among Rent-A-Center, Inc., Morgan Stanley Senior Funding Inc., as Documentation Agent, JPMorgan Chase Bank and Bear, Stearns & Co. Inc., each as Syndication Agent, and Lehman Commercial Paper Inc., as Administrative Agent (Incorporated herein by reference to Exhibit 10.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.5	Guarantee and Collateral Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, made by Rent-A-Center, Inc., Rent-A-Center East, Inc. and certain of its Subsidiaries in favor of JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent (Incorporated herein by reference to Exhibit 10.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
10.6	Guarantee and Collateral Agreement, dated as of May 28, 2003, made by Rent-A-Center, Inc., Rent-A-Center East, Inc. and certain of its Subsidiaries in favor of Lehman Commercial Paper Inc., as Administrative Agent (Incorporated herein by reference to Exhibit 10.6 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.7	First Amendment, dated as of May 28, 2003, to the Credit Agreement and the Guarantee and Collateral Agreement, both dated as of May 28, 2003, among Rent-A-Center, Inc., Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Remco America, Inc., Get It Now LLC, Rent-A-Center Texas, L.P., Rent-A-Center Texas, L.L.C. and Lehman Commercial Paper, Inc., as administrative agent (Incorporated herein by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
10.8	Amended and Restated Credit Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2004, among Rent-A-Center, Inc., the several lenders from time to time parties thereto, Calyon New York Branch, SunTrust Bank and Union Bank of California, N.A., as Documentation Agents, Lehman Commercial Paper Inc., as Syndication Agent, and JPMorgan Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated July 15, 2004.)

RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit No.	Description
10.9	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.)
10.10	Third Amended and Restated Stockholders Agreement, dated as of December 31, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons (Incorporated herein by reference to Exhibit 10.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
10.11	Fourth Amended and Restated Stockholders Agreement, dated as of July 11, 2003, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons (Incorporated herein by reference to Exhibit 10.15 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.12	Fifth Amended and Restated Stockholders Agreement, dated as of August 13, 2004, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons (Incorporated herein by reference to Exhibit 10.3 to the registrant's Registration Statement on Form S-3/A filed on September 21, 2004.)
10.13	Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P. (Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.)
10.14	Second Amendment to Registration Rights Agreement, dated as of August 5, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (Incorporated herein by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.)
10.15	Third Amendment to Registration Rights Agreement, dated as of December 31, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (Incorporated herein by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002.)
10.16	Fourth Amendment to Registration Rights Agreement, dated as of July 11, 2003, by and between Rent-A-Center, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P. (Incorporated herein by reference to Exhibit 10.10 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.17	Registration Rights Agreement, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and Lehman Commercial Paper Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., UBS Warburg LLC and Wachovia Securities, Inc., as Initial Purchasers (Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.)
10.18	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.)
10.19	Supplemental Letter Agreement to Franchisee Financing Amendment, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.20	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.)
10.21	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.)
10.22	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.)

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit No.	Description
10.23	Purchase Agreement, dated May 1, 2003, among Rent-A-Center, Inc., Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P., Rent-A-Center Texas, L.L.C., Lehman Brothers Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., UBS Warburg LLC and Wachovia Securities, Inc. (Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.)
10.24	Stock Purchase and Exchange Agreement, dated April 25, 2003, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 99(d)(1) to the registrant's Schedule TO filed on April 28, 2003.)
21.1	Subsidiaries of Rent-A-Center, Inc. (Incorporated herein by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
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.

I, Mark E. Speese, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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
 - (c) 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: October 29, 2004

/s/ Mark E. Speese

Mark E. Speese
Chairman of the Board
and Chief Executive Officer

I, Robert D. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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
 - (c) 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: October 29, 2004

/s/ Robert D. Davis

Robert D. Davis
Senior Vice President-Finance, Treasurer
and Chief Financial Officer

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "**Company**") on Form 10-Q for the period ended September 30, 2004 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: October 29, 2004

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.

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "**Company**") on Form 10-Q for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), I, Robert D. Davis, Senior 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
Senior Vice President - Finance,
Treasurer and Chief Financial Officer

Dated: October 29, 2004

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.