SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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

COMMISSION FILE NO. 0-25370

RENT-A-CENTER, INC.
(Exact name of registrant as specified in its charter)

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

5700 TENNYSON PARKWAY
THIRD FLOOR
PLANO, TEXAS 75024
972-801-1100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: NONE

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

COMMON STOCK, PAR VALUE $.01 PER SHARE
(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

AGGREGATE MARKET VALUE OF THE 33,631,901 SHARES OF COMMON STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT AT THE CLOSING SALES PRICE ON MARCH 24, 2003..... $1,854,799,340

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AS OF THE CLOSE OF BUSINESS ON MARCH 24, 2003:.....34,853,773

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive proxy statement relating to the 2003 Annual Meeting of Stockholders of Rent-A-Center, Inc. are incorporated by reference into Part III of this report.

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PART I

ITEM 1. BUSINESS

OVERVIEW

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

We are the largest operator in the United States rent-to-own industry with an approximate 29% market share based on store count. At December 31, 2002, we operated 2,407 company-owned stores nationwide and in Puerto Rico, including 23 stores in Wisconsin operated by our subsidiary Get It Now, LLC under the name "Get It Now." Another of our subsidiaries, ColorTyme, Inc., is a national franchisor of rent-to-own stores. At December 31, 2002, ColorTyme had 318 franchised stores in 40 states, 306 of which operated under the ColorTyme name and 12 of which operated under the Rent-A-Center name. These franchise stores represent a further 4% market share based on store count.

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. Get It Now offers our merchandise on an installment sales basis in Wisconsin. We offer well known brands such as Philips, Sony, JVC, Toshiba and Mitsubishi home electronics, Whirlpool appliances, Dell, IBM, Compaq and Hewlett-Packard computers and Ashley, England, Berkline and Standard furniture.

Our customers often lack access to conventional forms of credit. We offer products such as big screen televisions, computers and sofas, and well known brands that might otherwise be unavailable without credit. We also offer high levels of customer service at no charge, including repair, pick-up and delivery. Our customers benefit from the ability to return merchandise at any time without further obligation and make payments that build toward ownership. We estimate that approximately 62% of our business is from repeat customers.

Our principal executive offices are located at 5700 Tennyson Parkway, Third Floor, Plano, Texas 75024. Our telephone number is (972) 801-1100 and our company website is www.rentacenter.com. We do not intend for information contained on our website to be part of this Form 10-K. We make available free of charge on or through our website our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material or furnish it to the SEC. Additionally, we voluntarily will provide electronic or paper copies of our filings free of charge upon request.

CORPORATE REORGANIZATION

Effective as of December 31, 2002, we completed a tax-free internal reorganization of our corporate structure. The reorganization was effected through an inversion merger whereby Rent-A-Center, Inc. became a wholly-owned subsidiary of Rent-A-Center Holdings, Inc., a newly formed Delaware holding company, which was incorporated as a Delaware corporation on November 26, 2002. Upon the merger, Rent-A-Center, Inc. changed its name to "Rent-A-Center East, Inc.," and Rent-A-Center Holdings, Inc. adopted the name "Rent-A-Center, Inc." The newly formed parent company, Rent-A-Center, Inc., is deemed the "successor issuer" to Rent-A-Center East, Inc. Rent-A-Center East was originally incorporated as a Delaware corporation on September 16, 1986.

INDUSTRY OVERVIEW

According to industry sources and our estimates, the rent-to-own industry consists of approximately 8,300 stores, and provides approximately 7.0 million products to over 2.8 million households each year. We estimate the six largest rent-to-own industry participants account for approximately 4,700 of the total number of stores, and the majority of the remainder of the industry consists of operations with fewer than 20 stores. The rent-to-own industry is highly fragmented and, due primarily to the decreased availability of traditional financing sources, has experienced, and we believe will continue to experience, increasing consolidation. We believe this consolidation trend in the industry presents opportunities for us to continue to acquire additional stores on favorable terms.

The rent-to-own industry serves a highly diverse customer base. According to the Association of Progressive Rental Organizations, 92% of rent-to-own customers have incomes between $15,000 and $50,000 per year. Many of the customers served by the industry do not have access to conventional forms of credit and are typically cash constrained. For these customers, the rent-to-own industry provides access to brand name products that they would not normally be able to obtain. The Association of Progressive Rental Organizations also estimates that 93% of customers have high school diplomas. According to a Federal Trade Commission study, 75% of rent-to-own customers were satisfied with their experience with rent-to-own transactions. The study noted that customers gave a wide variety of reasons for their satisfaction, "including the ability to obtain merchandise they otherwise could not, the low payments, the lack of a credit check, the convenience and flexibility of the transaction, the quality of the merchandise, the quality of the maintenance, delivery, and other services, the friendliness and flexibility of the store employees, and the lack of any problems or hassles."

STRATEGY

We are currently focusing our strategic efforts on:

- enhancing the operations and profitability in our store locations;

- opening new stores and acquiring existing rent-to-own stores; and

- building our national brand.

ENHANCING STORE OPERATIONS

We continually seek to improve store performance through strategies intended to produce gains in operating efficiency and profitability. For example, in the later part of 2001, we implemented programs to refocus our operational personnel to prioritize store profit growth, including the effective pricing of rental merchandise and the management of store level operating expenses. Similarly, we instituted a transitional duty program to maintain store level productivity as well as to minimize costs related to the workers compensation component of our insurance programs.

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

- use focused advertising to increase store traffic;

- expand the offering of upscale, higher margin products, such as Philips, Sony, JVC, Toshiba and Mitsubishi home electronics, Whirlpool appliances, Dell, IBM, Compaq and Hewlett-Packard computers and Ashley, England, Berkline and Standard furniture to increase the number of product rentals;

- employ strict store-level cost control;

- closely monitor each store's performance through the use of our management information system to ensure each store's adherence to established operating guidelines; and

- use a revenue and profit based incentive pay plan.

OPENING NEW STORES AND ACQUIRING EXISTING RENT-TO-OWN STORES

We intend to expand our business both by opening new stores in targeted markets and by acquiring existing rent-to-own stores. We will focus new market penetration in adjacent areas or regions that we believe are underserved by the rent-to-own industry, which we believe represents a significant opportunity for us. In addition, we intend to pursue our acquisition strategy of targeting under-performing and under-capitalized chains of rent-to-own stores. We have gained significant experience in the acquisition and integration of other rent-to-own operators and believe the fragmented nature of the rent-to-own industry will result in ongoing consolidation opportunities. Acquired stores benefit from our administrative network, improved product mix, sophisticated management information system and purchasing power. In addition, we have access to our franchise locations, which we have the right of first refusal to purchase.

Since March 1993, our company-owned store base has grown from 27 to 2,407 at December 31, 2002, primarily through acquisitions. During this period, we acquired over 2,200 company-owned stores and over 350 franchised stores in more than 120 separate transactions, including six transactions where we acquired in excess of 70 stores. In May 1998, we acquired substantially all of the assets of Central Rents, Inc., which operated 176 stores, for approximately $100 million in cash. In August 1998, we acquired Thorn Americas, Inc. for approximately $900 million in cash, including the repayment of certain debt of Thorn Americas. Prior to this acquisition, Thorn Americas was our largest competitor, operating 1,409 company-owned stores and franchising 65 stores in 49 states and the District of Columbia.

Having successfully integrated the Thorn Americas and Central Rents acquisitions, we resumed our strategy of increasing our store base. The table below summarizes the store growth activity over the last three fiscal years.

	2002	2001	2000
New store openings	70	76	36
Acquired stores	83	95	74
Stores from which we acquired accounts	126	90	73
Closed stores Merged with existing stores	23	42	22
Sold	4	6	4
Closed without merger	--	--	1
Total approximate purchase price of acquisitions	$59.5 million	$49.8 million	$42.5 million

In February 2003, we acquired substantially all of the assets of 295 stores located throughout the United States from Rent-Way, Inc. and certain of its subsidiaries for approximately $100.4 million in cash. Of the 295 stores, 176 were merged with existing locations. For more details on the Rent-Way transaction, please read the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Recent Developments." Furthermore, since December 31, 2002, we acquired additional accounts from one store location for approximately $100,000 in cash and opened an additional 20 new stores. We also closed three stores, merging them with existing stores, resulting in a total store count of 2,543 at March 24, 2003.

We continue to believe there are attractive opportunities to expand our presence in the rent-to-own industry. We intend to increase the number of stores in which we operate by an average of approximately 5% to 10% per year over the next several years. We plan to accomplish our future growth through both selective and opportunistic acquisitions and new store development.

BUILDING OUR NATIONAL BRAND

We have implemented strategies to increase our name recognition and enhance our national brand. As part of that strategy, we utilize television and radio commercials, print, direct response and in-store signage, all of which are designed to increase our name recognition among our customers and potential customers. We believe that as the Rent-A-Center name gains in familiarity and national recognition through our advertising efforts, we will continue to educate the customer about the rent-to-own alternative to merchandise purchases as well as solidify our reputation as a leading provider of high quality branded merchandise.

OUR STORES

At December 31, 2002, we operated 2,407 stores nationwide and in Puerto Rico. In addition, our subsidiary ColorTyme franchised 318 stores in 40 states. This information is illustrated by the following table:

LOCATION	NUMBER OF STORES COMPANY OWNED	FRANCHISED
Alabama	48	--
Alaska	4	--
Arizona	53	7
Arkansas	25	3
California	146	8
Colorado	31	3
Connecticut	30	5
Delaware	15	1
District of Columbia	4	--
Florida	137	11
Georgia	92	13
Hawaii	11	3
Idaho	6	4
Illinois	115	5
Indiana	104	5
Iowa	20	--
Kansas	27	18
Kentucky	40	6
Louisiana	35	5
Maine	20	9
Maryland	53	6
Massachusetts	49	8
Michigan	95	12
Minnesota	4	--
Mississippi	23	4
Missouri	56	8
Montana	3	4

LOCATION	NUMBER OF STORES COMPANY OWNED	FRANCHISED
Nebraska	8	--
Nevada	16	5
New Hampshire	14	2
New Jersey	40	8
New Mexico	12	9
New York	126	14
North		

Carolina	97	
North Dakota	1	--
Ohio	159	4
Oklahoma	37	13
Oregon	19	9
Pennsylvania	91	6
Puerto Rico	22	--
Rhode Island	12	1
South Carolina	34	5
South Dakota	3	--
Tennessee	78	5
Texas	250	54
Utah	15	2
Vermont	7	--
Virginia	43	8
Washington	37	9
West Virginia	12	2
Wisconsin	23*	--
Wyoming	5	--
TOTAL	2,407	318

- ---

* Represents stores operated by Get It Now, LLC, one of our subsidiaries.

Our stores average approximately 4,400 square feet and are located primarily in strip malls. Because we receive merchandise shipments directly from vendors, we are able to dedicate approximately 80% of the store space to showroom floor, and also eliminate warehousing costs.

RENT-A-CENTER STORE OPERATIONS

PRODUCT SELECTION

Our stores offer merchandise from four basic product categories: home electronics, appliances, computers and furniture and accessories. Although we seek to ensure our stores maintain sufficient inventory to offer customers a wide variety of models, styles and brands, we generally limit inventory to prescribed levels to ensure strict inventory controls. We seek to provide a wide variety of high quality merchandise to our customers, and we emphasize high-end products from brand-name manufacturers. For the year ended

December 31, 2002, home electronic products accounted for approximately 42% of our store rental revenue, furniture and accessories for 32%, appliances for 16% and computers for 10%. Customers may request either new merchandise or previously rented merchandise. Previously rented merchandise is offered at the same weekly or monthly rental rate as is offered for new merchandise, but with an opportunity to obtain ownership of the merchandise after fewer rental payments.

Home electronic products offered by our stores include high definition and wide-screen televisions, DVD players, home entertainment centers, video cassette recorders and stereos from top brand manufacturers such as Philips, Sony, JVC, Toshiba and Mitsubishi. We rent major appliances manufactured by Whirlpool, including refrigerators, washing machines, dryers, microwave ovens, freezers and ranges. We offer personal and laptop computers from Dell, IBM, Compaq and Hewlett-Packard. We rent a variety of furniture products, including dining room, living room and bedroom furniture featuring a number of styles, materials and colors. We offer furniture made by Ashley, England, Berkline and Standard and other top brand manufacturers. Accessories include pictures, lamps and tables and are typically rented as part of a package of items, such as a complete room of furniture. Showroom displays enable customers to visualize how the product will look in their homes and provide a showcase for accessories.

RENTAL PURCHASE AGREEMENTS

Our customers generally enter into weekly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain title to the merchandise during the term of the rental purchase agreement. Ownership of the merchandise generally transfers to the customer if the customer has continuously renewed the rental purchase agreement for a period of 6 to 30 months, depending upon the product type, or exercises a specified early purchase option. Although we do not conduct a formal credit investigation of each customer, a potential customer must provide store management with sufficient personal information to allow us to verify their residence and sources of income. References listed by the customer are contacted to verify the information contained in the customer's rental purchase order form. Rental payments are generally made in the store in cash, by money order or debit card. Approximately 85% of our customers pay on a weekly basis. Depending on state regulatory requirements, we charge for the reinstatement of terminated accounts or collect a delinquent account fee, and collect loss/damage waiver fees from customers desiring product protection in case of theft or certain natural disasters. These fees are standard in the industry and may be subject to government-specified limits. Please read the section entitled "-- Government Regulation."

PRODUCT TURNOVER

On average, a minimum rental term of 18 months is generally required to obtain ownership of new merchandise. We believe that only approximately 25% of our initial rental purchase agreements are taken to the full term of the agreement, although the average total life for each product is approximately 22 months, which includes the initial rental period, all re-rental periods and idle time in our system. Turnover varies significantly based on the type of merchandise rented, with certain consumer electronics products, such as camcorders and video cassette recorders, generally rented for shorter periods, while appliances and furniture are generally rented for longer periods. To cover the relatively high operating expenses generated by greater product turnover, rental purchase agreements require higher aggregate payments than are generally charged under other types of purchase plans, such as installment purchase or credit plans.

CUSTOMER SERVICE

We offer same day or 24-hour delivery and installation of our merchandise at no additional cost to the customer. We provide any required service or repair without additional charge, except for damage in excess of normal wear and tear. Repair services are provided through our national network of 23 service centers, the cost of which may be reimbursed by the vendor if the item is still under factory warranty. If the product cannot be repaired at the customer's residence, we provide a temporary replacement while the product is being repaired. The customer is fully liable for damage, loss or destruction of the merchandise, unless the customer purchases an optional loss/damage waiver covering the particular loss. Most of the products we offer are covered by a

manufacturer's warranty for varying periods, which, subject to the terms of the warranty, is transferred to the customer in the event that the customer obtains ownership.

COLLECTIONS

Store managers use our management information system to track collections on a daily basis. Our goal is to have no more than 6.50% of our rental agreements past due one day or more each Saturday evening. For fiscal years 2002, 2001 and 2000, the average week ending past due percentages were 5.95%, 5.74% and 5.83%, respectively. If a customer fails to make a rental payment when due, store personnel will attempt to contact the customer to obtain payment and reinstate the agreement, or will terminate the account and arrange to regain possession of the merchandise. We attempt to recover the rental items as soon as possible following termination or default of a rental purchase agreement, generally by the seventh to tenth day. Collection efforts are enhanced by the numerous personal and job-related references required of customers, the personal nature of the relationships between the stores' employees and customers and the fact that, following a period in which a customer is temporarily unable to make payments on a piece of rental merchandise and must return the merchandise, that customer generally may re-rent a piece of merchandise of similar type and age on the terms the customer enjoyed prior to that period. Charge-offs due to lost or stolen merchandise, expressed as a percentage of store revenues, were approximately 2.5% in each of 2002, 2001 and 2000.

MANAGEMENT

We organize our network of stores geographically with multiple levels of management. At the individual store level, each store manager is responsible for customer and credit relations, delivery and collection of merchandise, inventory management, staffing, training store personnel and certain marketing efforts. Three times each week, store management is required to count the store's inventory on hand and compare the count to the accounting records, with the market manager performing a similar audit at least bi-monthly. In addition, our individual store managers track their daily store performance for revenue collected as compared to the projected performance of their store. Each store manager reports to a market manager within close proximity who typically oversees six to eight stores. Typically, a market manager focuses on developing the personnel in his or her market and ensuring all stores meet our quality, cleanliness and service standards. In addition, a market manager routinely audits numerous areas of the stores' operations, including gross profit per rental agreement, petty cash and customer order forms. A significant portion of a market manager's and store manager's compensation is dependent upon store revenues and profits, which are monitored by our management reporting system and our tight control over inventory afforded by our direct shipment practice.

At December 31, 2002, we had 328 market managers who, in turn, reported to 55 regional directors. Regional directors monitor the results of their entire region, with an emphasis on developing and supervising the market managers in their region. Similar to the market managers, regional directors are responsible for ensuring store managers are following the operational guidelines, particularly those involving store presentation, collections, inventory levels and order verification. The regional directors report to eight senior vice presidents at our headquarters. The regional directors receive a significant amount of their compensation based on the profitability of the stores under their management.

Our executive management team at the home office directs and coordinates purchasing, financial planning and controls, employee training, personnel matters and new store site selection. Our executive management team also evaluates the performance of each region, market and store, including the use of on-site reviews. All members of our executive management team receive a significant amount of their total compensation based on the profits generated by the entire company. As a result, our business strategy emphasizes strict cost containment.

MANAGEMENT INFORMATION SYSTEMS

Through a licensing agreement with High Touch, Inc., we utilize an integrated management information and control system. Each store is equipped with a computer system utilizing point of sale software developed

by High Touch. This system tracks individual components of revenue, each item in idle and rented inventory, total items on rent, delinquent accounts, items in service and other account information. We electronically gather each day's activity report, which provides our executive management with access to all operating and financial information concerning any of our stores, markets or regions and generates management reports on a daily, weekly, month-to-date and year-to-date basis for each store and for every rental purchase transaction. The system enables us to track each of our approximately 2.3 million units of merchandise and each of our approximately 1.5 million rental purchase agreements, which often include more than one unit of merchandise. In addition, our bank reconciliation system performs a daily sweep of available funds from our stores' depository accounts into our central operating account based on the balances reported by each store. Our system also includes extensive management software and report-generating capabilities. The reports for all stores are reviewed on a daily basis by management and unusual items are typically addressed the following business day. Utilizing the management information system, our executive management, regional directors, market managers and store managers closely monitor the productivity of stores under their supervision according to our prescribed guidelines.

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

PURCHASING AND DISTRIBUTION

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

We purchase the majority of our merchandise from manufacturers, who ship directly to each store. Our largest suppliers include Ashley, Whirlpool and Philips, who accounted for approximately 16.3%, 14.0%, and 10.0%, respectively, of merchandise purchased in 2002. No other supplier accounted for more than 10% of merchandise purchased during this period. We do not generally enter into written contracts with our suppliers that obligate us to meet certain minimum purchasing levels. Although we expect to continue relationships with our existing suppliers, we believe that there are numerous sources of products available, and we do not believe that the success of our operations is dependent on any one or more of our present suppliers.

MARKETING

We promote the products and services in our stores through direct mail advertising, radio, television and secondary print media advertisements. Our advertisements emphasize such features as product and brand-name selection, prompt delivery and the absence of initial deposits, credit investigations or long-term obligations. Advertising expense as a percentage of store revenue for the years ended December 31, 2002, 2001 and 2000 was approximately 3.2%, 4.0% and 4.0%, respectively. As we obtain new stores in our existing market areas, the advertising expenses of each store in the market can be reduced by listing all stores in the same market-wide advertisement.

COMPETITION

The rent-to-own industry is highly competitive. According to industry sources and our estimates, the six largest industry participants account for approximately 4,700 of the 8,300 rent-to-own stores in the United States. We are the largest operator in the rent-to-own industry with 2,407 stores and 318 franchised locations

as of December 31, 2002. Our stores compete with other national and regional rent-to-own businesses, as well as with rental stores that do not offer their customers a purchase option. With respect to customers desiring to purchase merchandise for cash or on credit, we also compete with department stores, credit card companies and discount stores. Competition is based primarily on store location, product selection and availability, customer service and rental rates and terms.

COLORTYME OPERATIONS

ColorTyme is our nationwide franchisor of rent-to-own stores. At December 31, 2002, ColorTyme franchised 318 rent-to-own stores in 40 states. These rent-to-own stores offer high quality durable products such as home electronics, appliances, computers and furniture and accessories. During 2002, 16 new locations were added, four were closed and 36 were sold, of which 35 were sold to us.

All but 12 of the ColorTyme franchised stores use ColorTyme's tradenames, service marks, trademarks, logos, emblems and indicia of origin. These 12 stores are franchises acquired in the Thorn Americas acquisition and continue to use the Rent-A-Center name. All stores operate under distinctive operating procedures and standards. ColorTyme's primary source of revenue is the sale of rental merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. As franchisor, ColorTyme receives royalties of 2.0% to 4.0% of the franchisees' monthly gross revenue and, generally, an initial fee of between $7,500 per location for existing franchisees and up to $25,000 per location for new franchisees.

The ColorTyme franchise agreement generally requires the franchised stores to utilize specific computer hardware and software for the purpose of recording rentals, sales and other record keeping and central functions. ColorTyme retains the right to retrieve data and information from the franchised stores' computer systems. The franchise agreements also limit the ability of the franchisees to compete against other franchisees.

The franchise agreement also requires the franchised stores to exclusively offer for rent or sale only those brands, types and models of products that ColorTyme has approved. The franchised stores are required to maintain an adequate mix of inventory that consists of approved products for rent as dictated by ColorTyme policy manuals. ColorTyme negotiates purchase arrangements with various suppliers it has approved. ColorTyme's largest supplier is Whirlpool, which accounted for approximately 14.9% of merchandise purchased by ColorTyme in 2002.

ColorTyme is a party to an agreement with Textron Financial Corporation, who provides $40.0 million in aggregate financing to qualifying franchisees of ColorTyme. Under this agreement, in the event of default by the franchisee under agreements governing this financing and upon the occurrence of certain events, Textron may assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Textron under the debt agreements, including the rights to foreclose on the collateral. An additional $10.0 million of financing is provided by Texas Capital Bank, National Association under an arrangement similar to the Textron financing. We guarantee the obligations of ColorTyme under these agreements up to a maximum amount of $50.0 million, of which $33.8 million was outstanding as of December 31, 2002. Mark E. Speese, our Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

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

ColorTyme licenses the use of its trademarks to the franchisees under the franchise agreement. ColorTyme owns the registered trademarks ColorTyme(R), ColorTyme-What's Right for You(R), and FlexTyme(R), along with certain design and service marks.

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

The ColorTyme franchise agreement provides us a right of first refusal to purchase the franchise location of a ColorTyme franchisee that wishes to exit the business or that goes into default under their financing agreement.

GET IT NOW OPERATIONS

On September 30, 2002, we transferred all of our Wisconsin store operations to a newly formed wholly-owned subsidiary, Get It Now, LLC. On October 1, 2002, Get It Now began operations in the state of Wisconsin under a retail operation which generates installment credit sales through a retail transaction. As of December 31, 2002, we operated 23 company-owned stores within Wisconsin, all of which operate under the name "Get It Now."

TRADEMARKS

We own various registered trademarks, including Rent-A-Center(R), Renters Choice(R), Remco(R) and Get It Now(R). The products held for rent also bear trademarks and service marks held by their respective manufacturers.

EMPLOYEES

As of March 21, 2003, we had approximately 14,300 employees, of whom 255 are assigned to our headquarters and the remainder are directly involved in the management and operation of our stores and service centers. As of the same date, we had approximately 20 employees dedicated to ColorTyme, all of whom were employed full-time. The employees of the ColorTyme franchisees are not employed by us. None of our employees, including ColorTyme employees, are covered by a collective bargaining agreement. However, in June 2001 the employees of six of our stores in New York, New York elected to be represented by the Teamsters union. However, we have not entered into a collective bargaining agreement covering these employees. We believe relationships with our employees and ColorTyme's relationships with its employees are generally good.

In connection with the settlement of the Wilfong matter finalized in December 2002, we entered into a four-year consent decree, which can be extended by the Wilfong court for an additional one year upon a showing of good cause. We also agreed to augment our human resources department and our internal employee complaint procedures, enhance our gender anti-discrimination training for all employees, hire a consultant mutually acceptable to the parties for two years to advise us on employment matters, provide certain reports to the EEOC during the period of the consent decree, seek qualified female representation on our board of directors, publicize our desire to recruit, hire and promote qualified women, offer to fill job vacancies within our regional markets with qualified class members who reside in those markets and express an interest in employment by us to the extent of 10% of our job vacancies in such markets over a fifteen month period, and to take certain other steps to improve opportunities for women. We initiated many of the above programs prior to entering into the settlement of the Wilfong matter.

GOVERNMENT REGULATION

STATE REGULATION

Currently 47 states, the District of Columbia and Puerto Rico have legislation regulating rental purchase transactions. We believe this existing legislation is generally favorable to us, as it defines and clarifies the various disclosures, procedures and transaction structures related to the rent-to-own business with which we must comply. With some variations in individual states, most related state legislation requires the lessor to make prescribed disclosures to customers about the rental purchase agreement and transaction, and provides time periods during which customers may reinstate agreements despite having failed to make a timely

payment. Some state rental purchase laws prescribe grace periods for non-payment, prohibit or limit certain types of collection or other practices, and limit certain fees that may be charged. Nine states limit the total rental payments that can be charged. These limitations, however, generally do not become applicable unless the total rental payments required under an agreement exceed 2.0 times to 2.4 times the disclosed cash price or the retail value of the rental product.

Minnesota, which has a rental purchase statute, and New Jersey and Wisconsin, which do not have rental purchase statutes, have had court decisions which treat rental purchase transactions as credit sales subject to consumer lending restrictions. In response, we have developed and utilized a separate rental agreement in Minnesota which does not provide customers with an option to purchase rented merchandise. In New Jersey, we have provided increased disclosures and longer grace periods. In Wisconsin, our Get It Now customers are provided an opportunity to purchase our merchandise through an installment sale transaction. We operate four stores in Minnesota and 40 stores in New Jersey. Our subsidiary Get It Now operates 23 stores in Wisconsin. Please read the section entitled "-- Legal Proceedings."

North Carolina has no rental purchase legislation. However, the retail installment sales statute in North Carolina recognizes that rental purchase transactions which provide for more than a nominal purchase price at the end of the agreed rental period are not credit sales under such statute. We operate 97 stores in North Carolina.

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

FEDERAL LEGISLATION

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

From time to time, we have supported legislation introduced in Congress that would regulate the rental purchase transaction by establishing a national standard relating to the various disclosures, procedures and rent-to-own transaction structures with which we must comply. While both beneficial and adverse legislation may be introduced in Congress in the future, any adverse federal legislation, if enacted, could have a material and adverse effect on us.

RISK FACTORS

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

WE MAY NOT BE ABLE TO SUCCESSFULLY IMPLEMENT OUR GROWTH STRATEGY, WHICH COULD CAUSE OUR FUTURE EARNINGS TO GROW MORE SLOWLY OR EVEN DECREASE.

As part of our growth strategy, we intend to increase our total number of stores in both existing markets and new markets through a combination of new store openings and store acquisitions. We increased our store base by 83 stores in 2000, 123 stores in 2001 and 126 stores in 2002. We also recently completed the acquisition of 295 stores from Rent-Way and certain of its subsidiaries. Our growth strategy could place a significant demand on our management and our financial and operational resources. This growth strategy is subject to various risks, including uncertainties regarding our ability to open new stores and our ability to acquire additional stores on favorable terms. We may not be able to continue to identify profitable new store locations or underperforming competitors as we currently anticipate. If we are unable to implement our growth strategy, our earnings may grow more slowly or even decrease.

Our continued growth also depends on our ability to increase sales in our existing stores. Our same store sales increased by 12.6%, 8.0% and 6.0% for 2000, 2001 and 2002, respectively. As a result of new store openings in existing markets and because mature stores will represent an increasing proportion of our store base over time, our same store sale increases in future periods may be lower than historical levels.

IF WE FAIL TO EFFECTIVELY MANAGE OUR GROWTH AND INTEGRATE NEW STORES, OUR FINANCIAL RESULTS MAY BE ADVERSELY AFFECTED.

The benefits we anticipate from our growth strategy may not be realized. The addition of new stores, both through store openings and through acquisitions, requires the integration of our management philosophies and personnel, standardization of training programs, realization of operating efficiencies and effective coordination of sales and marketing and financial reporting efforts. In addition, acquisitions in general are subject to a number of special risks, including adverse short-term effects on our reported operating results, diversion of management's attention and unanticipated problems or legal liabilities. Further, a newly opened store generally does not attain positive cash flow during its first year of operations.

THERE ARE LEGAL PROCEEDINGS PENDING AGAINST US SEEKING MATERIAL DAMAGES. THE COSTS WE INCUR IN DEFENDING OURSELVES OR ASSOCIATED WITH SETTLING ANY OF THESE PROCEEDINGS, AS WELL AS A MATERIAL FINAL JUDGMENT OR DECREE AGAINST US, COULD MATERIALLY ADVERSELY AFFECT OUR FINANCIAL CONDITION BY REQUIRING THE PAYMENT OF THE SETTLEMENT AMOUNT, A JUDGMENT OR THE POSTING OF A BOND.

Some lawsuits against us involve claims that our rental agreements constitute installment sales contracts, violate state usury laws or violate other state laws enacted to protect consumers. We are also defending a class action lawsuit alleging we violated the securities laws and lawsuits alleging we violated state wage and hour laws. Because of the uncertainties associated with litigation, we cannot estimate for you our ultimate liability for these matters, if any. The failure to pay any judgment would be a default under our senior credit facilities and the indenture governing Rent-A-Center East's outstanding subordinated notes.

OUR DEBT AGREEMENTS IMPOSE RESTRICTIONS ON US WHICH MAY LIMIT OR PROHIBIT US FROM ENGAGING IN CERTAIN TRANSACTIONS. IF A DEFAULT WERE TO OCCUR, OUR LENDERS COULD ACCELERATE THE AMOUNTS OF DEBT OUTSTANDING, AND HOLDERS OF OUR SECURED INDEBTEDNESS COULD FORCE US TO SELL OUR ASSETS TO SATISFY ALL OR A PART OF WHAT IS OWED.

Covenants under our senior credit facilities and the indenture governing Rent-A-Center East's outstanding subordinated notes restrict our ability to pay dividends, engage in various operational matters, as well as

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

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

The existing indebtedness under our senior credit facilities is secured by substantially all of our assets. Should a default or acceleration of this indebtedness occur, the holders of this indebtedness could sell the assets to satisfy all or a part of what is owed. Our senior credit facilities also contain provisions prohibiting the modification of Rent-A-Center East's outstanding subordinated notes, as well as limiting the ability to refinance such notes.

A CHANGE OF CONTROL COULD ACCELERATE OUR OBLIGATION TO PAY OUR OUTSTANDING INDEBTEDNESS, AND WE MAY NOT HAVE SUFFICIENT LIQUID ASSETS TO REPAY THESE AMOUNTS.

Under our senior credit facilities, an event of default would result if a third party became the beneficial owner of 33.33% or more of our voting stock or upon certain changes in the constitution of our Board of Directors. As of December 31, 2002, we were required to make principal payments under our senior credit facilities of $1.1 million in 2003, $13.0 million in 2004, $49.1 million in 2005, $114.1 million in 2006, and $72.2 million after 2006. These payments reduce our cash flow. If the lenders under our debt instruments accelerate these obligations, we may not have sufficient liquid assets to repay amounts outstanding under these agreements.

Under the indenture governing Rent-A-Center East's outstanding subordinated notes, in the event that a change in control occurs, Rent-A-Center East may be required to offer to purchase all of its outstanding subordinated notes at 101% of their original aggregate principal amount, plus accrued interest to the date of repurchase. A change in control also would result in an event of default under our senior credit facilities, which could then be accelerated by our lenders.

RENT-TO-OWN TRANSACTIONS ARE REGULATED BY LAW IN MOST STATES. ANY ADVERSE CHANGE IN THESE LAWS OR THE PASSAGE OF ADVERSE NEW LAWS COULD EXPOSE US TO LITIGATION OR REQUIRE US TO ALTER OUR BUSINESS PRACTICES.

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

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

OUR BUSINESS DEPENDS ON A LIMITED NUMBER OF KEY PERSONNEL, WITH WHOM WE DO NOT HAVE EMPLOYMENT AGREEMENTS. THE LOSS OF ANY ONE OF THESE INDIVIDUALS COULD DISRUPT OUR BUSINESS.

Our continued success is highly dependent upon the personal efforts and abilities of our senior management, including Mark E. Speese, our Chairman of the Board and Chief Executive Officer, Mitchell E. Fadel, our President and Chief Operating Officer, and Dana F. Goble our Executive Vice President -- Operations. We do not have employment contracts with or maintain key-person insurance on the lives of any of these officers and the loss of any one of them could disrupt our business.

A SMALL GROUP OF OUR DIRECTORS AND THEIR AFFILIATES HAVE SIGNIFICANT INFLUENCE OVER THE OUTCOME OF CERTAIN CORPORATE TRANSACTIONS AFFECTING US, INCLUDING POTENTIAL MERGERS OR ACQUISITIONS, THE CONSTITUTION OF OUR BOARD OF DIRECTORS AND SALES OR CHANGES IN CONTROL.

Affiliates of Apollo Management IV, L.P. hold all of our outstanding Series A preferred stock. Under the terms of our Series A preferred stock, the holders of Series A preferred stock generally have the right to elect two members to our board of directors. In addition, pursuant to the terms of a stockholders agreement entered into among us, Apollo, Mark E. Speese and certain other parties, Apollo has the right to designate a third person to be nominated to our board of directors. The terms of our Series A preferred stock as well as the stockholders agreement also contain provisions requiring Apollo's approval to effect certain transactions involving us, including repurchasing shares of our common stock, declaring or paying any dividend on our common stock, increasing the size of our board of directors, selling all or substantially all of our assets and entering into any merger or consolidation or other business combination.

These documents also provide that one member of each of our audit committee, compensation committee and finance committee must be a director who was elected by Apollo. In addition, the terms of our Series A preferred stock and the stockholders agreement restrict our ability to issue debt or equity securities with a value in excess of $10 million without the majority affirmative vote of our finance committee, and in most cases, require the unanimous vote of our finance committee for the issuance of our equity securities with a value in excess of $10 million.

OUR ORGANIZATIONAL DOCUMENTS, SERIES A PREFERRED STOCK AND DEBT INSTRUMENTS CONTAIN PROVISIONS THAT MAY PREVENT OR DETER ANOTHER GROUP FROM PAYING A PREMIUM OVER THE MARKET PRICE TO OUR STOCKHOLDERS TO ACQUIRE OUR STOCK.

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

OUR STOCK PRICE IS VOLATILE, AND YOU MAY NOT BE ABLE TO RECOVER YOUR INVESTMENT IF OUR STOCK PRICE DECLINES.

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

- quarterly variations in our results of operations, which may be impacted by, among other things, changes in same store sales and when and how many stores we acquire or open;

- quarterly variations in our competitors' results of operations;

- changes in earnings estimates or buy/sell recommendations by financial analysts;

- the stock price performance of comparable companies; and

- general market conditions or market conditions specific to particular industries.

ITEM 2. PROPERTIES

We lease space for all of our stores, as well as our corporate and regional offices, under operating leases expiring at various times through 2010. Most of these leases contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas. Store sizes range from approximately 1,800 to 25,000 square feet, and average approximately 4,400 square feet. Approximately 80% of each store's space is generally used for showroom space and 20% for offices and storage space. Our headquarters, including Get It Now, and ColorTyme's headquarters are each located at 5700 Tennyson Parkway, Plano, Texas, and consist of approximately 78,536 and 5,116 square feet devoted to our operations and ColorTyme's operations, respectively.

We believe that suitable store space generally is available for lease and we would be able to relocate any of our stores without significant difficulty should we be unable to renew a particular lease. We also expect additional space is readily available at competitive rates to open new stores. Under various federal and state laws, lessees may be liable for environmental problems at leased sites even if they did not create, contribute to, or know of the problem. We are not aware of and have not been notified of any material violations of federal, state or local environmental protection or health and safety laws, but cannot guarantee that we will not incur material costs or liabilities under these laws in the future.

ITEM 3. LEGAL PROCEEDINGS

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

Colon v. Thorn Americas, Inc. The plaintiff filed this class action in November 1997 in New York state court. This matter was assumed by us in connection with the Thorn Americas acquisition, and appropriate purchase accounting adjustments were made for such contingent liabilities. The plaintiff acknowledges that rent-to-own transactions in New York are subject to the provisions of New York's Rental Purchase Statute but contends the Rental Purchase Statute does not provide Thorn Americas immunity from suit for other statutory violations. The plaintiff alleges Thorn Americas has a duty to disclose effective interest under New York consumer protection laws, and seek 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 Thorn Americas' 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 has granted the parties permission to submit competing orders as to the effect of the opinion on the plaintiff's specific claims. We anticipate submitting our proposed order to the court in the near future, but in any event 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.

Wisconsin Attorney General Proceeding. On August 4, 1999, the Wisconsin Attorney General filed suit against us and our subsidiary ColorTyme in the Circuit Court of Milwaukee County, Wisconsin, alleging that our rent-to-rent transaction, coupled with the opportunity afforded our rental customers to purchase the rented merchandise under what we believed was a separate transaction, was a disguised credit sale subject to the Wisconsin Consumer Act. Accordingly, the Attorney General alleged that we failed to disclose credit terms, misrepresented the terms of the transaction and engaged in unconscionable practices. The Attorney General sought injunctive relief, restoration of any losses suffered by any Wisconsin consumer harmed and civil forfeitures and penalties in amounts ranging from $50 to $10,000 per violation.

On October 1, 2002, in anticipation of the settlement of this matter, we changed our business practices in Wisconsin to a retail sale model. Accordingly, our 23 Wisconsin stores now offer credit sale transactions and operate under our subsidiary Get It Now, which is subject to regulation under the Wisconsin Consumer Act.

On November 12, 2002, we signed a settlement agreement for this suit with the Attorney General, which was approved by the court on the same day. Under the terms of the settlement, we created a restitution fund in the amount of $7.0 million for our eligible Wisconsin customers who had completed or active transactions with us as of September 30, 2002. In addition, we paid $1.4 million to the State of Wisconsin for fines, penalties, costs and fees. A portion of the restitution fund is allocated for customers with completed transactions as of September 30, 2002, and the balance is allocated for restitution on active transactions as of September 30, 2002, which will be allowed to terminate according to their terms when customers either acquire or return the merchandise. Restitution will be offered on the active transactions when all such active transactions have terminated, which we anticipate will occur by the fall of 2004. Any unclaimed restitution funds at the conclusion of the restitution period will be returned to us. To the extent the amount in the restitution fund is insufficient to pay the required amount of restitution, we are obligated to provide additional funds to do so. However, we believe the amount in the restitution fund allocated for the active transactions, together with the amount of funds we anticipate will remain unclaimed by customers with completed transactions, will be sufficient to pay the required amount of restitution on all eligible active transactions. Any customer accepting a restitution check will be required to release us and our subsidiary ColorTyme from all claims related to their transaction or transactions with us. We, together with ColorTyme, also agreed to enter into an injunction requiring each of us to comply with the Wisconsin Consumer Act in any transaction in Wisconsin in which the customer can become the owner of merchandise other than through a single lump sum payment.

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 alleges that the defendants violated Sections 10(b) and/or Section 20(a) of the Securities Exchange Act of 1934 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 purports to be brought on behalf of all purchasers of our common stock from April 25, 2001 through October 8, 2001 and seeks 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 of 1933 as a result of alleged misrepresentations and omissions in connection with an offering in May 2001 and also added the managing underwriters in that offering as defendants.

On February 7, 2003, we, along with the officer and director defendants, filed a motion to dismiss the matter as well as a motion to transfer venue. On February 19, 2003, the underwriter defendants also filed a motion to dismiss. The court has scheduled a hearing for June 26, 2003 to hear each of these motions.

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

Gregory Griffin, et. al. v. Rent-A-Center, Inc. On June 25, 2002, a suit originally filed by Gregory Griffin in state court in Philadelphia, Pennsylvania was amended to seek relief both individually and on behalf of a class of customers in Pennsylvania, alleging that we violated the Pennsylvania Goods and Services Installment

Sales Act and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. The amended complaint asserts that our rental purchase transactions are, in fact, retail installment sales transactions, and as such, are not governed by the Pennsylvania Rental-Purchase Agreement Act, which was enacted after the adoption of the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices Act. Griffin's suit seeks class-wide remedies, including injunctive relief, unspecified statutory, actual and treble damages, as well as attorney's fees and costs.

In July 2002, we filed preliminary objections to the complaint in Griffin. On December 13, 2002, the court granted our preliminary objections and dismissed the plaintiffs' claims. On January 6, 2003, the plaintiffs filed a notice of appeal. We 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.

State Wage and Hour Class Actions. On August 20, 2001, a putative class action was filed against us in state court in Multnomah County, Oregon entitled Rob Pucci, et. al. v. Rent-A-Center, Inc. alleging violations of Oregon state law regarding overtime, lunch and work breaks and failure to timely pay all wages due our Oregon employees, as well as 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. As of March 24, 2003, we operated 23 stores in Oregon. 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 and granted plaintiff's motion for class certification with respect to the remaining claims. We strongly disagree with the court's rulings against our positions and have requested that the court grant us interlocutory appeal on those matters. Although we believe the claims remaining in this case are without merit, we cannot assure you we will be found to have no liability in this matter.

We are subject to a similar suit pending in Clark County, Washington entitled Kevin Rose, et al. v. Rent-A-Center, Inc., et al. and two similar suits pending in Los Angeles, California entitled Jeremy Burdusis, et al. v. Rent-A-Center, Inc., et al. and Israel French, et al. v. Rent-A-Center, Inc., each of which allege similar violations of the wage and hour laws of those respective states. As of March 24, 2003, we operated 41 stores in Washington and 151 stores in California. The same law firm seeking to represent the purported class in Pucci is seeking to represent the purported class in two of the three similar suits. Although the wage and hour laws and class certification procedures of Oregon, Washington and California 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.

Gender Discrimination Actions. In June 2002, we agreed to settle the Wilfong and Tennessee EEOC gender discrimination matters for an aggregate of $47.0 million, including attorneys fees. Such settlement contemplated dismissal of the Bunch proceeding, a similar suit for gender discrimination pending in a separate federal district court, and provided for a separate $2.0 million dispute resolution fund for the Bunch plaintiffs, which was subsequently approved by the Bunch court. On October 4, 2002, the court in the Wilfong matter approved the settlement we had reached with the Wilfong plaintiffs and entered a final judgment. Only 50 individuals opted out of the settlement and no timely objections were filed with the court. No party filed an appeal of the court's order, and we funded the settlement as provided for in the settlement agreement in December 2002. As contemplated by the Wilfong settlement, the Tennessee EEOC action was dismissed in December 2002, and the Bunch matter will be dismissed in the near future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

2002	HIGH	LOW
First Quarter	$52.000	$30.750
Second Quarter	63.870	48.510
Third Quarter	59.310	45.090
Fourth Quarter	52.930	37.650

2001	HIGH	LOW
First Quarter	$47.438	$30.625
Second Quarter	53.850	33.063
Third Quarter	53.050	21.250
Fourth Quarter	34.300	18.970

As of March 24, 2003, there were approximately 52 record holders of our common stock.

We have not paid any cash dividends on our common stock since the time of our initial public offering.

Under the terms of the certificate of designations governing our Series A preferred stock, dividends on our Series A preferred stock may be paid in cash or additional shares of Series A preferred stock, at our option, until August 5, 2003, after which time the dividends must be paid in cash. From the time of the issuance of our Series A preferred stock in August 1998 until December 2002, we paid the required dividends in additional shares of Series A preferred stock due to restrictions under our senior credit facility. These additional shares were issued under the same terms and with the same conversion ratio as were the shares of our Series A preferred stock issued in August 1998. Accordingly, the shares of Series A preferred stock issued as a dividend were convertible into our common stock at a conversion price of $27.935.

On August 5, 2002, the first date on which we had the right to optionally redeem the shares of Series A preferred stock, the holders of our Series A preferred stock converted all but two shares of our Series A preferred stock held by them into 7,281,548 shares of our common stock, thereby substantially eliminating the Series A preferred stock dividend requirements. In December 2002, we amended our senior credit facility to, among other things, allow for payments of dividends in cash, subject to certain restrictions.

Cash dividend payments are also subject to the restrictions in the indenture governing Rent-A-Center East's subordinated notes. These restrictions would not currently prohibit the payment of cash dividends.

Any change in our dividend policy, including our dividend policy on our Series A preferred stock, will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and any other factors our Board of Directors may deem relevant. You should read the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" discussed later in this report.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below for the five years ended December 31, 2002 have been derived from our consolidated financial statements as audited by Grant Thornton LLP, independent certified public accountants. The historical financial data are qualified in their entirety by, and should be read in conjunction with, the financial statements and the notes thereto, the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included in this report.

In May and August 1998, we completed the acquisitions of Central Rents and Thorn Americas, respectively, both of which affect the comparability of the 1998 historical financial and operating data for the periods presented.

YEAR ENDED DECEMBER 31,					
	2002	2001	2000	1999	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues					
Store Rentals and fees	$1,828,534	$1,650,851	$1,459,664	$1,270,885	$711,443
Installment sales	6,137	--	--	--	--
Merchandise sales	115,478	94,733	81,166	88,516	41,456
Other	2,589	3,476	3,018	2,177	7,282
Franchise Merchandise sales	51,514	53,584	51,769	49,696	44,365
Royalty income and fees	5,792	5,884	5,997	5,893	5,170
Total revenue	2,010,044	1,808,528	1,601,614	1,417,167	809,716
Operating expenses					
Direct store expenses					
Depreciation of rental merchandise	383,400	343,197	299,298	265,486	164,651
Cost of installment sales	3,776	--	--	--	--
Cost of merchandise sold	84,628	72,539	65,332	74,027	32,056
Salaries and other expenses	1,070,265	1,019,402	866,234	770,572	423,750
Franchise cost of merchandise sold	49,185	51,251	49,724	47,914	42,886
	1,591,254	1,486,389	1,280,588	1,157,999	663,343
General and administrative expenses	63,296	55,359	48,093	42,029	28,715
Amortization of intangibles	5,045	30,194	28,303	27,116	15,345
Class action litigation settlements	--	52,000(1)	(22,383)(2)	--	11,500
Total operating expenses	1,659,595	1,623,942	1,334,601	1,227,144	718,903
Operating profit	350,449	184,586	267,013	190,023	90,813
Interest expense, net	62,006	59,780	72,618	74,769	37,140
Non-recurring financing costs	--	--	--	--	5,018
Earnings before income taxes	288,443	124,806	194,395	115,254	48,655
Income tax expense	116,270	58,589	91,368	55,899	23,897
NET EARNINGS	172,173	66,217	103,027	59,355	24,758

Preferred dividends..... 10,212 15,408 10,420 10,039 3,954 ---------- ---------- ---------- ---------- ----- --- Net earnings allocable to common shareholders..... $ 161,961 $ 50,809 $ 92,607 $ 49,316 $ 20,804 ========== ========== ========== ========== ========== Basic earnings per common share..... $ 5.51 $ 1.97 $ 3.79 $ 2.04 $ .84 ========== ========== ========== ========== ========== Diluted earnings per common share..... $ 4.74 $ 1.79 $ 2.96 $ 1.74 $ .83 ========== ========== ========== ========== ========

YEAR ENDED DECEMBER 31, ----------

------ 2002 2001 2000 1999 1998 --------
-- ---------- ---------- ---------- ----
------ CONSOLIDATED BALANCE SHEET DATA
Rental merchandise,
net..... $ 631,724 $
653,701 $ 587,232 $ 531,223 $ 408,806
Intangible assets,
net..... 743,852 711,096
708,328 707,324 727,976 Total
assets.....
1,616,052 1,619,920 1,486,910 1,485,000
1,502,989 Total
debt.....
521,330 702,506 741,051 847,160 805,700
Total
liabilities.....
773,650 922,632 896,307 1,007,408
1,088,600 Redeemable convertible voting
preferred
stock.....
2 291,910 281,232 270,902 259,476
Stockholders'
equity..... 842,400
405,378 309,371 206,690 154,913
OPERATING DATA Stores open at end of
period..... 2,407 2,281 2,158
2,075 2,126 Comparable store revenue
growth(3)..... 6.0% 8.0% 12.6% 7.7%
8.1% Weighted average number of
stores..... 2,325 2,235 2,103 2,089
1,222 Franchise stores open at end of
period..... 318 342 364 365 324

- ---------------

(1) Includes the effects of a pre-tax legal settlement of $52.0 million associated with the 2001 settlement of class action lawsuits in the states of Missouri, Illinois, and Tennessee.

(2) Includes the effects of a pre-tax legal reversion of $22.4 million associated with the 1999 settlement of three class action lawsuits in the state of New Jersey.

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are the largest rent-to-own operator in the United States with an approximate 29% market share based on store count. At December 31, 2002, we operated 2,407 company-owned stores nationwide and in Puerto Rico, including 23 stores located in Wisconsin and operated by our subsidiary Get It Now, LLC under the name "Get It Now." Another of our subsidiaries, ColorTyme, is a national franchisor of rent-to-own stores. At December 31, 2002, ColorTyme had 318 franchised stores in 40 states, 306 of which operated under the ColorTyme name and 12 stores of which operated under the Rent-A-Center name. Our stores generally offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. These rental purchase agreements are designed to appeal to a wide variety of customers by allowing them to obtain merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. These agreements also cater to customers who only have a temporary need, or who simply desire to rent rather than purchase the merchandise.

We have pursued an aggressive growth strategy since 1989. We have sought to acquire underperforming stores to which we could apply our operating model as well as open new stores. As a result, the 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, particularly the Thorn Americas acquisition, 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, with an emphasis on new store development. Typically, a newly opened store is profitable on a monthly basis in the ninth to twelfth month after its initial opening. Historically, a typical store has achieved cumulative break-even profitability in 18 to 24 months after its initial opening. Total financing requirements of a typical new store approximate $450,000, with roughly 70% of that amount relating to the purchase of rental merchandise inventory. A newly opened store historically has achieved results consistent with other stores that have been operating within the system for greater than two years by the end of its third year of operation. As a result, our quarterly earnings are impacted by how many new stores we opened during a particular quarter and the quarters preceding it. There can be no assurance that we will open any new stores in the future, or as to the number, location or profitability thereof.

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

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

FORWARD-LOOKING STATEMENTS

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

- uncertainties regarding our 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 effectively hedge interest rates on our outstanding debt;
- changes in our effective tax rate;
- changes in our stock price and the number of shares of common stock that we may or may not repurchase under our common stock repurchase program; and
- the other risks detailed from time to time in our SEC reports.

Additional factors that could cause our actual results to differ materially from our expectations are discussed under the section entitled "Risk Factors" and elsewhere in this report. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

CRITICAL ACCOUNTING POLICIES INVOLVING CRITICAL ESTIMATES, UNCERTAINTIES OR ASSESSMENTS IN OUR FINANCIAL STATEMENTS

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

Actual results related to the estimates and assumptions made by us in preparing our consolidated financial statements will emerge over periods of time, such as estimates and assumptions underlying the determination of our self-insurance liabilities. These estimates and assumptions are closely monitored by us and periodically adjusted as circumstances warrant. For instance, our liability for our self-insured retentions related to our workers compensation, general liability, medical and auto liability may be adjusted based on

higher or lower actual loss experience. Although there is greater risk with respect to the accuracy of these estimates and assumptions because of the period over which actual results may emerge, such risk is mitigated by our ability to make changes to these estimates and assumptions over the same period.

In preparing our financial statements at any point in time, we are also periodically faced with uncertainties, the outcomes of which are not within our control and will not be known for prolonged periods of time. As discussed in Part I, Item 3 "Legal Proceedings" and the notes to our consolidated financial statements, we are involved in actions relating to claims that our rental purchase agreements constitute installment sales contracts, violate state usury laws or violate other state laws enacted to protect consumers, claims asserting violations of wage and hour laws in our employment practices, as well as claims we violated the federal securities laws. We, together with our counsel, make estimates, if determinable, of our probable liabilities and record such amounts in our consolidated financial statements. These estimates represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to liabilities to reflect current facts and circumstances.

We periodically review the carrying value of our goodwill and other intangible assets when events and circumstances warrant such a review. One of the methods used for this review is performed using estimates of future cash flows. If the carrying value of our goodwill or other intangible assets is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the goodwill or intangible assets exceeds its fair value. We believe that the estimates of future cash flows and fair value are reasonable. Changes in estimates of such cash flows and fair value, however, could affect the evaluation.

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 fairly present in all material respects the financial condition, results of operations and cash flows of our company as of, and for, the periods presented in this report. However, we do not suggest that other general risk factors, such as those discussed elsewhere in this report as well as changes in our growth objectives or performance of new or acquired stores, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

SIGNIFICANT ACCOUNTING POLICIES

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

Revenue. We collect non-refundable rental payments and fees in advance, generally on a weekly or monthly basis. This revenue is recognized over the term of the agreement. Rental purchase agreements generally include a discounted early purchase option. Upon exercise of this option, and upon sale of used merchandise, revenue is recognized as these payments are received.

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. On July 1, 2002, we began accelerating the depreciation on computers that are 21 months old or older and which have become idle using the straight-line method for a period of at least six months. The purpose for this change is to better reflect the depreciable life of a computer in our stores and to encourage the sale of older computers. Though this method will accelerate the depreciation expense on the affected computers, we do not expect it to have a material effect on our financial position, results of operations or cash flows in future periods.

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, 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 the excess of purchase price over the fair market value of acquired assets and liabilities. Effective January 1, 2002, under SFAS 142 all goodwill and intangible assets with indefinite lives are no longer subject to amortization. SFAS 142 requires that an impairment test be conducted annually and in the event of an impairment indicator. We conducted our transition test in 2002 which showed no impairment of our goodwill. Following the adoption of SFAS 142, our primary source of amortization comes from customer relationships and non-compete agreements.

RECENT DEVELOPMENTS

Rent-Way Acquisition. In February 2003, we completed the acquisition of substantially all of the assets of 295 rent-to-own stores from Rent-Way, Inc. for an aggregate purchase price of $100.4 million in cash. Of the aggregate purchase price, we held back $10.0 million to pay for various indemnified liabilities and expenses, if any. We funded the acquisition entirely from cash on hand. Of the 295 stores, 176 were merged with our existing stores.

Stock Repurchases. From January 1, 2003 through March 24, 2003, we repurchased 276,000 shares of our common stock pursuant to our common stock repurchase program for approximately $13.5 million.

RESULTS OF OPERATIONS

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

YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,		
2002	2001	2000	2002	2001	2000
(COMPANY-OWNED STORES ONLY)			(FRANCHISE OPERATIONS ONLY)		
REVENUES					
Rentals and fees	93.6%	94.4%	94.5%	--%	--%
Merchandise Sales	6.2	5.4	5.3	89.9	90.1
Other/Royalty income and fees	0.2	0.2	0.2	10.1	9.9
	100.0%	100.0%	100.0%	100.0%	100.0%
OPERATING EXPENSES					
Direct store expenses	19.6%	19.6%	19.4%	--%	--%
Depreciation of rental merchandise	4.5	4.1	4.2	85.8	86.2
Cost of merchandise sold	54.8	58.3	56.1	--	--
Salaries and other expenses	78.9	82.0	79.7	85.8	86.2

YEAR ENDED DECEMBER 31,				YEAR ENDED DECEMBER 31,		
	2002	2001	2000	2002	2001	2000
	(COMPANY-OWNED STORES ONLY)			(FRANCHISE OPERATIONS ONLY)		
General and administrative expenses	3.2	3.2	2.9	4.2	4.5	4.4
Amortization of intangibles	0.3	1.7	1.8	0.5	0.6	0.6
Class action litigation settlements	--	3.0	(1.4)	--	--	--
Total operating expenses	82.4	89.9	83.0	90.5	91.3	91.1
Operating profit	17.6	10.1	17.0	9.5	8.7	8.9
Interest expense/(income)	3.2	3.4	4.8	(1.1)	(1.1)	(1.0)
Earnings before income taxes	14.4%	6.7%	12.2%	10.6%	9.8%	9.9%

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Store Revenue. Total store revenue increased by $203.6 million, or 11.6%, to $1,952.7 million for 2002 from $1,749.1 million for 2001. The increase in total store revenue was primarily attributable to growth in same store revenues during 2002 as well as incremental revenues from the opening of 70 stores and the acquisition of 83 stores and accounts from another 126 stores in 2002.

Same store revenues represent those revenues earned in 1,834 stores that were operated by us for each of the entire years ending December 31, 2002 and 2001. Same store revenues increased by $88.9 million, or 6.0%, to $1,570.7 million for 2002 from $1,481.8 million in 2001. This improvement was primarily attributable to an increase in the number of customers served (approximately 401 per day per store as of December 31, 2002 versus approximately 395 per day per store as of December 31, 2001 in same stores open), as well as revenue earned per customer (approximately $2,136 per customer for the year ending December 31, 2002 versus approximately $2,045 per customer for 2001). Merchandise sales increased $20.8 million, or 21.9%, to $115.5 million for 2002 from $94.7 million in 2001. The increase in merchandise sales was primarily attributable to an increase in the number of items sold in 2002 (approximately 875,000) as compared to the number of items sold in 2001 (approximately 761,000), which was primarily the result of an increase in the number of customers exercising early purchase options.

Franchise Revenue. Total franchise revenue decreased by $2.2 million, or 3.6%, to $57.3 million for 2002 from $59.5 million in 2001. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations during 2002 as compared to 2001 resulting from a decrease in the number of franchised locations from 342 at December 31, 2001 to 318 at December 31, 2002.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $40.2 million, or 11.7%, to $383.4 million for 2002 from $343.2 million for 2001. This increase was primarily attributable to an increase in rental and fee revenue of $177.6 million, or 10.7%, to $1,828.5 million for 2002 from $1,650.9 for 2001, as well as $2.4 million of the additional depreciation recognized on computers in 2002 relating to our revised depreciation policy on computers. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue increased to 21.0% in 2002 from 20.8% in 2001. This slight increase in 2002 is primarily a result of in-store promotions and pricing changes made during the third quarter of 2001, which included a reduction in the rates and terms on certain rental agreements, causing depreciation to be a greater percentage of store rentals and fees revenue on those promotional items rented through 2002.

Cost of Merchandise Sold. Cost of merchandise sold increased by $12.1 million, or 16.7%, to $84.6 million for 2002 from $72.5 million in 2001. This increase was a result of an increase in the number of items sold in 2002, as compared to 2001, resulting from an increase in early purchase options exercised in 2002 as compared to 2001.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue decreased to 54.8% for 2002 from 58.3% for 2001. This decrease was primarily attributable to an increase in store revenues during the year ended December 31, 2002 as compared to 2001, coupled with the

realization of our margin enhancement initiatives and reductions in store level costs in 2002, including our regional pay plan we implemented in 2002.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $2.1 million, or 4.0%, to $49.2 million for 2002 from $51.3 in 2001. This decrease is a direct result of a decrease in merchandise sales to franchise locations in 2002 as compared to 2001, offset by a slight increase in gross profit on these sales, to 4.7% in 2002 as compared to 4.6% in 2001.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue increased slightly to 3.2% in 2002 from 3.1% in 2001. This increase is primarily attributable to an increase in home office labor and other overhead expenses for 2002 as compared to 2001.

Amortization of Intangibles. Amortization of intangibles decreased by $25.2 million, or 83.3%, to $5.0 million for 2002 from $30.2 million in 2001. This decrease was directly attributable to the implementation of SFAS 142, which requires that goodwill and other intangibles with indefinite lives no longer be amortized.

Operating Profit. Operating profit increased by $165.8 million, or 89.9%, to $350.4 million for 2002 from $184.6 million for 2001. Excluding the pre-tax effect of the class action litigation settlements of $16.0 million recorded in the third quarter of 2001 and $36.0 million recorded in the fourth quarter of 2001, operating profit increased by $113.9 million, or 48.1%, for the year ended December 31, 2002 from $236.6 million for the year ended December 31, 2001. Operating profit as a percentage of total revenue increased to 17.4% for the year ended December 31, 2002 from 13.1% for the year ended December 31, 2001 before the pre-tax class action litigation settlement charges of $52.0 million. This increase was primarily attributable to an increase in store revenues during the year ended December 31, 2002 as compared to 2001, coupled with the realization of our margin enhancement initiatives, reduction of store level costs and the reduction of intangible amortization expense as discussed above. After adjusting reported results for the year ended December 31, 2001 to exclude the effects of goodwill amortization and the non-recurring legal charges, operating profit increased by $85.9 million, or 32.5% on a comparable basis.

Net Earnings. Net earnings were $172.2 million for the year ended December 31, 2002 and $66.2 million for the year ended December 31, 2001. Before the after-tax effect of the $52.0 million class action litigation settlement charges recorded in 2001, net earnings increased by $74.7 million, or 76.6%, for the year ended December 31, 2002, from $97.5 million for the year ended December 31, 2001. This increase is primarily attributable to growth in operating profit as discussed above. After adjusting reported results for the year ended December 31, 2001 to exclude the effects of goodwill amortization and the non-recurring legal charges, net earnings increased by $52.7 million, or 43.1% on a comparable basis.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. Preferred dividends decreased by $5.2 million, or 33.7%, to $10.2 million for the year ended December 31, 2002 as compared to $15.4 million in 2001. This decrease is a direct result of the conversion of 97,197 shares of preferred stock into 3,500,000 shares of our common stock in May 2002 and the conversion in August 2002 of all but two shares of our outstanding Series A preferred stock into approximately 7,281,548 shares of our common stock, resulting in less preferred shares outstanding in 2002, following the conversions, as compared to 2001.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Store Revenue. Total store revenue increased by $205.2 million, or 13.3%, to $1,749.1 million for 2001 from $1,543.9 million for 2000. The increase in total store revenue was primarily attributable to growth in same store revenues during 2001 as well as incremental revenues from the opening of 76 stores and the acquisition of 95 stores in 2001. Same store revenues represent those revenues earned in 1,854 stores that were operated by us for the entire years ending December 31, 2001 and 2000. Same store revenues increased by $111.6 million, or 8.0%, to $1,501.7 million for 2001 from $1,390.1 million in 2000. This improvement was primarily attributable to an increase in the number of customers served (approximately 407 per store as of December 31, 2001 vs. approximately 391 per store as of December 31, 2000 in same stores open), the

number of agreements on rent (approximately 624 per store as of December 31, 2001 vs. approximately 597 per store as of December 31, 2000 in same stores open), as well as revenue earned per agreement on rent (approximately $95 per month per agreement for 2001 vs. approximately $92 per month per agreement for 2000). This increase in revenue was partially offset by loss of revenues associated with the divestiture or consolidation of 48 stores in 2001.

Franchise Revenue. Total franchise revenue increased by $1.7 million, or 2.9%, to $59.5 million for 2001 from $57.8 million in 2000. This increase was primarily attributable to an increase in merchandise sales to franchise locations during 2001 as compared to 2000, partially offset by a decrease in the number of franchised locations in 2001 as compared to 2000.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $43.9 million, or 14.7%, to $343.2 million for 2001 from $299.3 million for 2000. This increase was primarily attributable to an increase in rental and fee revenue of $191.2 million, or 13.1%, to $1,650.9 million for 2001 from $1,459.7 for 2000. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue increased to 20.8% in 2001 from 20.5% in 2000. This increase is a result of an increase in the number of stores acquired in 2001 of 95 from 74 in 2000, and in-store promotions made during the third quarter of 2001, which included a reduction in the rates and terms on certain rental agreements. These in-store promotions caused depreciation to be a greater percentage of store rentals and fees revenue on those promotional items rented.

Cost of Merchandise Sold. Cost of merchandise sold increased by $7.2 million, or 11.0%, to $72.5 million for 2001 from $65.3 million in 2000. This increase was a result of an increase in the number of items sold in 2001, primarily in the third and fourth quarters, as compared to 2000, resulting from a reduction in the rates and terms on certain rental agreements beginning in the third quarter of 2001.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 58.3% for 2001 from 56.1% for 2000. This increase was primarily attributable to the infrastructure expenses and costs associated with the opening of new stores under our store growth initiatives, such as labor and recruiting costs for training centers as well as additional middle and senior management personnel, and increases in advertising, store level labor, insurance, and other operating expenses in 2001 over 2000.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $1.5 million, or 3.1%, to $51.2 million for 2001 from $49.7 in 2000. This increase is a direct result of an increase in merchandise sales to franchise locations in 2001 as compared to 2000.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue increased slightly to 3.1% in 2001 from 3.0% in 2000. This increase is primarily attributable to an increase in home office labor and other overhead expenses for 2001 as compared to 2000.

Amortization of Intangibles. Amortization of intangibles increased by $1.9 million, or 6.7%, to $30.2 million for 2001 from $28.3 million in 2000. This increase was primarily attributable to the amortization of additional goodwill associated with the acquisition of 95 stores acquired in 2001. Under SFAS 142 discussed later, amortization of goodwill ceased effective January 1, 2002. Amortization expense for other intangible assets, however, is expected to be approximately $2.2 million for 2002, based on acquisitions made through the date of this report.

Operating Profit. Operating profit decreased by $82.4 million, or 30.9%, to $184.6 million for 2001 from $267.0 million for 2000. Excluding the pre-tax effect of the class action litigation settlements of $16.0 million recorded in the third quarter of 2001 and $36.0 million recorded in the fourth quarter of 2001, as well as the class action litigation settlement refund of $22.4 million received in the second quarter of 2000, operating profit decreased by $8.0 million, or 3.3%, to $236.6 million for the year ended December 31, 2001 from $244.6 million for the year ended December 31, 2000. Operating profit as a percentage of total revenue decreased to 13.1% for the year ended December 31, 2001 before the pre-tax class action litigation settlement charges of $52.0 million, from 15.3% for the year ended December 31, 2000 before the pre-tax class action litigation settlement refund of $22.4 million. The decrease in operating profit before the effects of the class action litigation as a percentage of total revenue is primarily attributable to costs incurred with the opening of

76 new stores in 2001 and losses incurred for those stores in their initial months of operations, increases in advertising, store level labor, insurance, utility, and other operating expenses in 2001 as compared to 2000, and lower gross profit margins in the third and fourth quarter of 2001 resulting from in store promotions whereby rates and terms were reduced on certain rental agreements. These costs were partially offset by an increase in overall store revenue for 2001 and the implementation of expense management efforts in the fourth quarter of 2001.

Net Earnings. Net earnings were $66.2 million for the year ended December 31, 2001, and $103.0 million for the year ended December 31, 2000. Before the after-tax effect of the $52.0 million class action litigation settlement charges recorded in 2001 and the $22.4 million class action litigation settlement refund received in the second quarter of 2000, net earnings increased by $6.2 million, or 6.8%, to $97.5 million for the year ended December 31, 2001, from $91.3 million for the year ended December 31, 2000. This increase, excluding the after tax effect of the class action litigation settlement adjustments, is primarily attributable to growth in total revenues and reduced interest expenses resulting from a reduction in outstanding debt from our May 2001 equity offering and December 2001 debt offering, partially offset by the increased expenses incurred in connection with the opening of 76 new stores in 2001, increases in operating expenses and lower gross profit margins in the third and fourth quarters of 2001.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. Preferred dividends increased by $5.0 million, or 47.9%, to $15.4 million for the year ended December 31, 2001 as compared to $10.4 million for the year ended December 31, 2000. This increase is a result of more shares of Series A Preferred stock outstanding in 2001 as compared to 2000.

QUARTERLY RESULTS

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

1ST QUARTER 2ND QUARTER 3RD QUARTER 4TH QUARTER ----------- ----------- - ---------- ----------- (IN THOUSANDS, EXCEPT PER SHARE DATA) YEAR ENDED DECEMBER 31, 2002 Revenues..... $498,610 $494,660 $494,561 $522,213 Operating profit..... 88,296 88,240 84,087 89,826 Net earnings..... 43,563 41,943 41,449 45,218 Basic earnings per common share..... $ 1.57 $ 1.48 $ 1.24 $ 1.29 Diluted earnings per common share..... $ 1.20 $ 1.14 $ 1.14 $ 1.26 YEAR ENDED DECEMBER 31, 2001(1) Revenues..... $439,702 $442,759 $447,074 $478,993 Operating profit..... 62,485 66,640 32,372 23,089 Net earnings..... 24,998 27,545 9,974 3,700 Basic earnings per common share..... $ 0.83 $ 0.88 $ 0.27 $ 0.01 Diluted earnings per common share..... $ 0.69 $ 0.74 $ 0.26 $ 0.10 YEAR ENDED DECEMBER 31, 2000(2) Revenues..... $392,526 $392,245 $404,968 $411,875 Operating profit..... 58,552 84,184 63,720 60,557 Net earnings..... 20,889 34,621 23,901 23,616 Basic earnings per common share..... $ 0.75 $ 1.32 $ 0.87 $ 0.85 Diluted earnings per common share..... $ 0.61 $ 1.00 $ 0.68 $ 0.67

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
(AS A PERCENTAGE OF REVENUES) YEAR ENDED DECEMBER 31, 2002				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	17.7	17.8	17.0	17.2
Net earnings	8.7	8.5	8.4	8.7
YEAR ENDED DECEMBER 31, 2001(1)				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	14.2	15.1	7.2	4.8
Net earnings	5.7	6.2	2.2	0.8
YEAR ENDED DECEMBER 31, 2000(2)				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	14.9	21.4	15.7	14.7
Net earnings	5.3	8.8	5.9	5.7

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(1) Includes the effects of a pre-tax legal settlement of $16.0 million in the third quarter and $36 million in the fourth quarter of 2001 associated with the settlement of a class action lawsuit in the states of Missouri, Illinois, and Tennessee.

(2) Includes the effects of a pre-tax legal reversion of $22.4 million associated with the settlement of three class action lawsuits in the state of New Jersey.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities increased by $118.8 million to $294.5 million in 2002 from $175.7 million in 2001. This increase primarily resulted from an increase in net earnings, a decrease in the amount of rental merchandise purchased during 2002 and an increase in deferred income taxes offset by a reduction in accrued liabilities.

Cash used in investing activities decreased by $10.0 million to $96.7 million in 2002 from $106.7 million in 2001. This decrease is primarily attributable to a decrease in the amount of capital expenditures made in 2002 versus 2001, offset by an increase in the amount spent on new store acquisitions in 2002 versus 2001.

Cash used in financing activities increased by $222.4 million to $220.0 million in 2001, compared to net cash provided of $2.4 million in 2001. This increase is a result of our purchase of $65.6 million in treasury stock, the repurchase of $2.8 million of our subordinated notes and an increase in debt prepayments of $40.4 million during the year ended December 31, 2002 as compared to 2001. In addition, there were no proceeds from the issuance of common stock or debt in 2002, as compared to proceeds of approximately $145.1 million in 2001.

Liquidity Requirements. Our primary liquidity requirements are for debt service, rental merchandise purchases, capital expenditures, litigation 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, litigation and our store expansion programs during 2003. Our revolving credit facilities provide us with revolving loans in an aggregate principal amount not exceeding $130.0 million, of which $124.3 million was available at March 24, 2003. At March 24, 2003, we had $80.9 million in cash. 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.

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. 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 increase by approximately $60.0 million through 2004 before the deferred tax liabilities begin to reverse over a three year period beginning in 2005.

Rental Merchandise Purchases. We purchased $494.9 million, $526.9 million and $462.1 million of rental merchandise during the years 2002, 2001 and 2000, respectively.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent $37.6 million, $57.5 million and $37.9 million on capital expenditures in the years 2002, 2001 and 2000, respectively, and expect to spend approximately $40.0 million in 2003.

Acquisitions and New Store Openings. During 2002, we continued our strategy of increasing our store base through opening new stores, as well as through opportunistic acquisitions. We spent approximately $59.5 million acquiring stores and accounts for the year ended December 31, 2002. It is our intention to increase the number of stores we operate by an average of approximately 5-10% per year over the next several years.

In February 2003, we completed the acquisition of substantially all of the assets of 295 rent-to-own stores from Rent-Way, Inc. for an aggregate purchase price of $100.4 million in cash. Of the aggregate purchase price, we held back $10.0 million to pay for various indemnified liabilities and expenses, if any. We funded the acquisition entirely from cash on hand. Of the 295 stores acquired, 176 store were merged with our existing store locations.

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

Borrowings. The table below shows the scheduled maturity dates of our senior debt outstanding at December 31, 2002.

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2003	$ 1,063
2004	13,040
2005	49,093
2006	114,111
2007	72,193
	$249,500

Under our senior credit facilities, we are required to use 25% of the net proceeds from any equity offering to repay our term loans. In addition, we intend to continue to make prepayments of debt under our senior credit facilities, repurchase some of Rent-A-Center East's outstanding subordinated notes or repurchase our common stock under our common stock repurchase program to the extent we have available cash that is not

necessary for store openings or acquisitions. However, we cannot assure you that we will have excess cash for these purposes.

Senior Credit Facilities. The senior credit facilities are provided by a syndicate of banks and other financial institutions led by JPMorgan Chase Bank, as administrative agent. At December 31, 2002, we had a total of $249.5 million outstanding under the senior credit facility related to our term loans and $114.3 million of availability under the revolving credit line portion of the senior credit facility.

On December 31, 2002, we amended and restated our senior credit facility to account for our internal corporate reorganization, to restate previous amendments increasing the amounts of our common stock we are permitted to re-purchase and to provide for a new Tranche D LC Facility in an aggregate amount at closing equal to $80.0 million to support our outstanding letters of credit. Under this new Tranche D LC Facility, in the event that a letter of credit is drawn upon, we have the right to either repay the Tranche D LC Facility lenders the amount withdrawn or request a loan in that amount. Interest on any requested Tranche D LC Facility loan accrues at an adjusted prime rate plus 1.75% or, at our option, at the Eurodollar base rate plus 2.80%, with the entire amount of the Tranche D LC Facility due on December 31, 2007.

Borrowings under the senior credit facilities bear interest at varying rates equal to 1.50% to 3.00% over the Eurodollar rate, which was 1.38% at December 31, 2002. We also have a prime rate option under the facilities, but have not exercised it to date. For the year ended December 31, 2002, the average effective rate on outstanding borrowings under the senior credit facilities was 4.94%, before considering the interest rate swap agreements as described below, and 7.77%, after giving effect to the interest rate swap agreements in effect during 2002.

During 1998, we entered into interest rate protection agreements with two banks, one of which expired in 2001. Under the terms of the current interest rate agreements, the Eurodollar rate used to calculate the interest rate charged on our $250.0 million outstanding senior term debt has been fixed at an average rate of 5.60%. Of the $250.0 million under protection, $140.0 million expires in August 2003 and the remaining $110.0 million expires in September 2003.

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

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

- incur additional debt (including subordinated debt) in excess of $25 million at any one time outstanding;
- repurchase our capital stock and senior subordinated notes;
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all our property or business;
- sell assets, other than inventory in the ordinary course of business;
- make investments or acquisitions unless we meet financial tests and other requirements;
- make capital expenditures; or
- enter into a new line of business.

The senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio and a minimum fixed charge coverage ratio. At December 31, 2002, the maximum consolidated leverage ratio was 3.75:1, the minimum consolidated interest coverage ratio was 3.00:1, and the minimum fixed charge coverage ratio was 1.30:1. On that date, our actual ratios were 1.25:1, 6.35:1 and 2.64:1, respectively.

Events of default under the senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facilities would occur if we undergo a change of control. This is defined to include the case where a third party becomes the beneficial owner of 33.33% or more of our voting stock or certain changes in our Board of Directors occur.

Subordinated Notes. In August 1998, Rent-A-Center East issued $175.0 million of senior subordinated notes, maturing on August 15, 2008, under an indenture dated as of August 18, 1998 among Rent-A-Center East, its subsidiary guarantors and the trustee, which is now The Bank of New York, as successor to IBJ Schroder Bank & Trust Company. In December 2001, Rent-A-Center East issued an additional $100.0 million of 11% senior subordinated notes, maturing on August 15, 2008, under a separate 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, all of the notes issued by it under the 1998 indenture, such that all of the senior subordinated notes are now governed by the terms of the 2001 indenture.

The 2001 indenture contains covenants that limit Rent-A-Center East's ability to:

- incur additional debt;

- sell assets or our subsidiaries;

- grant liens to third parties;

- pay dividends or repurchase stock; and

- engage in a merger or sell substantially all of our assets.

Events of default under the 2001 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 $25 million.

The notes may be redeemed on or after August 15, 2003, at our option, in whole or in part, at a premium declining from 105.5%. The subordinated notes also require that upon the occurrence of a change of control (as defined in the 2001 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 Rent-A-Center East did 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 2010.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Textron Financial Corporation, who generally provides $40.0 million in aggregate financing to qualifying franchisees of ColorTyme of up to five times their average monthly revenues. Under this agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Textron may assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Textron under the debt agreements, including the rights to foreclose on the collateral. An additional $10.0 million of financing is provided by Texas Capital Bank, National Association under an arrangement similar to the Textron financing. We guarantee the obligations of ColorTyme under these agreements up to a maximum amount of $50.0 million, of which $33.8 million was outstanding as of December 31, 2002. Mark E. Speese, our Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

Litigation. In 1998, we recorded an accrual of approximately $125.0 million for estimated probable losses on litigation assumed in connection with the Thorn Americas acquisition. As of December 31, 2002, we have paid approximately $124.5 million of this accrual in settlement of most of these matters and legal fees. These settlements were funded primarily from amounts available under our senior credit facilities, including the revolving credit facility and the multidraw facility, as well as from cash flow from operations.

On November 12, 2002, we signed a settlement agreement settling the Wisconsin Attorney General matter, which was approved by the court on the same day. Under the terms of the settlement, we created a restitution fund in the amount of $7.0 million for our eligible Wisconsin customers who had completed or active transactions with us as of September 30, 2002. In addition, we paid $1.4 million to the State of Wisconsin for fines, penalties, costs and fees. The settlement of this matter was fully reserved for in our financial statements. A portion of the restitution fund is allocated for customers with completed transactions as of September 30, 2002, and the balance is allocated for restitution on active transactions as of September 30, 2002, which will be allowed to terminate according to their terms when customers either acquire or return the merchandise. Restitution will be offered on the active transactions when all such active transactions have terminated, which we anticipate will occur by the fall of 2004. Any unclaimed restitution funds at the conclusion of the restitution period will be returned to us. To the extent the amount in the restitution fund is insufficient to pay the required amount of restitution, we are obligated to provide additional funds to do so. However, we believe the amount in the restitution fund allocated for the active transactions, together with the amount of funds we anticipate will remain unclaimed by customers with completed transactions, will be sufficient to pay the required amount of restitution on all eligible active transactions.

In June 2002, we agreed to settle the Wilfong and Tennessee EEOC gender discrimination matters for an aggregate of $47.0 million, including attorneys fees. Such settlement contemplated dismissal of the Bunch proceeding, a similar suit for gender discrimination pending in a separate federal district court, and provided for a separate $2.0 million dispute resolution fund for the Bunch plaintiffs, which was subsequently approved by the Bunch court. On October 4, 2002, the court in the Wilfong matter approved the settlement we had reached with the Wilfong plaintiffs and entered a final judgment. Only 50 individuals opted out of the settlement and no timely objections were filed with the court. No party filed an appeal of the court's order, and we funded the settlement as provided for in the settlement agreement in December 2002. As contemplated by the Wilfong settlement, the Tennessee EEOC action was dismissed in December 2002, and the Bunch matter will be dismissed in the near future.

Additional settlements or judgments against us on our existing litigation could affect our liquidity. Please refer to Note J of our consolidated financial statements included herein.

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

On May 31, 2001, we completed an offering of 3,680,000 shares of our common stock at an offering price of $42.50 per share. In that offering, 1,150,000 shares were offered by us and 2,530,000 shares were offered by some of our stockholders. Net proceeds to us were approximately $45.6 million.

In connection with the issuance of our Series A preferred stock in August 1998, we entered into a registration rights agreement with Apollo which, among other things, granted them two rights to request that their shares be registered, and a registration rights agreement with an affiliate of Bear Stearns, which granted them the right to participate in any company-initiated registration of shares, subject to certain exceptions. In May 2002, Apollo exercised one of their two rights to request that their shares be registered and an affiliate of Bear Stearns elected to participate in such registration. In connection therewith, Apollo and an affiliate of Bear Stearns converted 97,197 shares of our Series A preferred stock held by them into 3,500,000 shares of our common stock, which they sold in the May 2002 public offering that was the subject of Apollo's request. We did not receive any of the proceeds from this offering.

On August 5, 2002, the first date on which we had the right to optionally redeem the shares of Series A preferred stock, the holders of our Series A preferred stock converted all but two shares of our Series A preferred stock held by them into 7,281,548 shares of our common stock. As a result, the dividend on our Series A preferred stock has been substantially eliminated for future periods. In connection with Apollo's conversion of all but two of the shares of Series A preferred stock held by them on August 5, 2002, we granted

Apollo an additional right to effect a demand registration under the existing registration rights agreement we entered into with them in 1998, such that Apollo now has two demand rights.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of December 31, 2002:

Payments due by year -----						
---- CONTRACTUAL CASH OBLIGATIONS(1)	Total	2003	2004	2005	2006	2007
2008 and thereafter -						
(In thousands) Senior Credit Facilities (including current portion).....	$ 249,500	$ 1,063	$ 13,040	$ 49,093	$114,111	$ 72,193
$ -- 11% Senior Subordinated Notes(2).....	451,935	29,948	29,948	29,948	29,948	302,195
Operating Leases.....	373,060	128,535	103,501	77,545	43,518	16,502
3,459 ------ Total.....	$1,074,495	$159,546	$146,489	$156,586	$187,577	$118,643
$305,654						

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(1) Excludes obligations under the ColorTyme guarantee, the change in control and acceleration provisions under the senior credit facilities, and the optional redemption, change in control and acceleration provisions under the indentures governing Rent-A-Center East's subordinated notes.

(2) Includes interest payments of $14.97 million on each of February 15 and August 15 of each year.

Repurchases of Outstanding Securities. In connection with the retirement of J. Ernest Talley, our former Chairman of the Board and Chief Executive Officer, we entered into an agreement to repurchase $25.0 million worth of shares of our common stock beneficially held by Mr. Talley at a purchase price equal to the average closing price of our common stock over the 10 trading days beginning October 9, 2001, subject to a maximum of $27.00 per share and a minimum of $20.00 per share. Under this formula, the purchase price for the repurchase was calculated at $20.258 per share. Accordingly, on October 23, 2001 we repurchased 493,632 shares of our common stock beneficially held by Mr. Talley at $20.258 per share for a total purchase price of $10.0 million, and on November 30, 2001, we repurchased an additional 740,448 shares of our common stock beneficially held by Mr. Talley at $20.258 per share, for a total purchase price of an additional $15.0 million. On January 25, 2002, we exercised the option to repurchase all of the remaining 1,714,086 shares of common stock beneficially held by Mr. Talley at $20.258 per share. We repurchased those remaining shares on January 30, 2002.

In April 2000, we announced that our board of directors had authorized a program to repurchase in the open market up to an aggregate of $25.0 million of our common stock. In October 2002, our board of directors increased our authority to effect repurchases of our outstanding common stock under our common stock repurchase program from $25.0 million to $50.0 million, and in March 2003 they increased the authority from $50.0 million to $100.0 million. Through December 31, 2002, we have repurchased approximately 661,000 shares of our common stock under this program for approximately $30.9 million, all of which was effected in the year ended December 31, 2002. Since December 31, 2002, we repurchased an additional 276,000 shares of our common stock under this program,

for approximately $13.5 million.

As of December 31, 2002, we had repurchased $2.8 million of our subordinated notes for approximately $3.0 million, which included a loss of approximately $179,000. Since December 31, 2002, we have not made any additional repurchases of our subordinated notes.

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

Seasonality. Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year, primarily related to federal income tax refunds. Generally, our customers will more frequently exercise their early purchase option on their existing rental purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year. We expect this trend to continue in future periods. Furthermore, we tend to

experience slower growth in the number of rental purchase agreements on rent in the third quarter of each fiscal year when compared to other quarters throughout the year. As a result, we would expect revenues for the third quarter of each fiscal year to remain relatively flat with the prior quarter. We expect this trend to continue in future periods unless we add significantly to our store base during the third quarter of future fiscal years as a result of new store openings or opportunistic acquisitions.

EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

Accounting for Costs Associated with Exit or Disposal Activities. In June 2002, the FASB issued Statement 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement requires entities to recognize costs associated with exit or disposal activities when liabilities are incurred rather than when the entity commits to an exit or disposal plan, as currently required. Examples of costs covered by this guidance include one-time employee termination benefits, costs to terminate contracts other than capital leases, costs to consolidate facilities or relocate employees, and certain other exit or disposal activities. This statement is effective for fiscal years beginning after December 31, 2002 and will impact any exit or disposal activities we initiate after that date.

Stock-Based Employee Compensation. In December 2002, the FASB issued Statement 148 (SFAS 148), Accounting for Stock-Based Compensation -- Transition and Disclosure: an amendment of FASB Statement 123 (SFAS 123), to provide alternative transition methods for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in annual financial statements about the method of accounting for stock-based employee compensation and the pro forma effect on reported results of applying the fair value based method for entities that use the intrinsic value method of accounting. The pro forma effect disclosures are also required to be prominently disclosed in interim period financial statements. This statement is effective for financial statements for fiscal years ending after December 15, 2002 and is effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002, with earlier application permitted. We do not plan to change to the fair value based method of accounting for stock-based employee compensation at this time and have included the disclosure requirements of SFAS 148 in the accompanying financial statements.

Accounting for Guarantees. In November 2002, the FASB issued FASB Interpretation 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee. We previously did not record a liability when guaranteeing obligations unless it became probable that we would have to perform under the guarantee. FIN 45 applies prospectively to guarantees we issue or modify subsequent to December 31, 2002, but has certain disclosure requirements effective for interim and annual periods ending after December 15, 2002. We have historically issued guarantees related to our Colortyme franchisees and other limited purposes and do not anticipate FIN 45 will have a material effect on our 2003 financial statements. Disclosures required by FIN 45 are included in the accompanying financial statements.

In January 2003, the FASB issued FASB Interpretation 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 clarifies the application of Accounting Research Bulletin 51, Consolidated Financial Statements, for certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest ("variable interest entities"). Variable interest entities within the scope of FIN 46 will be required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to be the party that absorbs a majority of the entity's expected losses, receives a majority of its expected returns, or both. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. We are in the process of determining what impact, if any, the adoption of the provisions of FIN 46 will have upon our financial condition or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

INTEREST RATE SENSITIVITY

As of December 31, 2002, we had $272.3 million in subordinated notes outstanding at a fixed interest rate of 11.0% and $249.5 million in term loans outstanding at interest rates indexed to the LIBOR rate. The subordinated notes mature on August 15, 2008. 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 subordinated notes at December 31, 2002 was $292.7 million, which is $20.9 million above their carrying value. Unlike the subordinated notes, the $249.5 million in term loans have variable interest rates indexed to current LIBOR rates. Because the variable rate structure exposes us to the risk of increased interest cost if interest rates rise, in 1998 we entered into $500.0 million in interest rate swap agreements that lock in a LIBOR rate of 5.59%, thus hedging this risk. Of the $500.0 million in agreements, $250.0 million expired in September 2001 and the remaining $250.0 million will expire in 2003, of which $140.0 million will expire on August 5, 2003 and the remaining $110.0 million will expire on September 5, 2003. The swap agreements had an aggregate negative fair value of $6.7 million and $10.2 million at December 31, 2002 and 2001, respectively. A hypothetical 1.0% change in the LIBOR rate would have affected the fair value of the swaps by approximately $1.6 million.

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 the 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 LIBOR that exposes us to the risk of increased interest costs if interest rates rise. To reduce the risk related to unfavorable interest rate movements, we have entered into certain interest rate swap contracts on $250.0 million of debt to pay a fixed rate of 5.60%.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements required to be included in Item 8 are set forth in Item 15 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT(*)

ITEM 11. EXECUTIVE COMPENSATION(*)

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT(*)

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS(*)

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* The information required by Items 10, 11, 12 and 13 is or will be set forth in the definitive proxy statement relating to the 2003 Annual Meeting of Stockholders of Rent-A-Center, Inc., which is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by Items 10, 11, 12 and 13 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

ITEM 14. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures within 90 days before the filing of this annual report. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

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SCHEDULES SUPPORTING FINANCIAL STATEMENTS

Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instructions or inapplicable.

CURRENT REPORTS ON FORM 8-K

Current Report on Form 8-K filed on November 12, 2002

Current Report on Form 8-K filed on December 31, 2002

Current Report on Form 8-K filed on December 31, 2002

EXHIBITS

See attached Exhibit Index incorporated herein by reference.

SIGNATURES

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

RENT-A-CENTER, INC.

By: /s/ ROBERT D. DAVIS

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

Date: March 26, 2003

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

SIGNATURE	TITLE	DATE
/s/ MARK E. SPEESE	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 26, 2003
/s/ MITCHELL E. FADEL	President, Chief Operating Officer and Director	March 26, 2003
/s/ ROBERT D. DAVIS	Senior Vice President -- Finance, Treasurer and Chief Financial Officer (Principal Financial	March 26, 2003

and Accounting Officer) /s/ LAURENCE M. BERG Director March 26, 2003 ----- --- Laurence M. Berg /s/ MARY ELIZABETH BURTON Director March 26, 2003 ----- --- Mary Elizabeth Burton /s/ PETER P. COPSES Director March 26, 2003 ----- --- Peter P. Copses /s/ ANDREW S. JHAWAR Director March 26, 2003 ----- --- Andrew S. Jhawar /s/ J. V. LENTELL Director March 26, 2003 ----- --- J. V. Lentell

I, Mark E. Speese, certify that:

1. I have reviewed this annual report on Form 10-K of Rent-A-Center, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a. designed such disclosure controls and procedures 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 annual report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 26, 2003

/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 annual report on Form 10-K of Rent-A-Center, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a. designed such disclosure controls and procedures 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 annual report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 26, 2003

/s/ ROBERT D. DAVIS

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

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
2.1(1)	Agreement and Plan of Merger, dated as of December 30, 2002, but effective as of December 31, 2002, by and among Rent-A-Center, Inc., Rent-A-Center Holdings, Inc. and RAC Merger Sub, Inc.
2.2*	Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc. and Rent-Way, Inc., Rent-Way of Michigan, Inc. and Rent-Way of TTIG, L.P. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
2.3*	Letter Agreement, dated December 31, 2002
2.4*	Letter Agreement, dated January 7, 2003
2.5*	Letter Agreement, dated February 7, 2003
2.6*	Letter Agreement, dated February 10, 2003 (Pursuant to the rules of the SEC, the exhibit has

been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.) 2.7* -- 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.) 3.1(2) -- Certificate of Incorporation of Rent-A-Center, Inc., as amended 3.2(3) -- Amended and Restated Bylaws of Rent-A-Center, Inc. 4.1(4) -- Form of Certificate evidencing Common Stock 4.2(5) -- Certificate of Designations, Preferences and Relative Rights and Limitations of Series A Preferred Stock of Rent-A-Center, Inc. (formerly known as Rent-A-Center Holdings, Inc.) 4.3(6) -- Form of Certificate evidencing Series A Preferred Stock 4.4(7) -- Indenture, dated as of December 19, 2001, by and among Rent-A-Center, Inc., as Issuer, ColorTyme, Inc., and Advantage Companies, Inc., as Subsidiary Guarantors, and The Bank

of New York, as Trustee 4.5(8) -- First Supplemental Indenture, dated as of May 1, 2002, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc. and The Bank of New York, as Trustee 4.6(9) -- Second Supplemental Indenture, dated as of September 30, 2002, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc., Get It Now, LLC and The Bank of New York, as Trustee 4.7* -- Amended and Restated Third Supplemental Indenture, dated as of December 31, 2002, by and among Rent-A-Center, Inc., Rent-A-Center Holdings, Inc., ColorTyme, Inc., Rent-A-Center West, Inc. (formerly known as Advantage Companies, Inc.), Get It Now, LLC, Rent-A-Center Texas, LP, Rent-A-Center Texas, LLC and The Bank of New York, as Trustee 4.8(10) -- Form of 2001 Exchange Note 10.1(11)+ -- Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan 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 10.3* -- 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 10.4(12) -- Amended and Restated Stockholders Agreement, dated as of October 8, 2001, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Rent-A-Center, Inc., and certain other persons

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
10.5(13)	-- Second Amended and Restated Stockholders Agreement, dated as of August 5, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.6*	-- Third Amended and Restated Stockholders Agreement, dated as of December 31, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.7(14)	-- 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., related to the Series A Convertible Preferred Stock
10.8(15)	-- Second Amendment to Registration Rights Agreement, dated as of August 5, 2002, by and

among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. 10.9* -- Third Amendment to Registration Rights Agreement, dated as of December 31, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. 10.10(16) -- Common Stock Purchase Agreement, dated as of October 8, 2001, by and among J. Ernest Talley, Mary Ann Talley, the Talley 1999 Trust and Rent-A-Center, Inc. 10.11(17) -- Exchange and Registration Rights Agreement, dated December 19, 2001, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., and Lehman Brothers, Inc. 10.12(18) -- Amended and Restated Franchisee Financing Agreement, dated March 27, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-

Center, Inc.
10.13(19) -- Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc.
10.14(20) -- First Amendment to Franchisee Financing Agreement, dated July 23, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.15(21) -- Second Amendment to Franchisee Financing Agreement, dated September 30, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.16* -- Third Amendment to Franchisee Financing Agreement, dated March 24, 2003, but effective as of December 31, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
21.1* -- Subsidiaries of Rent-A-Center, Inc.
23.1* -- Consent of Grant Thornton LLP
99.1* -- 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

99.2* -- Certification pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

- ---

* Filed herewith.

\+ Management contract or company plan or arrangement

(1) Incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002

(2) 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) Incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K dated as of December 31, 2002

(4) Incorporated herein by reference to Exhibit 4.1 to the registrant's Form S-4 filed on January 11, 1999

(5) Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002

(6) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement Form S-4 filed on January 11, 1999

(7) Incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(8) Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002

(9) Incorporated herein by reference to Exhibit 4.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002

(10) Incorporated herein by reference to Exhibit 4.7 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(11) Incorporated herein by reference to Exhibit 99.1 to the registrant's Post-Effective Amendment No. 1 to Form S-8 dated as of December 31, 2002

(12) Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001

(13) Incorporated herein by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(14) 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

(15) 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

(16) Incorporated herein by reference to Exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001

(17) Incorporated herein by reference to Exhibit 10.9 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(18) Incorporated herein by reference to Exhibit 10.13 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(19) 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

(20) Incorporated herein by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(21) Incorporated herein by reference to Exhibit 10.14 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002

INDEX TO FINANCIAL STATEMENTS

PAGE ---- RENT-A-CENTER, INC. AND SUBSIDIARIES
Report of Independent Certified Public Accountants..... F-2 Consolidated Financial Statements Balance Sheets.....
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Rent-A-Center, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rent-A-Center, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note D to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") on January 1, 2002.

GRANT THORNTON LLP

Dallas, Texas
February 10, 2003

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	2002	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
ASSETS		
Cash and cash equivalents	$ 85,723	$ 107,958
Accounts receivable	5,922	1,664
Prepaid expenses and other assets	42,882	29,846
Rental merchandise, net On rent	510,184	531,627
Held for rent	121,540	122,074
Property assets, net	105,949	106,883
Deferred income taxes	--	8,772
Intangible assets, net	743,852	711,096
	$1,616,052	$1,619,920
LIABILITIES		
Accounts payable -- trade	$ 43,461	$ 49,930
Accrued liabilities	122,717	170,196
Deferred income taxes	86,142	--
Senior debt	249,500	428,000
Subordinated notes payable, net of discount	271,830	274,506
	773,650	922,632
COMMITMENTS AND CONTINGENCIES	--	--
PREFERRED STOCK Redeemable convertible voting preferred stock, net of placement costs, $.01 par value; 5,000,000 shares authorized; 2 and 292,434 shares issued and outstanding in 2002 and 2001, respectively	2	291,910
STOCKHOLDERS' EQUITY Common stock, $.01 par value; 125,000,000 shares authorized; 39,538,042 and 27,726,092 shares issued in 2002 and 2001, respectively	395	277
Additional paid-in capital	532,675	191,438
Accumulated comprehensive loss	(3,726)	(6,319)
Retained earnings	428,621	269,982
Treasury stock, 4,599,269 and 2,224,179 shares at cost in 2002 and 2001, respectively	(115,565)	(50,000)
	842,400	405,378
	$1,616,052	$1,619,920

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

YEAR ENDED DECEMBER 31,			
	2002	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Revenues			
Store Rentals and fees	$1,828,534	$1,650,851	$1,459,664
Installment sales	6,137	--	--
Merchandise sales	115,478	94,733	81,166
Other			
Franchise Merchandise sales	2,589	3,476	3,018
Royalty income and fees	51,514	53,584	51,769
	5,792	5,884	5,997
	2,010,044	1,808,528	1,601,614
Operating expenses			
Direct store expenses	383,400	343,197	299,298
Depreciation of rental merchandise	3,776	--	--
Cost of installment sales	84,628	72,539	65,332
Cost of merchandise sold	1,070,265	1,019,402	866,234
Salaries and other expenses	49,185	51,251	49,724
Franchise cost of merchandise sold	1,591,254	1,486,389	1,280,588
General and administrative expenses	63,296	55,359	48,093
Amortization of intangibles	5,045	30,194	28,303
Class action litigation settlements	--	52,000	(22,383)
Total operating expenses	1,659,595	1,623,942	1,334,601
Operating profit	350,449	184,586	267,013
Interest expense	64,682	60,874	74,324
Interest income	(2,676)	(1,094)	(1,706)
Earnings before income taxes	288,443	124,806	194,395
Income tax expense	116,270	58,589	91,368
NET EARNINGS	172,173	66,217	103,027
Preferred dividends	10,212	15,408	10,420
Net earnings allocable to common stockholders	$ 161,961	$ 50,809	$ 92,607
Basic earnings per common share	$ 5.51	$ 1.97	$ 3.79
Diluted earnings per common share	$ 4.74	$ 1.79	$ 2.96

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 2002

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED COMPREHENSIVE INCOME (LOSS)	TOTAL
	SHARES	AMOUNT				
	(IN THOUSANDS)					
Balance at January 1, 2000	25,297	$253	$105,627	$125,810	$ (25,000)	$206,690
Net earnings	--	--	103,027	--	--	103,027
Preferred dividends	--	--	(10,330)	--	--	(10,330)
Issuance of stock options for services	65	--	--	65	--	--
Exercise of stock options	403	4	8,430	--	--	8,434
Tax benefits related to exercise of stock options	--	--	1,485	--	--	1,485
Balance at December 31, 2000	25,700	257	115,607	218,507	(25,000)	309,371
Net earnings	--	--	66,217	--	--	66,217
Other comprehensive income (loss): Cumulative effect of adoption of SFAS 133	--	--	--	--	1,378	1,378
Losses on interest rate swaps, net of tax	--	--	--	--	(11,556)	(11,556)
Reclassification adjustment for losses included in net earnings, net of tax	--	--	--	--	3,859	3,859
Other comprehensive loss	--	--	--	--	(6,319)	(6,319)
Comprehensive income						59,898
Purchase of treasury stock (1,234 shares)	--	--	--	(25,000)	--	(25,000)
Issuance of common stock in public offering, net of issuance costs of $3,253	1,150	12	45,610	--	--	45,622
Preferred dividends	--	--	4,064	(14,742)	--	(10,678)
Issuance of stock options for services	--	--	111	--	--	111
Exercise of stock options	876	8	20,309	--	--	20,317
Tax benefits related to exercise of stock options	--	--	5,737	--	--	5,737
Balance at December 31, 2001	27,726	277	191,438	269,982	(50,000)	(6,319) 405,378
Net earnings	--	--	172,173	--	--	172,173
Other comprehensive income:						

Losses on interest rate swaps, net of tax.....
-- -- -- -- -- (6,836) (6,836) Reclassification adjustment for losses included in net earnings, net of tax.....
-- -- -- -- -- 9,429 9,429 ---
----- -------- Other comprehensive income... -- --
-- -- -- 2,593 2,593 --------
-------- Comprehensive income..... 174,766 Purchase of treasury stock (2,375 shares).....
-- -- -- -- (65,565) --
(65,565) Preferred dividends..... -- --
5,383 (13,534) -- -- (8,151)
Conversion of preferred stock to common (10,782 shares)..... 10,782 108
299,951 -- -- -- 300,059
Issuance of stock options for services.....
-- -- 112 -- -- -- 112
Exercise of stock options..... 1,030 10
26,782 -- -- -- 26,792 Tax benefits related to exercise of stock options..... -- --
9,009 -- -- -- 9,009 ------ --
-- -------- -------- ---------
-------- -------- Balance at December 31, 2002.....
39,538 $395 $532,675 $428,621
$(115,565) $ (3,726) $842,400
====== ==== ======== ========
========= ======== ========

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31,			
(IN THOUSANDS)	2002	2001	2000
Cash flows from operating activities			
Net earnings	$ 172,173	$ 66,217	$ 103,027
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation of rental merchandise	383,400	343,197	299,298
Depreciation of property assets	38,359	37,910	33,144
Amortization of intangibles	5,045	30,194	28,303
Amortization of financing fees	5,944	2,760	2,705
Deferred income taxes	94,914	23,856	77,738
Changes in operating assets and liabilities, net of effects of acquisitions			
Rental merchandise, net	(342,954)	(391,932)	(342,233)
Accounts receivable	(4,258)	1,590	629
Prepaid expenses and other assets	(15,973)	(1,709)	(6,624)
Accounts payable -- trade	(6,469)	(15,766)	12,197
Accrued liabilities and other	(35,691)	79,413	(16,621)
Net cash provided by operating activities	294,490	175,730	191,563
Cash flows from investing activities			
Purchase of property assets	(37,596)	(57,532)	(37,937)
Proceeds from sale of property assets	398	706	1,403
Acquisitions of businesses	(59,504)	(49,835)	(42,538)
Net cash used in investing activities	(96,702)	(106,661)	(79,072)
Cash flows from financing activities			
Purchase of treasury stock	(65,565)	(25,000)	--
Proceeds from issuance of common stock, net of issuance costs	--	45,622	--
Exercise of stock options	26,792	20,317	8,434
Proceeds from debt	--	99,506	242,975
Repurchase of senior subordinated notes, net of loss	(2,750)	--	--
Repayments of debt	(178,500)	(138,051)	(349,084)
Net cash provided by (used in) financing activities	(220,023)	2,394	(97,675)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,235)	71,463	14,816
Cash and cash equivalents at beginning of year	107,958	36,495	21,679
Cash and cash equivalents at end of year	$ 85,723	$ 107,958	$ 36,495
Supplemental cash flow information			
Cash paid during the year for:			
Interest	$ 53,307	$ 56,306	$ 75,956
Income taxes	$ 31,868	$ 21,526	$ 9,520

During 2002, 2001 and 2000, the Company paid Series A preferred dividends of approximately $8.2 million, $10.7 million and $10.3 million by issuing 8,151, 10,678 and 10,330 shares of Series A preferred stock, respectively.

See accompanying notes to consolidated financial statements.

NOTE A -- SUMMARY OF ACCOUNTING POLICIES AND NATURE OF OPERATIONS

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

PRINCIPLES OF CONSOLIDATION AND NATURE OF OPERATIONS

Effective as of December 31, 2002, the Company completed a tax-free internal reorganization of its corporate structure. The reorganization was effected through an inversion merger whereby Rent-A-Center, Inc. became a wholly-owned subsidiary of Rent-A-Center Holdings, Inc., a newly formed Delaware holding company. Upon the merger, Rent-A-Center, Inc. changed its name to Rent-A-Center East, Inc. ("Rent-A-Center East") and Rent-A-Center Holdings, Inc. adopted the name Rent-A-Center, Inc.

At December 31, 2002, the Company operated 2,407 company-owned stores nationwide and in Puerto Rico, including 23 stores in Wisconsin operated by a subsidiary, Get It Now, LLC, under the name "Get It Now." These financial statements include the accounts of Rent-A-Center, Inc. ("Rent-A-Center") and its direct and indirect wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated. 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. ("ColorTyme"), an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of 318 franchised rent-to-own stores operating in 40 states. These rent-to-own stores offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories. 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 are generated primarily from royalties based on franchisees' monthly gross revenues.

RENTAL MERCHANDISE

Rental merchandise is carried at cost, net of accumulated depreciation. Depreciation for all merchandise is provided using the income forecasting method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise, and assumes no salvage value. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental-purchase agreement period, generally 6 to 30 months. Under the income forecasting method, merchandise held for rent is not depreciated, and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity based method similar to the units of production method. On July 1, 2002, the Company began accelerating 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. As of December 31, 2002, the Company has recognized an additional $2.4 million in depreciation expense due to this accelerated method on computers. The purpose for this change is to better reflect the depreciable life of a computer and to encourage the sale of older computers. Though this method will accelerate the depreciation expense on the affected computers, the Company does not expect it to have a material effect on its financial position, results of operations or cash flows in future periods.

Rental merchandise which is damaged and inoperable, or not returned by the customer after becoming delinquent on payments, is written-off when such impairment occurs.

CASH EQUIVALENTS

For purposes of reporting cash flows, cash equivalents include all highly liquid investments with an original maturity of three months or less.

RENTAL REVENUE AND FEES

Merchandise is rented to customers pursuant to rental-purchase agreements which provide for weekly or monthly rental terms with non-refundable rental payments. Generally, the customer has the right to acquire title either through a purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term. No revenue is accrued because the customer can cancel the rental contract at any time and Rent-A-Center cannot enforce collection for non-payment of rents.

ColorTyme's revenue from the sale of rental merchandise is recognized upon shipment of the merchandise to the franchisee.

Get It Now's revenue from the sale of merchandise through an installment credit sale is recognized at the time of the sale, as is the cost of the merchandise sold, net of a provision for uncollectable accounts.

PROPERTY ASSETS AND RELATED DEPRECIATION

Furniture, equipment and vehicles are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets (generally five years) by the straight-line method. Leasehold improvements are amortized over the term of the applicable leases by the straight-line method.

INTANGIBLE ASSETS AND AMORTIZATION

The Company adopted SFAS 142, "Goodwill and Other Intangible Assets," effective January 1, 2002 and has identified one reporting unit. In accordance with SFAS 142, the Company discontinued recording goodwill amortization effective January 1, 2002. Non-compete agreements, franchise network and customer relationships are amortized over two to five years, ten years and 18 to 24 months, respectively.

ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

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

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's objective in managing its exposure to fluctuations in interest rates is to decrease the volatility of earnings and cash flows associated with changes in the applicable rates. To achieve this objective, the Company has entered into interest-rate swap agreements. The interest-rate swaps are derivative instruments related to forecasted transactions and are considered to hedge future cash flows. The effective portion of any gains or losses are included in accumulated other comprehensive income (loss) until earnings are affected by the variability of cash flows. Any ineffective portion is recognized currently into earnings. The cash flows of the interest-rate swaps are expected to be effective in achieving offsetting cash flows attributable to fluctuations in the cash flows of the floating-rate senior credit facility. If it becomes probable a forecasted transaction will no longer occur, the interest-rate swap will continue to be carried on the balance sheet at fair value, and gains or losses that were deferred in accumulated other comprehensive income (loss) will be recognized immediately into earnings. If the interest-rate swaps are terminated prior to their expiration dates, any cumulative gains and losses will be deferred and recognized into earnings over the remaining life of the underlying exposure. If the hedged liabilities are to be sold or extinguished, the Company will recognize the gain or loss on the designated financial instruments currently into earnings.

Changes in the fair value of the effective cash flow hedges are recorded in accumulated other comprehensive income (loss). The effective portion that has been deferred in accumulated other comprehensive income (loss) will be reclassified to earnings when the hedged items impact earnings.

The Company's adoption of SFAS No. 133 on January 1, 2001 resulted in the recognition of approximately $2.6 million, or $1.4 million after taxes, of derivative assets on the Company's consolidated balance sheet and $1.4 million of hedging gains included in accumulated other comprehensive income as the cumulative effect of a change in accounting principle.

The interest-rate swaps were and are based on the same index as their respective underlying debt. The interest-rate swaps have been effective in achieving offsetting cash flows attributable to the fluctuations in the cash flows of the hedged risk, and no amount has been required to be reclassified from accumulated other comprehensive income (loss) into earnings for hedge ineffectiveness during the years ended December 31, 2002 and 2001. The interest-rate swap resulted in an increase of interest expense of $9.4 million and $3.9 million for the years ended December 31, 2002 and 2001, respectively. The fair value of the interest-rate swaps increased by $2.6 million, net of tax, during the year ended December 31, 2002, and decreased by $6.3 million, net of tax, during the year ended December 31, 2001, which have been recorded in accumulated other comprehensive income. The estimated net amount of existing loss expected to be reclassified into earnings during 2003 is approximately $3.7 million. During the year ended December 31, 2002, the amount of cash flow loss reclassified to earnings because it became probable that the original forecasted transaction would not occur was not material.

INCOME TAXES

The Company provides deferred taxes for temporary differences between the tax and financial reporting bases of assets and liabilities at the rate expected to be in effect when taxes become payable.

EARNINGS PER COMMON SHARE

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

ADVERTISING COSTS

Costs incurred for producing and communicating advertising are expensed when incurred. Advertising expense was $62.7 million, $69.1 million, and $61.2 million in 2002, 2001 and 2000, respectively.

STOCK-BASED COMPENSATION

The Company has in place a long-term incentive plan for the benefit of certain key employees, consultants and directors, which is described more fully in Note K. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net earnings, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net earnings and

earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

YEAR ENDED DECEMBER 31,	2002	2001	2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Net earnings allocable to common stockholders As reported	$161,961	$50,809	$92,607
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related tax expense	11,290	7,380	10,272
Pro forma	$150,671	$43,429	$82,335
Basic earnings per common share As reported	$ 5.51	$ 1.97	$ 3.79
Pro forma	$ 5.13	$ 1.68	$ 3.37
Diluted earnings per common share As reported	$ 4.74	$ 1.79	$ 2.96
Pro forma	$ 4.43	$ 1.59	$ 2.67

The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected volatility of 55.8% to 57.3%; risk-free interest rates of 3.5% to 5.5%, 4.2% to 5.3% and 6.5% in 2002, 2001, and 2000, respectively; no dividend yield; and expected lives of seven years.

USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues during the reporting period. Actual results could differ from those estimates.

OTHER COMPREHENSIVE INCOME

Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive income is attributed to changes in the fair value of interest rate swap agreements, net of tax.

NEW ACCOUNTING PRONOUNCEMENTS

Accounting for Costs Associated with Exit or Disposal Activities. In June 2002, the FASB issued Statement 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement requires entities to recognize costs associated with exit or disposal activities when liabilities are incurred rather than when the entity commits to an exit or disposal plan, as currently required. Examples of costs covered by this guidance include one-time employee termination benefits, costs to terminate contracts other than capital leases, costs to consolidate facilities or relocate employees, and certain other exit or disposal activities. This statement is effective for fiscal years beginning after December 31, 2002, and will impact any exit or disposal activities the Company initiates after that date.

Stock-Based Employee Compensation. In December 2002, the FASB issued Statement 148 (SFAS 148), Accounting for Stock-Based Compensation -- Transition and Disclosure: an amendment of FASB Statement 123 (SFAS 123), to provide alternative transition methods for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in annual financial statements about the method of accounting for stock-based employee compensation and the pro forma effect on reported results of applying the fair value based method for entities that use the intrinsic value method of accounting. The pro forma effect disclosures are also required to be prominently disclosed in interim period financial statements. This statement is effective for financial statements for fiscal years ending after December 15, 2002 and is effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002, with earlier application permitted. The Company does not plan to change to the fair value based method of accounting for stock-based employee compensation at this time and have included the disclosure requirements of SFAS 148 in these financial statements.

Accounting for Guarantees. In November 2002, the FASB issued FASB Interpretation 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company previously did not record a liability when guaranteeing obligations unless it became probable that the Company would have to perform under the guarantee. FIN 45 applies prospectively to guarantees the Company issues or modifies subsequent to December 31, 2002, but has certain disclosure requirements effective for interim and annual periods ending after December 15, 2002. The Company has historically issued guarantees related to ColorTyme franchisees and other limited purposes and does not anticipate FIN 45 will have a material effect on its 2003 financial statements. Disclosures required by FIN 45 are included in these financial statements.

Consolidation of Variable Interest Entities. In January 2003, the FASB issued FASB Interpretation 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 clarifies the application of Accounting Research Bulletin 51, Consolidated Financial Statements, for certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest ("variable interest entities"). Variable interest entities within the scope of FIN 46 will be required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to be the party that absorbs a majority of the entity's expected losses, receives a majority of its expected returns, or both. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company is in the process of determining what impact, if any, the adoption of the provisions of FIN 46 will have upon its financial condition or results of operations.

NOTE B -- RENTAL MERCHANDISE

	2002	2001
(IN THOUSANDS)		
On rent		
Cost	$906,305	$885,015
Less accumulated depreciation	396,121	353,388
	$510,184	$531,627
Held for rent		
Cost	$161,316	$156,013
Less accumulated depreciation	39,776	33,939
	$121,540	$122,074

RECONCILIATION OF RENTAL MERCHANDISE

	2002	2001	2000
Beginning merchandise value	$ 653,701	$ 587,232	$ 531,223
Inventory additions through acquisitions	18,469	17,734	13,074
Purchases	494,903	526,909	462,126
Depreciation of rental merchandise	(383,400)	(343,197)	(299,298)
Cost of goods sold	(88,404)	(72,539)	(65,332)
Skip stolens	(48,110)	(44,293)	(38,219)
Other inventory deletions(1)	(15,435)	(18,145)	(16,342)
Ending merchandise value	$ 631,724	$ 653,701	$ 587,232

- ---

(1) Other inventory deletions includes LDW claims and unrepairable and missing merchandise, as well as acquisition write-offs.

NOTE C -- PROPERTY ASSETS

DECEMBER 31,	2002	2001
(IN THOUSANDS)		
Furniture and equipment	$113,579	$ 94,689
Transportation equipment	24,972	27,384
Building and leasehold improvements	99,025	85,699
Construction in progress	1,013	6,083
	238,589	213,855
Less accumulated depreciation	132,640	106,972
	$105,949	$106,883

NOTE D -- INTANGIBLE ASSETS AND ACQUISITIONS

Intangibles consist of the following (in thousands):

	DECEMBER 31, 2002		DECEMBER 31, 2001	
	AVG. LIFE (YEARS)	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
Amortizable intangible assets					
Franchise network	10	$ 3,000	$ 1,950	$ 3,000	$ 1,650
Non-compete agreements	5	1,510	1,444	1,677	1,405
Customer relationships	1.5	12,706	6,365	3,994	1,882
Intangible assets not subject to amortization					
Goodwill		835,557	99,162	806,524	99,162
Total intangibles		$852,773	$108,921	$815,195	$104,099

Aggregate Amortization Expense	
Year ended December 31, 2002	$ 5,045
Year ended December 31, 2001	$30,194

SUPPLEMENTAL INFORMATION REGARDING INTANGIBLE ASSETS AND AMORTIZATION.

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

ESTIMATED AMORTIZATION EXPENSE	(IN THOUSANDS)
2003	6,167
2004	838
2005	302
2006	150
Total	$7,457

Changes in the carrying amount of goodwill for the year ended December 31, 2002 are as follows (in thousands):

Balance as of January 1, 2002	$707,362
Additions from acquisitions	31,278
Tax benefit not recorded from previous acquisition	(6,125)
Post purchase price allocation adjustments	3,880
Balance as of December 31, 2002	$736,395

There were no impairment losses to goodwill for the year ended December 31, 2002.

In contrast to accounting standards in effect during 2001 and 2000, SFAS 142, Goodwill and Other Intangible Assets, which became effective beginning in 2002, provides that goodwill should not be amortized. Accordingly, with the

adoption of SFAS 142 in 2002, the Company discontinued the amortization of goodwill.

The information presented below reflects adjustments to information reported in 2001 and 2000 as if SFAS 142 had been applied in those years.

Net earnings and earnings per common share, excluding the after tax effect of amortization expense related to goodwill, for the years ending December 31, 2002, 2001 and 2000 are as follows:

YEAR ENDED DECEMBER 31,	2002	2001	2000
UNAUDITED (IN THOUSANDS, EXCEPT PER SHARE DATA) Reported net earnings	$172,173	$66,217	$103,027
Goodwill amortization, net of tax	--	24,892	24,323
Adjusted net earnings	$172,173	$91,109	$127,350
BASIC EARNINGS PER COMMON SHARE: Reported earnings per share	$ 5.51	$ 1.97	$ 3.79
Add back: Goodwill amortization, net of tax	--	.97	1.00
Adjusted earnings per share	$ 5.51	$ 2.94	$ 4.79
DILUTED EARNINGS PER COMMON SHARE: Reported earnings per share	$ 4.74	$ 1.79	$ 2.96
Add back: Goodwill amortization, net of tax	--	.67	.70
Adjusted earnings per share	$ 4.74	$ 2.46	$ 3.66

ACQUISITIONS

The following table provides information concerning the acquisitions made during the years ended December 31, 2002, 2001 and 2000:

YEAR ENDED DECEMBER 31,	2002	2001	2000
(DOLLAR AMOUNTS IN THOUSANDS) Number of stores acquired	83	95	74
Number of locations accounts were acquired from	126	90	73
Number of transactions	53	52	35
Total purchase price	$59,504	$49,835	$42,538
Amounts allocated to: Goodwill	$31,278	$29,845	$27,507
Non-compete agreements	10	--	--
Customer relationships	8,783	2,150	1,745
Property assets	946	46	183
Rental merchandise	18,469	17,734	13,074
Other assets	18	60	29

Acquisitions during 2002 were not significant, individually or in the aggregate, to the Company's consolidated financial position or statement of operations as of December 31, 2002 and for the year then ended. One of the transactions, which took place in June 2001, consisted of 54 stores, for approximately $21.0 million in cash. All acquisitions have been accounted for as purchases, and the operating results of the acquired businesses have been included in the financial statements since their date of acquisition.

NOTE E -- SENIOR CREDIT FACILITY

The Company has a Senior Credit Facility (the "Facility") with a syndicate of banks. The Company also has other debt facilities. These facilities consist of the following:

	DECEMBER 31, 2002					DECEMBER 31, 2001				
	FACILITY AMOUNT	MAXIMUM AMOUNT AVAILABLE	MAXIMUM FACILITY AMOUNT OUTSTANDING	MATURITY	AVAILABLE AMOUNT	FACILITY AMOUNT	MAXIMUM AMOUNT AVAILABLE	MAXIMUM FACILITY AMOUNT OUTSTANDING	MATURITY	AVAILABLE AMOUNT
(IN THOUSANDS)										
Senior Credit Facility:										
Term Loan "B"	$ 72,404	$ 72,404	$ --	2006	$148,850	$148,850	$ --	$ --	Term Loan "C"	2007
	128,753	128,753	--		192,754	192,754	--		Term Loan "D"	2007
	48,343	48,343	--		86,396	86,396	--		Tranche D LC(1)	2007
	80,000	--	--	--	--	--	--		Revolver(2)	2004
	120,000	--	114,300		120,000	--	56,425			
	-	449,500	249,500		114,300	548,000	428,000			
			56,425						Other Indebtedness: Line of credit	
	10,000	--	10,000	--	10,000	--	--			
	-	-	-		-	-	-			
									Total Debt Facilities	
	$459,500	$249,500	$124,300		$558,000	$428,000	$66,425			

(1) On May 3, 2002, the Company amended the Facility to provide for a new Tranche D LC Facility in an aggregate amount at closing equal to $80.0 million to support its outstanding letters of credit. Under this new Tranche D LC Facility, in the event that a letter of credit is drawn upon, the Company has the right to either repay the Tranche D LC lenders the amount withdrawn or request a loan in that amount. Interest on any requested Tranche D LC loan accrues at an adjusted prime rate plus 1.75% or, at the Company's option, at the Eurodollar Rate plus 2.80%, with the entire amount of the Tranche D LC Facility due on December 31, 2007.

(2) At December 31, 2002 and 2001, the amounts available under the Company's revolving facility were reduced by approximately $5.7 million and $63.6 million, respectively, for outstanding letters of credit used to support the Company's insurance obligations. The Company provides assurance to its insurance providers that if they are not be able to draw funds from the Company for claims paid, they have the ability to draw against the Company's letters of credit. At that time, the Company would then owe the drawn amount to the financial institution providing the letter of credit. One of the Company's letters of credit is renewed automatically every year unless the Company notifies the institution not to renew. The other letter of credit

expires in August 2003, but is automatically renewed each year for a one year period unless the institution notifies the Company no later than thirty days prior to the applicable expiration date that such institution does not elect to renew the letter of credit for such additional one year period.

Borrowings under the Facility bear interest at varying rates equal to 0.50% to 2.00% over the designated prime rate (4.25% per annum at December 31, 2002) or 1.50% to 3.0% over LIBOR (1.38% at December 31, 2002) at the Company's option, and are subject to quarterly adjustments based on certain leverage ratios. For the year ended December 31, 2002, the average effective rate on outstanding borrowings under the senior credit facilities was 4.94%, before considering the interest rate swap agreements as described below, and 7.77%, after giving effect to the interest rate swap agreements in effect during 2002. A commitment fee equal to 0.25% to 0.50% of the unused portion of the revolving credit facility is payable quarterly.

The Facility is collateralized by substantially all of the Company's tangible and intangible assets, and is unconditionally guaranteed by each of the Company's subsidiaries and parent corporation. In addition, the Facility contains several financial covenants as defined therein, including a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio, and a minimum consolidated fixed charge coverage ratio, as well as restrictions on capital expenditures, additional indebtedness, and the disposition of assets not in the ordinary course of business.

The following are scheduled maturities of senior debt at December 31, 2002:

YEAR ENDING DECEMBER 31, (IN THOUSANDS)	
2003	$ 1,063
2004	13,040
2005	49,093
2006	114,111
2007	72,193
	$249,500

To reduce its risk of greater interest expense because of floating-rate interest obligations under the Facility, the Company entered into three interest-rate swap agreements. One expired in 2001. The two remaining, with an aggregate notional amount of $250 million, expire in August ($140.0 million) and September ($110.0 million) of 2003. Those agreements effectively converted a portion of the Company's floating-rate interest obligations to fixed-rate interest obligations. The fixed Eurodollar Rate applicable to the $250 notional amount was 5.60% at December 31, 2002 and 2001. The interest-rate swaps had negative a fair value of $3.7 million, net of tax, at December 31, 2002.

NOTE F -- SUBORDINATED NOTES PAYABLE

Rent-A-Center East has $271.8 million, net of discount, of subordinated notes outstanding, maturing on August 15, 2008, including $100.0 million which were issued in December 2001 at 99.5% of par. The notes require semi-annual interest-only payments at 11%, and are guaranteed by Rent-A-Center (the "Parent") and certain of Rent-A-Center East's direct and wholly-owned subsidiaries, consisting of ColorTyme, Rent-A-Center West, Inc., Get It Now, Rent-A-Center Texas, L.L.C. and Rent-A-Center Texas, L.P. (collectively, the "Subsidiary Guarantors" and, together with the Parent, the "Guarantors"). The notes are redeemable at Rent-A-Center East's option, at any time on or after August 15, 2003, at a set redemption price that varies depending upon the proximity of the redemption date to final maturity. Upon a change of control, the holders of the subordinated notes have the right to require Rent-A-Center East to redeem the notes.

The notes contain restrictive covenants, as defined therein, including a consolidated interest coverage ratio and limitations on incurring additional indebtedness, selling assets of the Subsidiary Guarantors, granting liens to third parties, making restricted payments and engaging in a merger or selling substantially all of Rent-A-Center East's assets.

The Parent and the Subsidiary Guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center East with respect to these notes. The only direct or indirect subsidiaries of the Parent that are not Guarantors are minor subsidiaries. There are no restrictions on the ability of any of the Guarantors to transfer funds to Rent-A-Center East 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 December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002. The financial information includes the Subsidiary Guarantors from the dates they were acquired or formed by Rent-A-Center and Rent-A-Center East and is presented using the push-down basis of accounting.

CONDENSED CONSOLIDATING BALANCE SHEETS

	PARENT COMPANY	RENT-A-CENTER EAST	SUBSIDIARY GUARANTORS	CONSOLIDATING ADJUSTMENTS	TOTALS
			(IN THOUSANDS)		
DECEMBER 31, 2002					
Merchandise inventory, net	$ --	$ 630,256	$ 1,468	$ --	$ 631,724
Intangible assets, net	--	400,327	343,525	--	743,852
Other assets	417,507	121,758	42,953	(341,742)	240,476
Total assets	$ 417,507	$1,152,341	$387,946	$(341,742)	$1,616,052
Senior Debt	$ --	$ 249,500	$ --	$ --	$ 249,500
Other liabilities	--	495,511	28,639	--	524,150
Preferred stock	2	--	--	--	2
Stockholder's equity	417,505	407,330	359,307	(341,742)	842,400
Total liabilities and equity	$ 417,507	$1,152,341	$387,946	$(341,742)	$1,616,052
DECEMBER 31, 2001					
Merchandise inventory, net	$ 653,701	$ --	$ --	$ --	$ 653,701
Intangible assets, net	367,271	--	343,825	--	711,096
Other assets	578,077	--	18,788	(341,742)	255,123
Total assets	$1,599,049	$ --	$362,613	$(341,742)	$1,619,920
Senior Debt	$ 428,000	$ --	$ --	$ --	$ 428,000
Other liabilities	489,174	--	5,458	--	494,632
Preferred stock	291,910	--	--	--	291,910

Stockholder's equity.....
389,965 -- 357,155 (341,742) 405,378 ------- --- ---------- -------- - -------- ---------- Total liabilities and equity.....
$1,599,049 $ -- $362,613 $(341,742) $1,619,920 ========== ========== ======== ========= ==========

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	PARENT GUARANTORS	RENT-A-CENTER EAST SUBSIDIARY COMPANY	TOTAL
		(IN THOUSANDS)	
YEAR ENDED DECEMBER 31, 2002			
Total revenues	$ --	$1,946,601	$63,443	$2,010,044
Direct store expenses	--	1,538,293	3,776	1,542,069
Other	--	238,288	57,514	295,802
Net earnings	$ --	$ 170,020	$ 2,153	$ 172,173
YEAR ENDED DECEMBER 31, 2001			
Total revenues	$ --	$1,749,060	$59,468	$1,808,528
Direct store expenses	--	1,435,138	--	1,435,138
Other	--	243,266	63,907	307,173
Net earnings (loss)	$ --	$ 70,656	$ (4,439)	$ 66,217
YEAR ENDED DECEMBER 31, 2000			
Total revenues	$ --	$1,543,848	$57,766	$1,601,614
Direct store expenses	--	1,230,864	--	1,230,864
Other	--	205,342	62,381	267,723
Net earnings (loss)	$ --	$ 107,642	$ (4,615)	$ 103,027

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	PARENT	RENT-A-CENTER EAST	SUBSIDIARY GUARANTORS	COMPANY TOTAL
(IN THOUSANDS) YEAR ENDED DECEMBER 31, 2002 Net cash provided by operating activities.....	$ --	$ 288,843	$ 5,647	$ 294,490
Cash flows from investing activities Purchase of property assets.....	--	(36,895)	(701)	(37,596)
Acquisitions of businesses.....	--	(59,504)	--	(59,504)
Other.....	--	398	--	398
Net cash used in investing activities.....	--	(96,001)	(701)	(96,702)
Cash flows from financing activities Purchase of treasury stock.....	--	(65,565)	--	(65,565)
Exercise of stock options.....	--	26,792	--	26,792
Repayments of debt.....	--	(178,500)	--	(178,500)
Repurchase of senior subordinated notes, net of loss.....	--	(2,750)	--	(2,750)
Intercompany advances.....	--	4,946	(4,946)	--
Net cash used in financing activities.....	--	(215,077)	(4,946)	(220,023)
Net decrease in cash and cash equivalents.....	--	(22,235)	--	(22,235)
Cash and cash equivalents at beginning of year.....	--	107,958	--	107,958
Cash and cash equivalents at end of year.....	$ --	$ 85,723	$ --	$ 85,723
YEAR ENDED DECEMBER 31, 2001 Net cash provided by operating activities.....	$ 169,178	$ --	$ 6,552	$ 175,730
Cash flows from investing activities Purchase of property assets.....	(57,477)	--	(55)	(57,532)
Acquisitions of businesses.....	(49,835)	--	--	(49,835)
Other.....	--	706	--	706
Net cash used in investing activities.....	(106,606)	--	(55)	(106,661)
Cash flows from financing activities Purchase of treasury stock.....	(25,000)	--	--	(25,000)
Exercise of stock options.....	20,317	--	--	20,317
Repayments of debt.....	(138,051)	--	--	(138,051)
Proceeds from debt.....	99,506	--	--	99,506
Proceeds from issuance of common stock.....	45,622	--	--	45,622
Intercompany advances.....	6,497	--	(6,497)	--
Net cash provided by (used in) financing activities.....	8,891	--	(6,497)	2,394
Net increase in cash and cash equivalents.....	71,463	--	--	71,463
Cash and cash equivalents at beginning of year.....	36,495	--	--	36,495
Cash and cash equivalents at end of year.....	$ 107,958	$ --	$ --	$

107,958	=========	=========	=======
	=========		

PARENT	RENT-A-CENTER	SUBSIDIARY	COMPANY		
EAST	GUARANTORS	TOTAL			
--	----------	---------	(IN THOUSANDS)	YEAR	
ENDED DECEMBER 31, 2000 Net cash provided by operating activities.....	$ 185,719	$ --	$ 5,844	$ 191,563	
--	--------- Cash flows from investing activities Purchase of property assets.....	(37,843)	--	(94)	(37,937)
Acquisitions of businesses.....	(42,538)	--	--	(42,538)	
Other.....					
1,403	--	--	1,403		
--	--------- Net cash used in investing activities.....	(78,978)	--	(94)	(79,072)
Cash flows from financing activities Proceeds from debt.....	242,975	--	-	-	242,975
Repayments of debt.....	(349,084)	--	--	(349,084)	
Exercise of stock options.....	8,434	--	--	8,434	
Intercompany advances.....	5,750	--	(5,750)	--	
---------	---------	-------	----		
----- Net cash used in financing activities.....	(91,925)	--	(5,750)	(97,675)	
---------	---------	-------	------		
--- Net decrease in cash and cash equivalents.....	14,816	--	--	14,816	
Cash and cash equivalents at beginning of year.....					
21,679	--	--	21,679		
---------	---------	---	----		
--------- Cash and cash equivalents at end of year.....	$ 36,495	$ --	$ --	$ 36,495	
=========	=========	=======			
=========					

NOTE G -- ACCRUED LIABILITIES

DECEMBER 31,	2002	2001
	(IN THOUSANDS)	
Taxes other than income.....	$ 22,719	$ 19,071
Income taxes payable.....	--	7,081
Accrued litigation costs.....	1,667	59,044
Accrued insurance costs.....	49,883	36,634
Accrued interest payable.....	13,684	10,618
Accrued compensation and other.....	34,764	37,748
	$122,717	$170,196

Included in the $59.0 million of accrued litigation cost in 2001 is approximately $52.0 million related to the gender discrimination class action litigation settlements as more fully described in Note J.

NOTE H -- REDEEMABLE CONVERTIBLE VOTING PREFERRED STOCK

In connection with the issuance of Rent-A-Center's Series A preferred stock in August 1998, Rent-A-Center entered into a registration rights agreement with affiliates of Apollo Management IV, L.P. ("Apollo") which, among other things, granted them two rights to request that their shares be registered, and a registration rights agreement with an affiliate of Bear Stearns, which granted them the right to participate in any company-initiated registration of shares, subject to certain exceptions. In May 2002, Apollo exercised one of their two rights to request that their shares be registered and an affiliate of Bear Stearns elected to participate in such registration. In connection therewith, Apollo and the affiliate of Bear

Stearns converted 97,197 shares of Rent-A-Center's Series A preferred stock held by them into 3,500,000 shares of Rent-A-Center's common stock, which they sold in the May 2002 public offering that was the subject of Apollo's request. Rent-A-Center did not receive any of the proceeds from this offering.

On August 5, 2002, the first date on which Rent-A-Center had the right to optionally redeem the shares of Series A preferred stock, the holders of Rent-A-Center's Series A preferred stock converted all but two shares of Rent-A-Center's Series A preferred stock held by them into 7,281,548 shares of Rent-A-Center's common stock. As a result, the dividend on Rent-A-Center's Series A preferred stock has been substantially eliminated for future periods.

Rent-A-Center's Series A preferred stock is convertible, at any time, into shares of Rent-A-Center's common stock at a conversion price equal to $27.935 per share, and has a liquidation preference of $1,000 per share, plus all accrued and unpaid dividends. No distributions may be made to holders of common stock until the holders of the Series A preferred stock have received the liquidation preference. Dividends accrue on a quarterly basis, at the rate of $37.50 per annum, per share. Rent-A-Center accounts for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. During 2002 and 2001, Rent-A-Center paid approximately $8.2 million and $10.7 million in Series A preferred dividends by issuing 8,151 and 10,678 shares of Series A preferred stock, respectively. At December 31, 2002 and 2001, Rent-A-Center had two and 292,434 shares, respectively, of its Series A preferred stock outstanding.

Holders of the Series A preferred stock are entitled to two seats on Rent-A-Center's Board of Directors, and are entitled to vote on all matters presented to the holders of Rent-A-Center's common stock. The number of votes per Series A preferred share is equal to the number of votes associated with the underlying voting common stock into which the Series A preferred stock is convertible.

NOTE I -- INCOME TAXES

The income tax provision reconciled to the tax computed at the statutory Federal rate is:

YEAR ENDED DECEMBER 31,	2002	2001	2000
Tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.6%	5.7%	5.5%
Effect of foreign operations, net of foreign tax credits	0.1%	0.8%	0.2%
Goodwill amortization			0.0%
Other, net	0.4%	(0.4%)	1.3%
Total	40.1%	46.9%	47.0%

The components of the income tax provision are as follows:

YEAR ENDED DECEMBER 31,		
2002	2001	2000
(IN THOUSANDS)		
Current expense		
Federal	$ 11,211	$24,073
$ 6,099		
State	9,625	8,795
5,637		
Foreign	1,855	1,865
1,894		
Total current	22,691	34,733
13,630		
Deferred expense		
Federal	84,368	22,400
68,406		
State	9,211	1,456
9,332		
Total deferred	93,579	23,856
77,738		
Total	$116,270	$58,589
$91,368		

Deferred tax assets and liabilities consist of the following:

DECEMBER 31,		
2002	2001	
(IN THOUSANDS)		
Deferred tax assets		
State net operating loss carryforwards	$ 1,698	$ 2,656
Accrued expenses	--	$ 49,187
Intangible assets	11,115	17,561
Property assets	22,791	23,393
Other tax credit carryforwards	--	5,862
Unrealized loss on interest rate swap agreements	2,537	3,872
-	38,141	102,531
Deferred tax liabilities		
Rental merchandise	(70,085)	(93,759)
Accrued expenses	(54,198)	--
(124,283)	(93,759)	
Net deferred taxes	$ (86,142)	$ 8,772

The Company has no alternative minimum tax credit carryforwards, but does have various state net operating loss carryforwards.

NOTE J -- COMMITMENTS AND CONTINGENCIES

The Company leases its office and store facilities and most delivery vehicles. Rental expense was $138.0 million, $127.6 million and $105.6 million for 2002, 2001, and 2000, respectively. Future minimum

rental payments under operating leases with remaining noncancelable lease terms in excess of one year at December 31, 2002 are as follows:

YEAR ENDING DECEMBER 31, (IN THOUSANDS)	
2003	$128,535
2004	103,501
2005	77,545
2006	43,518
2007	16,502
Thereafter	3,459
	$373,060

From time to time, Rent-A-Center, along with its subsidiaries, is party to various legal proceedings arising in the ordinary course of business. Rent-A-Center is currently a party to the following material litigation:

Colon v. Thorn Americas, Inc. In November 1997, the plaintiffs filed this statutory compliance class action lawsuit in New York alleging various statutory violations of New York consumer protection laws. The plaintiffs are seeking damages compensatory, punitive damages, interest, attorney's fees and certain injunctive relief. Although Rent-A-Center intends to vigorously defend itself in this action, the ultimate outcome cannot presently be determined, and there can be no assurance that Rent-A-Center will prevail without liability.

Walker, et. al. v. Rent-A-Center, Inc. In January 2002, a putative class action was filed against Rent-A-Center and certain of its current and former officers alleging that the defendants violated Section 10(b) and/or Section 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements and omitting material facts regarding Rent-A-Center's financial performance and prospects for the third and fourth quarters of 2001, as well as Sections 11, 12(a)(2) and 5 of the Securities Act of 1933 as a result of alleged misrepresentations and omissions in connection with an offering in May 2001. The complaint purports to be brought on behalf of all purchasers of Rent-A-Center's common stock from April 25, 2001 through October 8, 2001 and seeks damages in unspecified amounts. Rent-A-Center intends to vigorously defend itself in this matter. However, there can be no assurance that Rent-A-Center will prevail without liability.

Gregory Griffin, et. al. v. Rent-A-Center, Inc. On June 25, 2002, a suit originally filed by Gregory Griffin in state court in Philadelphia, Pennsylvania was amended to seek relief both individually and on behalf of a class of customers in Pennsylvania, alleging that the Company violated the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. The amended complaint asserts that the Company's rental purchase transactions are, in fact, retail installment sales transactions, and as such, are not governed by the Pennsylvania Rental-Purchase Agreement Act, which was enacted after the adoption of the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices Act. Griffin's suit seeks class-wide remedies, including injunctive relief, unspecified statutory, actual and treble damages, as well as attorney's fees and costs. The Company intends to vigorously defend itself in this case. However, the Company cannot assure you that it will be found to have no liability in this matter.

State Wage and Hour Class Actions. On August 20, 2001, a putative class action was filed against the Company in state court in Multnomah County, Oregon entitled Rob Pucci, et. al. v. Rent-A-Center, Inc. alleging violations of Oregon state law regarding overtime, lunch and work breaks and failure to timely pay all wages due to Company employees in Oregon. The Company is subject to a similar suit pending in Clark County, Washington entitled Kevin Rose, et al. v. Rent-A-Center, Inc., et al. and two similar suits pending in

Los Angeles, California entitled Jeremy Burdusis, et al. v. Rent-A-Center, Inc., et al. and Israel French, et al. v. Rent-A-Center, Inc., each of which allege similar violations of the wage and hour laws of those respective states. The Company intends to vigorously defend itself in these matters. However, given the early stage of these proceedings, there can be no assurance that the Company will prevail without liability.

An adverse ruling in one or more of the aforementioned cases could have a material and adverse effect on the Company's consolidated financial statements.

Wisconsin Attorney General Proceeding. In August 1999, the Wisconsin Attorney General filed suit against Rent-A-Center and its subsidiary ColorTyme in Wisconsin, alleging that its rent-to-rent transaction violates the Wisconsin Consumer Act and the Wisconsin Deceptive Advertising Statute. On November 12, 2002, Rent-A-Center and ColorTyme signed a settlement agreement for this suit with the Attorney General, which was approved by the court on the same day. Under the terms of the settlement, Rent-A-Center created a restitution fund in the amount of $7.0 million and paid $1.4 million to the state of Wisconsin for fines, penalties, costs and fees.

Gender Discrimination Actions. In June 2002, the Company agreed to settle the Wilfong and Tennessee EEOC gender discrimination matters for an aggregate of $47.0 million, including attorneys fees. The settlement contemplated dismissal of the Bunch proceeding, a similar suit for gender discrimination pending in a separate federal district court, and provided for a separate $2.0 million dispute resolution fund for the Bunch plaintiffs, which was subsequently approved by the Bunch court. On October 4, 2002, the court in the Wilfong matter approved the settlement the Company had reached with the Wilfong plaintiffs and entered a final judgment. The Company funded the settlement as provided for in the settlement agreement in December 2002. As contemplated by the Wilfong settlement, the Tennessee EEOC action was dismissed in December 2002, and the Bunch matter will be dismissed in the near future.

The Company is also involved in various other legal proceedings, claims and litigation arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position or results of operations of the Company.

ColorTyme is a party to an agreement with Textron Financial Corporation, who provides $40.0 million in financing to qualifying franchisees of ColorTyme of up to five times their average monthly revenues. Under this on going agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Textron may assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Textron under the debt agreements, including the rights to foreclose on the collateral. An additional $10.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Textron financing. Rent-A-Center guarantees the obligations of ColorTyme under these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $50.0 million, of which $33.8 million was outstanding as of December 31, 2002. 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.

NOTE K -- STOCK BASED COMPENSATION

Rent-A-Center's long-term incentive plan (the "Plan") for the benefit of certain key employees, consultants and directors provides the Board of Directors broad discretion in creating equity incentives. Under the plan, 7,900,000 shares of Rent-A-Center's common stock are reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to employees under the Plan become exercisable over a period of one to five years from the date of grant and may be exercised up to a maximum of 10 years from date of grant. Options granted to directors are exercisable immediately. There have been no

grants of stock appreciation rights and all options have been granted with fixed prices. At December 31, 2002, there were 1,565,189 shares available for issuance under the Plan. However, pursuant to the terms of the Plan, when an optionee leaves the Company's employ, unvested options granted to that employee terminate and become available for re-issuance under the Plan. Vested options not exercised within 90 days from the date the optionee leaves the Company's employ terminate and become available for re-issuance under the Plan.

Information with respect to stock option activity is as follows:

2002		2001		2000	
	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year		3,957,940	$28.43	3,790,275	$24.32
		3,590,038	$23.57		
Granted		1,393,375	47.43	2,219,000	33.83
		1,782,500	24.40		
Exercised		(1,029,864)	25.96	(852,309)	23.10
		(427,700)	21.34		
Forfeited		(870,375)	34.44	(1,199,026)	29.20
		(1,154,563)	23.60		
Outstanding at end of year		3,451,076	$35.32	3,957,940	$28.43
		3,790,275	$24.32		
		3,590,038	$23.57		
Options exercisable at end of year		852,763	$27.13	954,812	$24.14
		1,097,961	$23.04		

The weighted average fair value per share of options granted during 2002, 2001 and 2000 was $29.10, $20.34, and $14.97, respectively, all of which were granted at market value. Information about stock options outstanding at December 31, 2002 is summarized as follows:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$3.34 to $6.67	27,850	2.36 years	$ 6.67	27,850	$ 6.67
$6.68 to $18.50	172,205	6.56 years	$16.18	172,205	$16.18
$18.51 to $28.50	1,291,138	8.02 years	$24.56	852,763	$27.13
$28.51 to $33.88	679,433	8.28 years	$33.16	679,433	$33.16
$33.89 to $49.05	405,950	8.42 years	$45.50	405,950	$45.50
$49.06 to $61.78	874,500	9.54 years	$52.83	874,500	$52.83
	3,451,076			3,451,076	

$6.67 to $18.50	27,850	$ 6.67	$6.68
$18.50 to $28.50	78,705	$16.23	$18.51
$28.50 to $33.88	512,450	$25.26	$28.51
$33.88 to $49.05	152,933	$32.62	$33.89
$49.05	80,825	$46.26	
	852,763		

During 2001 and 2000, Rent-A-Center issued 12,500 and 25,000 options, respectively, to a non-employee for services. The options were valued at $168,378 and $65,000. No options were issued to non-employees during 2002. The expense related to these option agreements is recognized over the service period.

NOTE L -- EMPLOYEE BENEFIT PLAN

Rent-A-Center sponsors a defined contribution pension plan under Section 401(k) of the Internal Revenue Code for all employees who have completed at least three months of service. Employees may elect to contribute up to 20% of their eligible compensation on a pre-tax basis, subject to limitations. Rent-A-Center may make discretionary matching contributions to the 401(k) plan. During 2002, 2001 and 2000, Rent-A-Center made matching cash contributions of $3.7 million, $3.3 million, and $2.5 million, respectively, which represents 50% of the employees' contributions to the 401(k) plan up to an amount not to exceed 4% of each employee's respective compensation. Since March 15, 2000, employees have been permitted to elect to purchase Rent-A-Center common stock as part of their 401(k) plan. As of December 31, 2002 and 2001, respectively, 14.0% and 10.8% of the total plan assets consisted of the Company's common stock.

NOTE M -- FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, senior debt, subordinated notes payable and interest rate swap agreements. The carrying amount of cash and cash equivalents approximates fair value at December 31, 2002 and 2001, because of the short maturities of these instruments. The Company's senior debt is variable rate debt that reprices frequently and entails no significant change in credit risk, and as a result, fair value approximates carrying value. The fair value of the subordinated notes payable is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. At December 31, 2002, the fair value of the subordinated notes was $292.7 million, which is $20.9 million above their carrying value of $271.8 million. Information relating to the fair value of the Company's interest rate swap agreements is set forth in Note E.

NOTE N -- EARNINGS PER COMMON SHARE

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

NET EARNINGS	SHARES	PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA) YEAR ENDED DECEMBER 31,		
2002 Basic earnings per common share		
$161,961	29,383	$5.51
Effect of dilutive stock options		
--	495	
Effect of preferred dividend		
10,212	6,468	
Diluted earnings per common share		
$172,173	36,346	$4.74
2001 Basic earnings per common share		
$ 50,809	25,846	$1.97
Effect of dilutive stock options		
--	908	
Effect of preferred dividend		
15,408	10,325	
Diluted earnings per common share		
$ 66,217	37,079	$1.79
2000 Basic earnings per common share		
$ 92,607	24,432	$3.79
Effect of dilutive stock options		
--	433	
Effect of preferred dividend		
10,420	9,947	
Diluted earnings per common share		
$103,027	34,812	$2.96

For 2002, 2001, and 2000, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of the common stock and, therefore anti-dilutive, was 874,500, 628,000 and 1,485,118, respectively.

NOTE O -- UNAUDITED QUARTERLY DATA

Summarized quarterly financial data for 2002 and 2001 is as follows:

1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
(IN THOUSANDS, EXCEPT PER SHARE DATA) YEAR ENDED DECEMBER 31, 2002			
Revenues			
$498,610	$494,660	$494,561	$522,213
Operating profit			88,296
	88,240	84,087	89,826
Net earnings			
43,563	41,943	41,449	45,218
Basic earnings per common share			
1.57	1.48	1.24	1.29
Diluted earnings per common share			
1.20	1.14	1.14	1.26

1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
(IN THOUSANDS, EXCEPT PER SHARE DATA) YEAR ENDED DECEMBER 31, 2001(1)			
Revenues.....			
$439,702	$442,759	$447,074	$478,993 Operating
profit.....			62,485
66,640	32,372	23,089 Net	
earnings.....			
24,998	27,545	9,974	3,700 Basic earnings per
common share.....			0.83 0.88 0.27
0.01 Diluted earnings per common			
share.....			0.69 0.74 0.26 0.10

- ---

(1) Includes the effects of a pre-tax legal settlement of $52.0 million associated with a 2001 settlement of a class action lawsuit in the state of Missouri, Illinois and Tennessee.

NOTE P -- RELATED PARTY TRANSACTIONS

On October 8, 2001, Rent-A-Center announced the retirement of J. Ernest Talley as its Chairman and Chief Executive Officer, and the appointment of Mark E. Speese as its new Chairman and Chief Executive Officer. In connection with Mr. Talley's retirement, Rent-A-Center's Board of Directors approved the repurchase of $25.0 million worth of shares of its common stock beneficially held by Mr. Talley at a purchase price equal to the average closing price of its common stock over the 10 trading days beginning October 9, 2001, subject to a maximum of $27.00 per share and a minimum of $20.00 per share. Under this formula, the purchase price for the repurchase was calculated at $20.258 per share. Accordingly, on October 23, 2001, Rent-A-Center repurchased 493,632 shares of its common stock beneficially held by Mr. Talley at $20.258 per share for a total purchase price of $10.0 million, and on November 30, 2001, repurchased an additional 740,448 shares of its common stock beneficially held by Mr. Talley at $20.258 per share, for a total purchase price of an additional $15.0 million. Rent-A-Center also had the option to repurchase all of the remaining 1,714,086 shares of its common stock beneficially held by Mr. Talley at $20.258 per share for $34.7 million by February 5, 2002. Rent-A-Center exercised this option on January 25, 2002 and repurchased the remaining shares on January 30, 2002.

One of Rent-A-Center's directors serves as Vice Chairman of the Board of Directors of Intrust Bank, N.A., one of Rent-A-Center's lenders. Intrust Bank, N.A. was a $10.7 million participant in Rent-A-Center's senior credit facility as of December 31, 2002. Rent-A-Center also maintains a $10.0 million revolving line of credit with Intrust Bank, N.A. Although from time to time Rent-A-Center may draw funds from the revolving line of credit, no funds were advanced as of December 31, 2002. In addition, Intrust Bank, N.A. serves as trustee of Rent-A-Center's 401(k) plan.

In June 2000, Rent-A-Center purchased stores from Portland II RAC, Inc. and Wilson Enterprises of Maine, Inc., each of which were ColorTyme franchisees, for $19.4 million in cash based upon a purchase formula established at the time of the Thorn Americas acquisition. Rent-A-Center's current president held approximately 15% of the stock of each of the franchisees and received $1,833,046 in cash as a result of the purchase. In July 2000, partners of Rent-A-Center's President purchased his 33 1/3% interest in CTME, LLC, another of the ColorTyme's franchisees, for $37,500. Rent-A-Center's President no longer owns an interest in any ColorTyme franchisees.

On August 5, 1998, affiliates of Apollo purchased $250.0 million of Rent-A-Center's Series A preferred stock. Under the terms of the Series A preferred stock, the holders of the Series A preferred stock have the right to elect two members of Rent-A-Center's Board of Directors. Apollo has voting control over 100% of the issued and outstanding Series A preferred stock. In addition, pursuant to the terms of a stockholders agreement entered into between Apollo, Rent-A-Center and Mark E. Speese, Apollo has the right to nominate a third person to Rent-A-Center's Board of Directors.

In connection with the issuance of Rent-A-Center's Series A preferred stock in August 1998, Rent-A-Center entered into a registration rights agreement with Apollo which, among other things, granted them two rights to request that their shares be registered, and a registration rights agreement with an affiliate of Bear Stearns, which granted them the right to participate in any company-initiated registration of shares, subject to certain exceptions. In May 2002, Apollo exercised one of their two rights to request that their shares be registered and an affiliate of Bear Stearns elected to participate in such registration. In connection therewith, Apollo and the affiliate of Bear Stearns converted 97,197 shares of Rent-A-Center's Series A preferred stock held by them into 3,500,000 shares of Rent-A-Center's common stock, which they sold in the May 2002 public offering that was the subject of Apollo's request. Rent-A-Center did not receive any of the proceeds from this offering.

On August 5, 2002, the first date on which Rent-A-Center had the right to optionally redeem the shares of Series A preferred stock, the holders of Rent-A-Center's Series A preferred stock converted all but two shares of the Company's Series A preferred stock held by them into 7,281,548 shares of Rent-A-Center's common stock. In connection with Apollo's conversion of all but two of the shares of Series A preferred stock held by them, Rent-A-Center granted Apollo an additional right to effect a demand registration under the existing registration rights agreement Rent-A-Center entered into with them in 1998, such that Apollo now has two demand rights.

NOTE Q -- SUBSEQUENT EVENT

On February 8, 2003, the Company completed the acquisition of substantially all of the assets of 295 rent-to-own stores from Rent-Way, Inc. for an aggregate purchase price of $100.4 million in cash. Of the aggregate purchase price, the Company held back $10.0 million to pay for various indemnified liabilities and expenses, if any. The Company funded the acquisition entirely from cash on hand. Of the 295 stores, 176 were subsequently merged with the Company's existing store locations. The Company entered into this transaction seeing it as an opportunistic acquisition that would allow it to expand its store base in conjunction with the Company's strategic growth plans. The acquisition price was determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total. The purchase price will be allocated to rental merchandise, property assets and various intangible accounts, which include goodwill, customer relationships and non-compete agreements. The Company is still assessing the value of the tangible assets and the Company is utilizing a third party to review the valuation of certain intangible assets; thus, the allocation of the purchase price is subject to refinement. The table below summarizes the allocation of the purchase price based on the estimated fair values of the assets acquired:

ESTIMATED VALUES	(IN THOUSANDS)
Inventory	$ 50,100
Property assets	3,200
Customer relationships	11,500
Non-compete agreement	500
Goodwill	35,100
Total assets acquired	$100,400

Customer relationships will be amortized over an 18 month period, the non-compete agreement is for four years and, in accordance with SFAS 142, the goodwill associated with the acquisition will not be amortized.

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
2.1(1)	Agreement and Plan of Merger, dated as of December 30, 2002, but effective as of December 31, 2002, by and among Rent-A-Center, Inc., Rent-A-Center Holdings, Inc. and RAC Merger Sub, Inc.
2.2*	Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc. and Rent-Way, Inc., Rent-Way of Michigan, Inc. and Rent-Way of TTIG, L.P. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
2.3*	Letter Agreement, dated December 31, 2002
2.4*	Letter Agreement, dated January 7, 2003
2.5*	Letter Agreement, dated February 7, 2003
2.6*	Letter Agreement, dated February 10, 2003 (Pursuant to the rules of the SEC, the exhibit has

been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.) 2.7* -- 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.) 3.1(2) -- Certificate of Incorporation of Rent-A-Center, Inc., as amended 3.2(3) -- Amended and Restated Bylaws of Rent-A-Center, Inc. 4.1(4) -- Form of Certificate evidencing Common Stock 4.2(5) -- Certificate of Designations, Preferences and Relative Rights and Limitations of Series A Preferred Stock of Rent-A-Center, Inc. (formerly known as Rent-A-Center Holdings, Inc.) 4.3(6) -- Form of Certificate evidencing Series A Preferred Stock 4.4(7) -- Indenture, dated as of December 19, 2001, by and among Rent-A-Center, Inc., as Issuer, ColorTyme, Inc., and Advantage Companies, Inc., as Subsidiary Guarantors, and The Bank

of New York, as Trustee 4.5(8) -- First Supplemental Indenture, dated as of May 1, 2002, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc. and The Bank of New York, as Trustee 4.6(9) -- Second Supplemental Indenture, dated as of September 30, 2002, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc., Get It Now, LLC and The Bank of New York, as Trustee 4.7* -- Amended and Restated Third Supplemental Indenture, dated as of December 31, 2002, by and among Rent-A-Center, Inc., Rent-A-Center Holdings, Inc., ColorTyme, Inc., Rent-A-Center West, Inc. (formerly known as Advantage Companies, Inc.), Get It Now, LLC, Rent-A-Center Texas, LP, Rent-A-Center Texas, LLC and The Bank of New York, as Trustee 4.8(10) -- Form of 2001 Exchange Note 10.1(11)+ -- Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan 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 10.3* -- 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 10.4(12) -- Amended and Restated Stockholders Agreement, dated as of October 8, 2001, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Rent-A-Center, Inc., and certain other persons

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
10.5(13)	-- Second Amended and Restated Stockholders Agreement, dated as of August 5, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.6*	-- Third Amended and Restated Stockholders Agreement, dated as of December 31, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.7(14)	-- 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., related to the Series A Convertible Preferred Stock
10.8(15)	-- Second Amendment to Registration Rights Agreement, dated as of August 5, 2002, by and

among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. 10.9* -- Third Amendment to Registration Rights Agreement, dated as of December 31, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
10.10(16) -- Common Stock Purchase Agreement, dated as of October 8, 2001, by and among J. Ernest Talley, Mary Ann Talley, the Talley 1999 Trust and Rent-A-Center, Inc.
10.11(17) -- Exchange and Registration Rights Agreement, dated December 19, 2001, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., and Lehman Brothers, Inc.
10.12(18) -- Amended and Restated Franchisee Financing Agreement, dated March 27, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-

Center, Inc.
10.13(19) -- Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc.
10.14(20) -- First Amendment to Franchisee Financing Agreement, dated July 23, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.15(21) -- Second Amendment to Franchisee Financing Agreement, dated September 30, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.16* -- Third Amendment to Franchisee Financing Agreement, dated March 24, 2003, but effective as of December 31, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
21.1* -- Subsidiaries of Rent-A-Center, Inc.
23.1* -- Consent of Grant Thornton LLP
99.1* -- 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

99.2* -- Certification pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

- ---

* Filed herewith.

\+ Management contract or company plan or arrangement

(1) Incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002

(2) 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) Incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K dated as of December 31, 2002

(4) Incorporated herein by reference to Exhibit 4.1 to the registrant's Form S-4 filed on January 11, 1999

(5) Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002

(6) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement Form S-4 filed on January 11, 1999

(7) Incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(8) Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002

(9) Incorporated herein by reference to Exhibit 4.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002

(10) Incorporated herein by reference to Exhibit 4.7 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(11) Incorporated herein by reference to Exhibit 99.1 to the registrant's Post-Effective Amendment No. 1 to Form S-8 dated as of December 31, 2002

(12) Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001

(13) Incorporated herein by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(14) 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

(15) 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

(16) Incorporated herein by reference to Exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001

(17) Incorporated herein by reference to Exhibit 10.9 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(18) Incorporated herein by reference to Exhibit 10.13 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(19) 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

(20) Incorporated herein by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(21) Incorporated herein by reference to Exhibit 10.14 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002

EXHIBIT 2.2

EXECUTION COPY

ASSET PURCHASE AGREEMENT

by and among

RENT-A-CENTER, INC.,

and

RENT-WAY, INC.,

RENT-WAY OF MICHIGAN, INC.

and

RENT-WAY OF TTIG, L.P.

Dated as of December 17, 2002

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EXHIBITS

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EXHIBIT "B" Form of Non-Competition and Non-Solicitation Agreement
EXHIBIT "C" Form of Opinion of Counsel to the Company
EXHIBIT "D" Form of Opinion of Counsel to Acquiror

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT, dated as of December 17, 2002 (this "AGREEMENT"), is entered into by and among RENT-A-CENTER, INC., a Delaware corporation (the "ACQUIROR"), RENT-WAY, INC., a Pennsylvania corporation (the "COMPANY"), RENT-WAY OF MICHIGAN, INC., a Delaware corporation and wholly owned subsidiary of the Company ("RENT-WAY MICHIGAN") and RENT-WAY OF TTIG, L.P., an Indiana limited partnership and indirect wholly owned subsidiary of the Company ("TTIG" and, together with Rent-Way Michigan, the "OPERATING SUBSIDIARIES").

RECITALS

WHEREAS, the Company and the Operating Subsidiaries are engaged in the business of renting-to-own consumer household durable goods, including televisions, video cassette recorders, stereos, appliances, computers, furniture, accessories and other like merchandise to the public; and

WHEREAS, the parties desire to enter into a transaction in which the Acquiror will purchase substantially all of the assets of the Company and the Operating Subsidiaries used in, or related to, the operation of the 295 rent-to-own stores at each location listed on Schedule 1.1 (collectively, the "STORES" and individually, a "STORE"), upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, the representations, warranties and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the conditions set forth herein, the parties hereto agree as follows:

ARTICLE I
SALE AND PURCHASE OF ASSETS

1.1 Assets. Subject to the terms and conditions of this Agreement, on the Closing Date (hereinafter defined), the Company and the Operating Subsidiaries shall sell, convey, transfer, assign and deliver to the Acquiror, and the Acquiror shall accept and purchase all of the Company's and the Operating Subsidiaries' right, title and interest in and to all of the assets (other than the Excluded Assets) relating to the Stores (collectively, the "ASSETS") including without limitation, the following:

(a) All (i) customer rental contracts, including without limitation any rent-to-own agreements, lease-purchase agreements and rent-to-rent agreements, and (ii) disclosures, forms, applications and other ancillary documents relating to such rental contracts relating to the Stores (together, the "RENTAL PURCHASE AGREEMENTS"), including all of the Company's and the Operating Subsidiaries' rights under such Rental Purchase Agreements;

(b) All products on rent, whether current or delinquent in payment, pursuant to the Rental Purchase Agreements, including any manufacturer's warranties underlying such products;

(c) Any information, including all computer records and software, pertaining to the Rental Purchase Agreements;

(d) All rental merchandise presently in the Stores or being serviced or repaired or in off-premises storage for the Stores and not on rent pursuant to a Rental Purchase Agreement as of the Closing, including any manufacturer's warranties underlying such rental merchandise (the "IDLE INVENTORY");

(e) All equipment, fixtures, supplies, office furniture, computers (including peripherals), filing cabinets and product displays which are located within the Stores or are otherwise attributable to the Stores;

(f) Up to 220 cube motor vehicles owned or leased by the Company or any Operating Subsidiary and used by the Company or any Operating Subsidiary in connection with the Stores as of the date hereof as set forth on Schedule 3.18, such vehicles to be acquired hereunder as designated by Acquiror no later than ten (10) days prior to Closing and to be delivered by the Company and the Operating Subsidiaries free and clear of Encumbrances at Closing;

(g) Except as set forth in Section 1.2 or as referenced in Section 1.2 hereof, (i) all books and records relating to the operation of the Stores, including but not limited to (a) all original Rental Purchase Agreements relating to the Stores, (b) all original books and records of account and other financial records related to the operation of the Stores, and (c) all price lists, customer lists and correspondence, customer histories (including payment histories), mailing lists, credit records and correspondence and similar lists and correspondence for the three year period ending on the Closing Date; (ii) all manuals pertaining to merchandise, materials, operations, maintenance and similar matters relating to the operation of the Stores; (iii) all records or lists pertaining to supply, distribution, transportation, administration and similar matters relating to the operation of the Stores; and (iv) all Store telephone numbers;

(h) Except as set forth in Section 1.2, the real estate leases related to the Stores; and

(i) Any deposits made in connection with the operation of the Stores, including without limitation, deposits relating to Store Leases, utility deposits and deposits by customers pursuant to special rent-to-own orders placed at the Stores.

On the Closing Date, the Assets shall be delivered to Acquiror free and clear of any and all pledges, mortgages, security interests, Liens, charges, burdens, obligations, claims and other encumbrances whatsoever (whether absolute, accrued, contingent or otherwise), including without limitation, chattel mortgages, conditional sales contracts, collateral security arrangements and other title or interest retention arrangements ("ENCUMBRANCES").

1.2 Excluded Assets. Notwithstanding anything in Section 1.1 to the contrary, the Company and the Operating Subsidiaries will retain and will not sell or transfer to the Acquiror and the Acquiror will not purchase or acquire, the following assets with respect to the Stores (collectively, the "EXCLUDED ASSETS"):

(a) the assets listed on Schedule 1.2 attached hereto and all books, records and other information relating solely thereto;

(b) the Company's and the Operating Subsidiaries' corporate charter, qualifications to conduct business as a foreign corporation or limited partnership, as the case may be, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books and other documents relating to the organization, maintenance and existence of the Company and the Operating Subsidiaries and all original books and records of account and other financial records of such entities, except as otherwise provided in Section 1.1(c) and Section 1.1(g); provided, however, that Acquiror shall be permitted to review and copy such books and records retained by the Company and the Operating Subsidiaries to the extent relevant to the Assets;

(c) Rental Purchase Agreements used in the Stores (i) that have terminated on or before the Closing Date, or (ii) for which the Company or any of its Subsidiaries have filed any action, suit, claim, complaint or proceeding seeking to collect merchandise rented pursuant to such Rental Purchase Agreement, money damages or otherwise enforce through judicial or administrative proceedings the terms of such Rental Purchase Agreement;

(d) All fixtures which are located in each of the Stores set forth on Schedule 1.2(d) (the "ACCOUNT STORES");

(e) All supplies, office furniture, computers (including peripherals), equipment (other than filing cabinets, copiers and fax machines, which shall be deemed Assets) and product displays which are located in the Account Stores;

(f) The real estate leases related to the Account Stores;

(g) Any deposits made in connection with the operation of the Account Stores, including without limitation, deposits relating to real estate leases underlying such Account Stores and utility deposits (but excluding deposits by customers pursuant to special rent-to-own orders placed at the Account Stores, which shall be deemed Assets); and

(h) any real property owned by the Company or any of its Subsidiaries; and

(i) any contracts or agreements in effect on the Closing Date providing for services to the Stores, including without limitation, contracts for services relating to trash, water, sewage, alarm and electricity service.

1.3 Acquisition of Assets by Acquiror.

(a) At the Closing, the Company, the Operating Subsidiaries and the Acquiror shall each enter into a Bill of Sale, Assignment and Assumption Agreement (the "ASSIGNMENT AND ASSUMPTION AGREEMENT"), in the form attached hereto as Exhibit "A," and all such other assignments, endorsements and instruments of transfer as shall be necessary or appropriate to carry out the intent of this Agreement and as shall be sufficient to vest in the Acquiror good, valid and marketable title to all of the Assets and all right, title and interest of the Company and the Operating Subsidiaries thereto. Subject to the terms and conditions hereof and in consideration of the sale, transfer, assignment and delivery of the Assets by the Company and the Operating Subsidiaries to the Acquiror, the Acquiror hereby agrees that, as of the Closing Date, it will acquire and accept all of the Company's and the Operating Subsidiaries' right, title and interest in and to the Assets, and, subject to the adjustments set forth in Section 1.3(b) below, shall pay an aggregate amount of $101,500,000 (the "PURCHASE PRICE"), of which (a) $91,000,000 (the "CREDITOR PAYMENT") shall be paid by the Acquiror, on behalf of the Company and the Operating Subsidiaries, directly to the Company's creditors set forth on Schedule 1.3, by wire transfer of immediately available funds on the Closing Date, (b) $500,000 shall be paid to the Company, on behalf of the Company and the Operating Subsidiaries, for consideration of the Non-Competition and Non-Solicitation Agreement (the "NON-COMPETITION PAYMENT" and, together with the Creditor Payment, the "CLOSING DATE PAYMENT"), and (c) $10,000,000 of which Acquiror shall withhold in partial support of the indemnification obligations of Seller pursuant to Article VIII hereof (the "HOLDBACK AMOUNT").

(b) Reduction in Purchase Price. In the event that the condition set forth in Section 5.2(a) shall not be satisfied on the Closing Date as a result of the Company's and the Operating Subsidiaries' failure to represent and warrant, on the Closing Date, any of the representations and warranties set forth in Section 3.27, Section 3.28, Section 3.29 or Section 3.30 with respect to Closing Date amounts, then, except as set forth in Section 1.3(c) below, the Purchase Price shall be reduced, and the corresponding amount paid to the creditors set forth on Schedule 1.3 shall be reduced, as set forth below (each, a "PURCHASE PRICE REDUCTION" and together, the "PURCHASE PRICE REDUCTIONS"):

(i) with respect to the failure to represent and warrant on the Closing Date the matters set forth in Section 3.27, the Purchase Price shall be reduced by an amount equal to (a) $10,200,000, less the Closing Three Month Revenue (the "SHORT AVERAGE MONTHLY REVENUE AMOUNT"), (b) multiplied by twelve (12) (the "SHORT AVERAGE MONTHLY REVENUE AMOUNT ADJUSTMENT");

(ii) with respect to the failure to represent and warrant on the Closing Date the matters set forth in Section 3.28, the Purchase Price shall be reduced by an

amount equal to (a) $10,200,000, less the Closing Month Revenue (the "SHORT MONTHLY REVENUE AMOUNT"), (b) multiplied by twelve (12) (the "SHORT MONTHLY REVENUE AMOUNT ADJUSTMENT");

(iii) with respect to the failure to represent and warrant on the Closing Date the matters set forth in Section 3.29, the Purchase Price shall be reduced by an amount equal to (a) $2,355,000, less the Closing Weekly Revenue (the "SHORT WEEKLY REVENUE AMOUNT"), (b) multiplied by fifty two (52) (the "SHORT WEEKLY REVENUE AMOUNT ADJUSTMENT" and together with the Short Average Monthly Revenue Amount Adjustment and the Short Monthly Revenue Amount Adjustment, the "REVENUE PURCHASE PRICE REDUCTIONS"); and

(iv) with respect to the failure to represent and warrant on the Closing Date the matters set forth in Section 3.30, the Purchase Price shall be reduced by an amount equal to (a) $54,500,000, less the Closing Inventory (net of 30-days past due) (the "SHORT INVENTORY AMOUNT"), (b) multiplied by 1.5 (such adjustment being referred to as the "SHORT INVENTORY AMOUNT ADJUSTMENT").

Each Purchase Price Reduction (whether such Purchase Price Reduction is a Revenue Purchase Price Reduction or a Short Inventory Amount Adjustment, or both) shall be aggregated with all other Purchase Price Reductions, and the Purchase Price shall correspondingly be reduced; provided, however, that in the event more than one Revenue Purchase Price Reduction shall be required under this Section 1.3(b), with respect to such Revenue Purchase Price Reductions, only the highest adjustment of the applicable Revenue Purchase Price Adjustments shall be made.

(c) Notwithstanding the provisions of Section 1.3(b) above, in the event that any of (i) the Closing Three Month Revenue shall be equal to or less than $10,000,000, (ii) the Closing Month Revenue shall be equal to or less than $10,000,000, (iii) the Closing Weekly Revenue shall be equal to or less than $2,350,000, (iv) or the Closing Inventory shall be equal to or less than $53,500,000, then, at the option of Acquiror, Acquiror may terminate this Agreement pursuant to Section 7.1(i).

1.4 Allocation of Purchase Price. The Purchase Price shall be allocated in accordance with Schedule 1.4. After the Closing Date, the Company, the Operating Subsidiaries and the Acquiror shall each make consistent use of the allocation, fair market value and amortization specified in Schedule 1.4 for all tax purposes and in any and all filings, declarations and reports with the Internal Revenue Service in respect thereof, including the reports required to be filed under Section 1060 of the Code, if applicable, it being understood that the Company, the Operating Subsidiaries and the Acquiror will prepare and file their respective asset acquisition statements on Form 8594 and, if required by Section 1060 of the Code or the Treasury Regulations thereunder, their respective supplemental asset acquisition statements on Form 8594 in accordance with Schedule 1.4. In any proceeding relating to the determination of any Tax, neither the Acquiror nor the Company or the Operating Subsidiaries shall contend or represent that such allocation is not a correct allocation.

1.5 Assumption of Liabilities by Acquiror.

(a) Notwithstanding anything to the contrary contained in this Agreement, the Acquiror will not assume, pay, perform or discharge any debt, liability or contract of the Company, of any kind or character whatsoever (whether written or oral, existing, contingent or inchoate), except for the liabilities specifically identified in paragraph (b) of this Section 1.5.

(b) On the Closing Date, the Acquiror shall only assume those liabilities or obligations of a kind or nature, whether absolute, contingent, accrued, known or unknown, that are attributable to the periods, events or circumstances after the Closing Date, and which arise under, relate to or are in connection with the ownership, use, possession, enjoyment or operation of the Assets after the Closing Date (the "ASSUMED LIABILITIES"). The Acquiror, the Company and the Operating Subsidiaries shall each enter into the Assignment and Assumption Agreement with respect to the Assumed Liabilities. It is expressly understood and agreed that the Acquiror shall assume only the Assumed Liabilities and, except for the Assumed Liabilities, shall not assume or have any responsibility with respect to any other obligation or liability of the Company or the Operating Subsidiaries of any kind or nature whatsoever not specifically included within the definition of Assumed Liabilities. Without limiting the foregoing, the Assumed Liabilities explicitly exclude the following: (i) any liabilities or obligations of the Company or any of its Subsidiaries arising under, accruing, attributable to or relating to periods, events or circumstances on or before the Closing Date (or which would have prior to the Closing Date with the giving of notice or passage of time); (ii) any liabilities or obligations of any Person other than the Company or any of the Operating Subsidiaries; (iii) any liabilities or obligations of the Company or any of its Subsidiaries arising on or prior to the Closing Date as a result of any express or implied warranty relating to products or services; (iv) any liabilities or obligations arising out of any contract or agreement of the Company or any of its Subsidiaries or by which the Company or any of its Subsidiaries or the Excluded Assets are bound that is not part of the Assets transferred hereunder, including without limitation, any sales commission agreements, employment agreements or vehicle lease agreements; (v) any accounts payable, trade payables, salaries, bonuses, accrued expenses or employee benefits of the Company or any of its Subsidiaries, including, without limitation, any COBRA obligations, workers compensation claims, health benefit claims or other costs of employees of the Company or any of its Subsidiaries, or any expenses related to products that are not part of the Assets transferred hereunder; (vi) any liabilities or obligations arising out of actions taken, work done or contracts entered into by the Company or any of its Subsidiaries after the Closing Date; (vii) any liabilities or obligations of, or expenses owed by, the Company or any of its Subsidiaries for any brokerage or finder's commission relating to this Agreement or any of the transactions contemplated hereby; (viii) any liabilities for any Taxes that may become payable by the Company or any of its Subsidiaries in respect of the sale of the Assets; (ix) any liabilities or obligations arising out of currently pending, threatened or future litigation based upon any conduct which occurred on or before the Closing Date against the Company or any of its Subsidiaries; (x) any liabilities or obligations arising out of any claims by or made on behalf of the current or former employees of the Company or any of its Subsidiaries relating to

employment practices of the Company or any of its Subsidiaries; (xi) any liabilities of the Company or any of its Subsidiaries for accrued vacation, accrued sick pay, workers compensation claims, health benefit claims, matching contribution or declared profit sharing contributions under a Company Employee Benefit Plan, restorative payments under a Company Employee Benefit Plan, flexible benefit plan claims and similar employee benefit related matters; (xii) any liabilities or obligations of the Company or any of its Subsidiaries relating to the non-compliance or alleged non-compliance by any of them with applicable Law, including without limitation, with respect to their respective Rental Purchase Agreements (including by way of illustration and not of limitation, any liabilities or obligations (a) arising out of customer payments received by the Company or any of its Subsidiaries on or before the Closing Date, (b) representations or statements made by the Company or any of its Subsidiaries to customers on or before the Closing Date, (c) disclosures made or not made by the Company or any of its Subsidiaries on or before the Closing Date, (d) advertising issued by or for the Company or any of its Subsidiaries on or before the Closing Date, (e) statutory or common law violations based on terms of Rental Purchase Agreements entered into by the Company or any of its Subsidiaries on or before the Closing Date, and (f) the Company's or any of its Subsidiaries' failure to make disclosures in Rental Purchase Agreement forms or other writings entered into or issued on or before the Closing Date); (xiii) any liabilities relating to, arising under or otherwise pertaining to real property owned by the Company or any of the Operating Subsidiaries; and (xiv) any liabilities of the Company or any of its Subsidiaries with respect to real estate leases for any of the Account Stores, except with respect to any Account Store which Acquiror elects to assume pursuant to Section 6.3, and in such event, Acquiror shall assume only such liabilities as set forth in the assumption agreement referenced in Section 6.3 entered into in connection therewith.

1.6 Closing. The closing of the transactions contemplated hereby (the "CLOSING") shall take place at 10:00 a.m., Dallas, Texas Time, at the offices of Winstead Sechrest & Minick P.C., 5400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270, on the Designated Date; provided, however, that on the Designated Date all conditions to closing set forth in Article V have been satisfied or waived by the party entitled to waive the same. If on the Designated Date all conditions to the Closing set forth in Article V have not been satisfied or waived by the party entitled to waive the same, the Closing shall occur on the third Business Day following the satisfaction of the last condition to closing under Article V or waiver by the party entitled to waive the same. Notwithstanding the foregoing provisions, upon the mutual agreement in writing of the parties hereto, the date, time and place of the Closing may be extended to a date that is later than the Designated Date. The Designated Date or such other date on which the Closing occurs is hereinafter referred to as the "CLOSING DATE."

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF THE ACQUIROR

The Acquiror represents and warrants to the Company and the Operating Subsidiaries as follows:

2.1 Organization. The Acquiror is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite corporate power to carry on its business as now conducted.

2.2 Authority Relative to this Agreement. The Acquiror has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement by the Acquiror and the consummation by the Acquiror of the transactions contemplated hereby have been duly authorized by the Board of Directors of the Acquiror and no other corporate action on the part of the Acquiror is necessary to authorize this Agreement or the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Acquiror and constitutes a valid and binding agreement of the Acquiror, enforceable against the Acquiror in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally or by general principles of equity.

2.3 Consents and Approvals; No Violations. Except for applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR ACT"), no filing with, and no permit, authorization, consent or approval of, any public body or authority is necessary for the consummation by the Acquiror of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement by the Acquiror nor the consummation by the Acquiror of the transactions contemplated hereby, nor compliance by the Acquiror with any of the provisions hereof, will require any consent or approval of any third party, or result in a violation or breach of, or conflict with or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument or other agreement or commitment or any order, judgment or decree to which, the Acquiror is a party or by which the Acquiror or any of its assets or properties are bound or encumbered, except (a) those that have already been given, obtained or filed, or (b) such consents, approvals, violations, breaches, conflicts, or defaults which would not, individually or in the aggregate, have a material adverse effect on the Acquiror. Neither the execution and delivery of this Agreement by the Acquiror, nor the consummation by the Acquiror of the transactions contemplated hereby, nor compliance by the Acquiror with any of the provisions hereof, will (i) conflict with or result in any breach of any provisions of the Certificate of Incorporation or Bylaws of the Acquiror, or (ii) violate in any material respect any existing Order, writ, injunction, statute or Regulation applicable to the Acquiror or any of its properties or assets.

2.4 Sufficient Funds. Acquiror has access to sufficient funds as of the date hereof, and will have sufficient funds on the Closing Date, in an amount necessary to fund the Purchase Price in connection with the transactions contemplated by this Agreement.

2.5 Broker's Fees. Neither the Acquiror, nor anyone on its behalf, has any liability to any broker, finder, investment banker or similar agent, or has agreed to pay any brokerage fees, finder's fees or commissions, or to reimburse any expenses of any broker, finder, investment banker or agent in connection with the transactions contemplated hereby.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE OPERATING SUBSIDIARIES

The Company and the Operating Subsidiaries hereby jointly and severally represent and warrant to Acquiror as follows:

3.1 Organization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Pennsylvania, and has the requisite corporate power to carry on its business as now conducted. Rent-Way Michigan is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite corporate power to carry on its business as now conducted. TTIG is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Indiana, and has the requisite power to carry on its business as now conducted.

3.2 Certain Corporate Matters. Each of the Company and Rent-Way Michigan is duly licensed or qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the Assets are located. TTIG is duly licensed or qualified to do business as a foreign entity and is in good standing in each jurisdiction where the Assets are located. The Company and each Operating Subsidiary have full corporate power and authority and all material authorizations, licenses and Permits necessary to carry on their respective businesses as presently conducted. The Company has delivered to the Acquiror true, accurate and complete copies of its Articles of Incorporation and Bylaws of the Company and Rent-Way Michigan, and all organization documents of TTIG, which reflect all amendments made thereto at any time prior to the date of this Agreement. Neither the Company nor any Operating Subsidiary is in default under or in violation of any provision of their respective organizational documents nor, except as set forth on Schedule 3.2, are any of them in material default or in material violation of any restriction, Encumbrance, indenture, contract, lease, sublease, loan agreement, note or other obligation or liability to which any of the Assets held by any of them are subject.

3.3 Authority Relative to this Agreement. The Company and each Operating Subsidiary has the corporate power and authority to enter into this Agreement and to carry out their respective obligations hereunder. The execution, delivery and performance of this Agreement by the Company and the Operating Subsidiaries and the consummation by the Company and the Operating Subsidiaries of the transactions contemplated by this Agreement have been duly authorized, and no other action on the part of the Company or any Operating Subsidiary is necessary to authorize this Agreement or the transactions contemplated hereby. The execution, delivery and performance of the transactions contemplated hereby by the Company and the Operating Subsidiaries have been approved unanimously by the Board of Directors or similar governing body of such entities and do not require the approval by the Company's or any of the Operating Subsidiaries' shareholders or partners, as the case may be. This Agreement has been duly executed and delivered by the Company and the Operating Subsidiaries and, assuming due execution and delivery by the Acquiror, constitutes the valid and binding agreement of the Company and the Operating Subsidiaries, enforceable against each of them in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally or by general principles of equity.

3.4 Consents and Approvals; No Violations. Except for applicable requirements of the HSR Act, no filing with, and no Permit, authorization, consent or approval of, any public body or authority is necessary for the consummation by the Company or the Operating Subsidiaries of the transactions contemplated by this Agreement. Except as set forth on Schedule 3.4, neither the execution and delivery of this Agreement by the Company or the Operating Subsidiaries nor the consummation by the Company and the Operating Subsidiaries of the transactions contemplated hereby, nor compliance by the Company and the Operating Subsidiaries with any of the provisions hereof, will (a) require any consent or approval of any third party, (b) result in the imposition of any Encumbrance against any Asset, or (c) result in a violation or breach of, or conflict with or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument or other agreement or commitment to which the Company or any of the Operating Subsidiaries is a party or by which the Company or any of the Operating Subsidiaries or any of their respective assets or properties are bound or encumbered, except (i) those that have already been given, obtained or filed, or (ii) with respect to clauses (a) and (c) above, such consents, approvals, violations, breaches, conflicts, or defaults which would not, individually or in the aggregate, have a material adverse effect on the Company, the Operating Subsidiaries, the Assets or the transactions contemplated hereby. Neither the execution and delivery of this Agreement by the Company and the Operating Subsidiaries, nor the consummation by the Company and the Operating Subsidiaries of the transactions contemplated hereby, nor compliance by the Company and the Operating Subsidiaries with any of the provisions hereof, will (i) conflict with or result in any breach of any provisions of the organizational documents of the Company or any Operating Subsidiary or (ii) violate in any material respect any existing Order, writ, injunction, statute or Regulation applicable to the Company or any Operating Subsidiary or any of their respective properties or assets.

3.5 Reports.

(a) Except as set forth on Schedule 3.5(a), since December 28, 2001, the Company has filed (i) all SEC Reports required to be filed with the Commission, and (ii) all Reports required to be filed with any other Governmental Authorities. Such SEC Reports and other Reports, including all those filed after the date of this Agreement and prior to the Closing Date, (a) were prepared in all material respects in accordance with the requirements of applicable Law (including, with respect to the SEC Reports of the Company, the Securities Act and the Exchange Act, as the case may be) and (b) in the case of the SEC Reports, did not, at the time they were filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Company's Consolidated Financial Statements and any consolidated financial statements of the Company (including any related notes thereto) contained in any SEC Reports of the Company filed with the Commission after the date of this Agreement (i) have been or will have been prepared in accordance with the published Regulations of the Commission and in accordance with GAAP (except (A) to the extent required by changes in GAAP and (B), with respect to the SEC Reports of the Company

filed prior to the date of this Agreement, as may be indicated in the notes thereto) and (ii) fairly present, or will fairly present, as the case may be, the consolidated financial position of the Company and its Subsidiaries as of the respective dates thereof and the consolidated results of their operations and cash flows for the periods indicated (subject to, in the case of any unaudited interim financial statements, reasonable estimates of normal and recurring year-end adjustments).

3.6 Profit and Loss Statements; No Undisclosed Liabilities.

(a) The Company has delivered to Acquiror profit and loss statements for each of Stores reflecting the operations of each Store for each month from November 1, 2001 through October 31, 2002 (each, a "PROFIT AND LOSS STATEMENT" and together, the "PROFIT AND LOSS STATEMENTS"). Such Profit and Loss Statements are complete and correct, represent actual, bona fide transactions, have been prepared from and are in accordance with the accounting records of each Store, and fairly present the transactions and the operations of the Stores for the periods referred to in such Profit and Loss Statements. The revenues set forth in the Profit and Loss Statements represent cash payments received from customers of the Stores and deposited into bank accounts of such Stores, are included as so set forth in the consolidated financial statements of the Company for the corresponding periods and have been reported in a manner consistent with the Company's financial reporting accounting principles. Notwithstanding the foregoing, the DPI revenue set forth on the Profit and Loss Statements reflects net commissions. The expenses reflected on the Profit and Loss Statements are included in the consolidated financial statements of the Company for the corresponding periods and are consistent with the Company's financial reporting accounting principles, subject to such changes due to reclassifications that occur in the ordinary course of business and are not material with respect to the operation of the Stores.

(b) The balance sheet information set forth on Schedule 3.6(b) for each of the Stores has been derived from the accounting records of each Store and fairly presents the information set forth thereon for the date provided. Such information is included in the consolidated financial statements of the Company as of the date referenced thereon and reflects accounting treatment consistent with the Company's financial reporting accounting principles.

(c) Except as set forth in the Company's Consolidated Financial Statements, the Profit and Loss Statements or on Schedule 3.6(c), the Assets are not subject to any liability, commitment, debt or obligation (of any kind whatsoever whether absolute or contingent, accrued, fixed, known or unknown, matured or unmatured) (together, "UNDISCLOSED LIABILITIES").

3.7 Events Subsequent to Profit and Loss Statements. Since October 31, 2002, the Company and the Operating Subsidiaries have conducted the operation of the Stores only in the ordinary course of business, and there has not been:

(a) any sale, lease, transfer, license or assignment of any Store assets, tangible or intangible, other than in the ordinary course of business;

(b) any damage, destruction or property loss, whether or not covered by insurance, affecting adversely and materially the Assets;

(c) any subjection to any Encumbrance on any of the Assets, other than Permitted Encumbrances;

(d) any incurrence of indebtedness or liability or assumption of obligations by the Company or any Operating Subsidiary relating to the Assets, other than those incurred in the ordinary course of business;

(e) any cancellation or compromise by the Company or any Operating Subsidiary of any material debt or claim relating to the Assets, except for adjustments made in the ordinary course of business which, in the aggregate, are not material;

(f) any waiver or release by the Company or any Operating Subsidiary of any right of any material value relating to the Assets;

(g) any material adverse change in the business, operations, prospects, assets or results of operations or condition of the Stores or the Assets, and no event has occurred or circumstance exists that may result in such a material adverse change;

(h) any change in the accounting policies with respect to the Stores as in effect on November 30, 2002, including without limitation, charge-off policies; or

(i) any action or failure to take any action that would result in the occurrence of any of the foregoing.

3.8 Property. Each Store in which Acquiror will assume the real estate lease hereunder is listed on Schedule 3.8 (together with the Owned Store, the "ACQUIRED STORES"). With respect to any real estate lease underlying an Acquired Store (each, a "STORE LEASE" and together, the "STORE LEASES"), a true and complete copy of each such Store Lease has been delivered to the Acquiror. With respect to each Store Lease, (a) the Store Lease has been validly executed and delivered by the Company or the Operating Subsidiary, as the case may be, and by the other party or parties thereto and is a binding agreement; (b) the Company or the Operating Subsidiary, as the case may be, is not, and no other party to the Store Lease is, in material breach or material default, and, no event has occurred on the part of the Company or the Operating Subsidiary, as the case may be, or on the part of any other party which, with notice or lapse of time, would constitute such a breach or default or permit termination, modification or acceleration under the Store Lease; (c) upon the assumption of the Store Lease by Acquiror as contemplated by Section 1.5(b), except as set forth on Schedule 3.8, the Store Lease will continue to be binding on the Acquiror and the Landlord in accordance with its terms immediately following the Closing Date; (d) the Company or the Operating Subsidiary, as the case may be, has not repudiated and no other party to the Store Lease has repudiated any provision thereof; (e) there are no material disputes, oral agreements or delayed payment programs in effect as to the Store Lease; and (f) all facilities leased under each Store Lease are fit for the operation of the Store and have been reasonably maintained. All heating, cooling, lighting, plumbing and electrical systems under each Store Lease are in good repair and working order. All fixtures, furnishings and improvements under each Store Lease, including but not

limited to, mirrors, linoleum, shades, awnings, blinds, carpeting, curtains, draperies and ceiling and wall lighting fixtures, are in reasonably good and clean condition, subject to ordinary wear and tear.

3.9 Tangible Property. Except as set forth on Schedule 3.9, the Company and the Operating Subsidiaries have good and valid title to the Assets held by them, subject to no Encumbrances, except Permitted Encumbrances. At the Closing, the Company and the Operating Subsidiaries shall deliver the Assets to the Acquiror, free and clear of any Encumbrances, except for Permitted Encumbrances.

3.10 Inventory. All inventory relating to the Stores (including without limitation, the Idle Inventory) was purchased, acquired or ordered in the ordinary and regular course of business or pursuant to acquisitions and consistent with the regular inventory practices of the Company and the Operating Subsidiaries. All such inventory is of a quality usable and merchantable in the operation of the Stores and is in good repair and condition, ordinary wear and tear excepted, except for obsolete items which have been written off in the Profit and Loss Statements or on the accounting records of the Company as of the Closing Date, as the case may be.

3.11 Rental Purchase Agreements. The Company has provided to Acquiror true and correct copies of all forms of Rental Purchase Agreements utilized in the Stores during the Company's previous five (5) fiscal years. The form of each Rental Purchase Agreement utilized in the Stores by the Company and any of its Subsidiaries currently and during the previous five (5) fiscal years of the Company is and was, as the case may be, in compliance with all federal and state laws of the state in which such Rental Purchase Agreement was utilized. All Rental Purchase Agreements relating to the Stores were entered into in the ordinary and regular course of business in a manner consistent with the regular business practices of the Company and any of its Subsidiaries. With respect to each Rental Purchase Agreement relating to the Stores:

(a) such Rental Purchase Agreement is in full force and effect and constitutes a valid, legal and binding obligation of the contracting parties, enforceable against each of them in accordance with its terms;

(b) the Company and the Operating Subsidiaries have complied in all respects with the terms of such Rental Purchase Agreement;

(c) neither the Company nor any of the Operating Subsidiaries are in breach, violation or default under such Rental Purchase Agreement;

(d) no event has occurred which constitutes, or with the lapse of time or the giving of notice, or both would constitute a breach, violation or default under the Rental Purchase Agreement;

(e) the enforceability of such Rental Purchase Agreement and the enjoyment of the rights and benefits thereunder will not be affected in any respect by the execution and delivery of this Agreement, the performance by the parties of their obligations hereunder or the consummation of the transactions contemplated hereby;

except for those matters above which would not, individually or in the aggregate, have a material adverse effect on the operation of the Stores or of the Assets.

3.12 Legal Compliance. Except as set forth on Schedule 3.12, no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand or notice has been filed, commenced, is pending or, to the knowledge of the Company, threatened against the Company or any of its directors, officers, employees, agents or Subsidiaries alleging a violation of any applicable Law or Regulation. The Company and each of its Subsidiaries has conducted their respective operations in compliance in all material respects with all applicable Laws, including rules, Regulations, codes, plans, agreements, contracts, injunctions, Orders, rulings and charges thereunder, and are not in default with respect to any agreement, directive, memorandum of understanding or Order applicable to the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has been advised by any Governmental Authority that such Governmental Authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any Order, memorandum of understanding, commitment letter or similar submission. The Company and each of its Subsidiaries has obtained all authorizations, licenses, product and establishment registrations, franchises, Permits, easements, certificates and consents necessary to the operation of the Stores and to own the Assets. All such authorizations, licenses, registrations, franchises, Permits, easements, certificates and consents are in full force and effect and, to the knowledge of the Company, no suspension or cancellation of any of them is threatened.

3.13 Assets Necessary to the Business. The Assets, excluding the Excluded Assets and the inventory related to the Stores, which is addressed in Section 3.10, (a) constitute all of the assets, tangible and intangible, necessary to operate the Stores, and (b) are in good operating condition and repair, ordinary wear and tear excepted.

3.14 Books and Records; Internal Controls. The books and records of the Company and the Operating Subsidiaries relating to the Assets, including without limitation, the Profit and Loss Statements, fairly reflect the transactions to which they are a party or by which the Assets are bound, and such books and records are and since October 30, 2000, have been properly kept and maintained in accordance with sound business practices and the requirements of Section 13(b)(2) of the Exchange Act (whether or not such entity is subject to such Section), including the maintenance of an adequate system of internal controls. There are no significant deficiencies in the design or operation of the Company's or the Operating Subsidiaries' internal controls which could adversely affect the Company's or the Operating Subsidiaries' ability to record, process, summarize and report financial data. There are no material weaknesses in the Company's or any of the Operating Subsidiaries internal controls. All financial and operational information submitted by the Company and the Operating Subsidiaries to the Acquiror, including without limitation, computer printouts, accurately and fairly represent such amounts and the financial condition and the results of operations of the Stores on and as of the dates for the periods thereof.

3.15 Product Warranties. Except as set forth on Schedule 3.15, neither the Company nor any of its Operating Subsidiaries has given or made any express warranties to third parties, including without limitation customers, with respect to any products rented or sold by them, except for the warranties imposed by the provisions of applicable Law. Except as set forth on

Schedule 3.15, neither the Company nor any Operating Subsidiary has any knowledge of any fact or event forming the basis of an actual or threatened claim against the Company or any Operating Subsidiary for product liability on account of any express or implied warranty.

3.16 Inappropriate Payments. Neither the Company, the Operating Subsidiaries, nor any employee, agent or representative of any of them has, directly or indirectly, made any bribes, kickbacks, illegal payments or illegal political contributions using Company nor any Operating Subsidiary funds or made any illegal payments from the Company's or the Operating Subsidiaries' funds to obtain or retain business.

3.17 Environmental Matters. There are no claims, actions, suits, complaints, proceedings or investigations pending, or to the knowledge of the Company, threatened against or affecting the Stores at Law or in equity before any Court or before or by any Governmental Authority relating to environmental matters. Neither the Company nor any Operating Subsidiary is subject to any Order, writ or injunction applicable to the Stores relating to any environmental matter. With respect to the Stores, neither the Company nor any Operating Subsidiary is in violation of or in default in any material respect with regards to any existing statute, Regulation, writ, injunction or Order of any Court or Governmental Authority relating to any environmental matter. The real property on which the Stores are located is free from hazardous substance, petroleum or other contamination which may give rise to liability to the Company or any Operating Subsidiary, as owner or operator of the Stores, for clean up or a required response action or which under any Store Leases may impose liability on the operator of the Stores for such liability.

3.18 Motor Vehicles and Equipment. Set forth on Schedule 3.18 is a list of the motor vehicles utilized by the Company or any of the Operating Subsidiaries in the operation of the Stores on the date hereof. At the Closing, the vehicles identified by Acquiror as set forth in Section 1.1(f) shall be delivered free and clear of all Encumbrances on an "as is" basis.

3.19 Ordinances and Regulations. The Stores and the operation and maintenance thereof, as now operated or maintained, do not contravene any zoning ordinance or other administrative Regulations (whether or not permitted because of prior nonconforming use) or violate any existing restrictive covenant or any provision of existing and applicable Law, the effect of which in any respect would interfere with or prevent the continued use of the properties for the purposes for which they are now being used or would reduce the value thereof.

3.20 Insurance. The Company and the Operating Subsidiaries currently maintain fire and casualty and general liability, workers compensation and automobile policies with reputable insurance carriers. The Company and the Operating Subsidiaries reasonably believe that such insurance policies provide full and adequate coverage for all normal risks incident to the Stores and the Assets.

3.21 Litigation.

(a) Litigation - Company and its Subsidiaries. Except as set forth on Schedule 3.21(a), there are no actions, suits, investigations, complaints or proceedings (including any proceedings in arbitration) pending or, to the knowledge of the Company,

threatened against the Company or any of its Subsidiaries, at law or in equity, in any Court or before any Governmental Authority, alleging violation of the provisions of the Rental Purchase Agreements, rent-to-own statutes or any other consumer protection Law.

(b) Litigation - Affecting the Stores. The Company has furnished Acquiror copies of (i) all attorney responses to the request of the independent auditors for the Company with respect to loss contingencies as of September 30, 2002 in connection with the Company's financial statements, and (ii) a written list of legal and regulatory proceedings filed against the Company or any of the Operating Subsidiaries which are pending (including matters which are on appeal or have not been fully funded, and administrative matters that may be closed but with respect to which the applicable statute of limitations has not run) as of the date of this Agreement relating to, in connection with or otherwise pertaining to the Stores. There are no actions, suits, investigations, complaints or proceedings (including any proceedings in arbitration) pending (including matters which are on appeal or have not been fully funded, and administrative matters that may be closed but with respect to which the applicable statute of limitations has not run) or, to the knowledge of the Company, threatened against the Company or any of the Operating Subsidiaries, or any of their respective officers, directors, employees, agents, at Law or in equity, in any Court or before any Governmental Authority relating to or in connection with the operation of the Stores or otherwise pertaining thereto, except actions, suits, investigations, complaints or proceedings that are set forth on Schedule 3.21(b). Except as set forth in Schedule 3.21(c), there are no actions, suits, investigations, complaints or proceedings (including any proceedings in arbitration) pending or, to the knowledge of the Company, threatened against the Company or any of the Operating Subsidiaries, or any of their respective officers, directors, employees, agents, at Law or in equity, in any Court or before any Governmental Authority relating to or in connection with the operation of the Stores or otherwise pertaining thereto, alleging violations of federal or state Laws respecting employment, including but not limited to, gender, race, disability, national origin or age discrimination, violations of the Occupational Safety and Health Act, Family and Medical Leave Act, terms and conditions of employment or the federal or state wages and hours Laws.

3.22 Employment Matters. Neither the Company nor any of its Subsidiaries has been, and are not now, a party to any collective bargaining agreement or other labor contract and there has not been, there is not presently pending (including matters which are on appeal or have not been fully funded, and administrative matters that may be closed but with respect to which the applicable statute of limitations has not run) or existing, and, to the Company's knowledge, there is not threatened, any strike, slowdown, picketing, work stoppage or employee grievance process involving the Company or any of its Subsidiaries. To the knowledge of the Company, no event has occurred or circumstance exists that could provide the basis for any work stoppage or other labor dispute and there is not pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries any proceeding relating to the alleged violation of any legal requirement pertaining to labor relations or employment matters, including any charge or complaint filed with the National Labor Relations Board or any comparable governmental body, and there is no organizational activity or other labor dispute against or affecting the Company or any of its Subsidiaries or the Stores. No application or petition for an election of or for certification of a collective bargaining agent is pending and no grievance or

arbitration proceeding exists that might have an adverse effect upon the Company or any of its Subsidiaries or the Stores. There is no lockout of any employees by the Company or any of its Subsidiaries, and no such action is contemplated by the Company or any of its Subsidiaries. To the knowledge of the Company, there has been no charge of discrimination filed against or threatened against the Company or any of its Subsidiaries with the Equal Employment Opportunity Commission or similar governmental body.

3.23 Taxes.

(a) For purposes of this Agreement, (a) "TAX RETURN" means any report, statement, form, return or other document or information required to be supplied to a taxing authority in connection with Taxes or any amendments thereto, and (b) "TAX" or "TAXES" means any federal, state, local or foreign tax, including, without limitation, income tax, ad valorem tax, excise tax, sales tax, use tax, franchise tax, gross receipts tax, withholding tax, social security tax, occupation tax, service tax, license tax, payroll tax, transfer and recording tax, severance tax, customs tax, import tax, export tax, employment tax, or any similar or other tax, assessment, duty, fee, levy or other governmental charge, together with and including, without limitation, any and all interest, fines, penalties, assessments and additions to tax resulting from, relating to, or incurred in connection with any such tax or any contest or dispute thereof.

(b) The Company and any affiliated, combined, consolidated, unitary or similar group of which the Company is or was a member (a "RELEVANT GROUP") has filed with the appropriate taxing authorities all Tax Returns required to be filed prior to the date hereof, and will file all such Tax Returns required to be filed by the Closing Date on or before the Closing Date, including, but not limited to, all Tax Returns the filing of which is necessary for the conduct of the Company's and the Operating Subsidiaries' business. The Tax Returns so filed are, and the Tax Returns to be filed will be, in all material respects, complete, correct and accurate representations of the income, franchise or other Tax liabilities of the Company and the Operating Subsidiaries and such Tax Returns accurately set forth, and will set forth, all items required to be reported thereon. Each such Tax Return has been and will be prepared in all material respects in compliance with all applicable laws and regulations. All Taxes due and payable by the Company or any member of a Relevant Group, whether or not shown on any Tax Return, have been paid or will be paid by the Closing Date, except such Taxes, if any, as are being contested diligently and in good faith and which are set forth on Schedule 3.23(b).

(c) There are no claims for Taxes pending against the Company or any Relevant Group nor any threatened claim for Tax deficiencies or adjustments against the Company or any Relevant Group for which the Assets could be liable and the Company knows of no basis for such claims. There exist no actual or, to the knowledge of the Company, proposed additional assessments of Taxes by any Taxing authority to which the Assets could be subject. There are no outstanding agreements or waivers that would extend the statutory period in which a taxing authority may assess or collect a Tax against the Company or any Relevant Group and to which the Assets could be subject. There are no Liens for Taxes, other than for current Taxes not yet due and payable, upon the Assets.

(d) All Taxes that relate to the business of the Company or any Relevant Group or the Assets and that will be due and payable on or before the Closing Date shall have been paid in full on or before the Closing Date.

(e) The Company has withheld or will cause to be withheld from all employees and has timely paid or will cause to be paid to the appropriate Governmental Authorities proper and accurate amounts for all periods through the date hereof and the Closing Date in compliance with all Tax withholding provisions of applicable federal, state, foreign and local Law.

3.24 Employee Benefit Plans.

(a) The Company has listed on Schedule 3.24(a) and has delivered to the Acquiror true and complete copies of

(i) any nonqualified deferred, incentive compensation and retirement plans or arrangements,

(ii) any qualified retirement plans or arrangements and the most recent Form 5500s filed with the IRS with respect to such plans or arrangements,

(iii) any other employee compensation, stock options, severance or termination pay or welfare benefit plans, programs or arrangements,

(iv) any other employee benefit plans, programs, or arrangements, and

(v) any related trusts, insurance contracts or other funding arrangements maintained, established or contributed to by the Company or any entity (a "COMPANY ERISA AFFILIATE") required to be aggregated with the Company pursuant to the provisions of Sections 414(b), (c), (m) or (o) of the Code or Section 4001(a)(14) of ERISA within the last six years or currently in effect to which the Company or any Company ERISA Affiliate is a party or otherwise is bound ("COMPANY EMPLOYEE BENEFIT PLANS"), excluding any such plan, program, arrangement or funding arrangement as to which the Company is not (and has not been) a participating employer and has no current or potential liability under the Code or ERISA.

(b) The Company has listed on Schedule 3.24(b) hereto and has delivered to the Acquiror true and complete copies of any applications for Private Letter Rulings made to the IRS and any responses received from the IRS regarding the same.

(c) One or more of the Company Employee Benefit Plans may be covered by COBRA. If so, each such Company Employee Benefit Plan has been operated in, and is in, compliance with COBRA in all material respects. To the knowledge of the Company after due inquiry, all notices required to be given under COBRA for each such Company Employee Benefit Plan have been timely and properly given in accordance with COBRA, and the rules and Regulations promulgated thereunder. No employee, former employee

or "qualified beneficiary" (as defined in COBRA) has any claim or contingent claim against the Company, any Subsidiary of the Company or any Company ERISA Affiliate for failure to comply with COBRA or the rules and Company Regulations promulgated thereunder. The Company has not communicated to any employee or former employee any intention or commitment to modify any Company Employee Benefit Plan or to establish or implement any other employee or retiree benefit or compensation plans or arrangements.

3.25 Broker's Fees. Except as set forth on Schedule 3.25, neither the Company nor anyone on its behalf has any liability to any broker, finder, investment banker or agent, or has agreed to pay any brokerage fees, finder's fees or commissions, or to reimburse any expenses of any broker, finder, investment banker or agent in connection with this Agreement or the transactions contemplated by this Agreement.

3.26 Solvency.

(a) The Company and each of the Operating Subsidiaries is not now Insolvent and will not be rendered insolvent by the transactions contemplated hereby. As used herein, "INSOLVENT" means that the sum of the debtor's Debts is greater than all of the debtor's assets at a fair valuation.

(b) Immediately after giving effect to the consummation of the transactions contemplated hereby: (i) the Company and each of the Operating Subsidiaries will be able to pay their liabilities as they become due in the usual course of its business; (ii) the Company and each of the Operating Subsidiaries will not have unreasonably small capital with which to conduct their present or proposed business; (iii) the Company and each of the Operating Subsidiaries will have assets (calculated at fair market value) that exceed its liabilities; and (iv) taking into account all pending and threatened litigation, final judgments against the Company or any of its Subsidiaries in actions for money damages are not reasonably anticipated to be rendered at a time when, or in amounts such that, the Company or any of the Operating Subsidiaries will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum probable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered) as well as all other obligations of the Company and each of the Operating Subsidiaries. The cash available to the Company and each of the Operating Subsidiaries, after taking into account all other anticipated uses of the cash, will be sufficient to pay all such Debts and judgments promptly in accordance with their terms.

3.27 Average Monthly Revenue - Three Months. The average monthly revenue of the Stores, calculated for the months of September 2002, October 2002 and November 2002 under the accounting methods set forth in the Profit and Loss Statements, is no less than $10,062,311 per month. On the Closing Date, the average monthly revenue of the Stores, calculated for the three full calendar months immediately prior to the Closing Date and calculated under the accounting methods set forth in the Profit and Loss Statements (the "CLOSING THREE MONTH REVENUE"), will be no less than $10,200,000 per month (the "CLOSING THREE MONTH REVENUE TARGET"); provided, however, that Acquiror's sole remedy in the event that such representation is

not true as of the Closing Date will be the Purchase Price Reduction provided for in Section 1.3(b), except that if the Closing Three Month Revenue is equal to or less than $10,000,000 (the "CLOSING THREE MONTH REVENUE MINIMUM"), then Acquiror may, at its election, terminate this Agreement pursuant to the terms set forth in Section 1.3(c).

3.28 Monthly Revenue - One Month. The monthly revenue of the Stores, calculated for the month of November 2002 under the accounting methods set forth in the Profit and Loss Statements, is no less than $10,200,000. On the Closing Date, the monthly revenue of the Stores, calculated for the full calendar month immediately prior to the Closing Date and calculated under the accounting methods set forth in the Profit and Loss Statements (the "CLOSING MONTH REVENUE"), will be no less than $10,200,000 (the "CLOSING MONTH REVENUE TARGET"); provided, however, that Acquiror's sole remedy in the event that such representation is not true as of the Closing Date will be the Purchase Price Reduction provided for in Section 1.3(b), except that if the Closing Month Revenue is equal to or less than $10,000,000 (the "CLOSING MONTH REVENUE MINIMUM"), then Acquiror may, at its election, terminate this Agreement pursuant to the terms set forth in Section 1.3(c).

3.29 Average Weekly Revenue. The average weekly revenue of the Stores, calculated from December 1, 2002 to the date hereof under the accounting methods set forth in the Profit and Loss Statements, is no less than $2,400,000. On the Closing Date, the average weekly revenue of the Stores, calculated for each week from the first day following the end of the month immediately preceding the Closing Date to the Closing Date under the accounting methods set forth in the Profit and Loss Statements (the "CLOSING WEEKLY REVENUE"), will be no less than $2,355,000 (the "CLOSING WEEKLY REVENUE TARGET"); provided, however, that Acquiror's sole remedy in the event that such representation is not true as of the Closing Date will be the Purchase Price Reduction provided for in Section 1.3(b), except that if the Closing Weekly Revenue is equal to or less than $2,350,000 (the "CLOSING WEEKLY REVENUE MINIMUM"), then Acquiror may, at its election, terminate this Agreement pursuant to the terms set forth in Section 1.3(c).

3.30 Net Book Value of Inventory. The net book value of the Store inventory being sold hereunder calculated under the accounting methods set forth in the Company's consolidated financial statements is no less than $54,500,000 (net of 30-days past due) as of the date hereof. On the Closing Date, the net book value of the Store inventory being sold hereunder calculated under the accounting methods set forth in the Company's consolidated financial statements (the "CLOSING INVENTORY") will be no less than $54,500,000 (net of 30-days past due) (the "CLOSING INVENTORY TARGET"); provided, however, that Acquiror's sole remedy in the event that such representation is not true as of the Closing Date will be the Purchase Price Reduction provided for in Section 1.3(b), except that if the Closing Inventory (net of 30-days past due) is equal to or less than $53,500,000 (the "CLOSING INVENTORY MINIMUM"), then Acquiror may, at its election, terminate this Agreement pursuant to the terms set forth in Section 1.3(c).

3.31 Full Disclosure. To the knowledge of the Company or any of the Operating Subsidiaries, neither this Agreement nor any certificate, document or communication furnished by the Company or any of the Operating Subsidiaries to the Acquiror (including the principals thereof, acting in their individual capacities) in connection herewith (whether prior to, on, or after the date hereof) contains or will contain an untrue statement of a material fact or omits to

state or will state a material fact necessary to make the statements contained herein correct and therein not misleading. There is no fact known to the Company or any of the Operating Subsidiaries that materially and adversely affects the use or enjoyment of, or title to the Assets, which has not been set forth herein.

ARTICLE IV
ADDITIONAL AGREEMENTS

4.1 Interim Operations of the Company and the Operating Subsidiaries. Except as contemplated by this Agreement, during the period from the date hereof to the Closing Date, the Company shall, and shall cause the Operating Subsidiaries to, conduct their respective businesses in the ordinary course of business consistent with past practice, preserve their business organization intact, use their best efforts to retain the services of their present principal employees, and to preserve their goodwill and the goodwill of their suppliers, customers and others having business relationships with it. Except as otherwise contemplated by this Agreement, during the period from the date hereof to the Closing Date, the Company will not, and will cause the Operating Subsidiaries not to, without the prior written consent of Acquiror:

(a) sell, transfer, mortgage, encumber, pledge or otherwise dispose of any of the Assets, except for sales of the Assets in the ordinary course of business (excluding the sale of any Store, which is specifically prohibited hereby);

(b) permit any insurance policy naming it as a beneficiary or loss-payable payee covering the Assets to be cancelled or terminated;

(c) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization (by operation of law or otherwise) of the Company or any of its Subsidiaries;

(d) except as set forth in Schedule 4.1(d), increase in any manner the compensation payable or to become payable by the Company or any of its Subsidiaries to any Store employee, other than in the ordinary course of business consistent with past practice and disclosed to Acquiror prior to the date hereof;

(e) amend or terminate any Store Lease being transferred hereunder or enter into any new lease with respect to the Stores;

(f) except as set forth on Schedule 4.1(f), amend or terminate any Company Employee Benefit Plan, including without limitation, any bonus plans, except as required by Law or this Agreement;

(g) sell or otherwise dispose of any shares of the capital stock of any of the Operating Subsidiaries;

(h) take any action to change its accounting policies with respect to the Stores as in effect at November 30, 2002, including without limitation, charge-off policies;

(i) take any action or omit to take any action that would cause any of the representations and warranties of the Company or the Operating Subsidiaries herein to become untrue in any material respect; or

(j) agree, commit or arrange to do any of the foregoing.

4.2 Reasonable Efforts; Filings; Consents.

(a) Subject to the terms of this Agreement, the parties hereto will each use all commercially reasonable efforts (i) to take, or cause to be taken, all appropriate action, and to do, or to cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective in the most expeditious manner practicable, the transactions contemplated by this Agreement, (ii) to obtain from any Governmental Authority any Permits or Orders required to be obtained by Acquiror or the Company or any of their respective Subsidiaries in connection with the authorization, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, (iii) to make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement and the transactions contemplated hereby required under (A) the Securities Act and the Exchange Act, and any other applicable federal or state securities laws, (B) the HSR Act, and (C) any other applicable Law; (iv) subject to any restrictions under antitrust Laws, promptly notify each other of any communication to that party from any Governmental Authority with respect to this Agreement and the transactions contemplated hereby and permit the other party to review in advance any proposed written communication to any Governmental Authority; (v) not agree to participate in any meeting with any Governmental Authority in respect of any filings, investigation or other inquiry with respect to this Agreement and the transactions contemplated hereby unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, give the other party the opportunity to attend and participate therein, in each case to the extent practicable; (vi) subject to any restrictions under antitrust Laws, furnish the other party with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and its affiliates and their respective representatives on the one hand, and any Governmental Authority or members of its staff on the other hand, with respect to this Agreement and the transactions contemplated hereby (excluding documents and communications which are subject to preexisting confidentiality agreements and to the attorney client privilege or work product doctrine); and (vii) furnish the other party with such necessary information and reasonable assistance as such other party and its affiliates may reasonably request in connection with their preparation of necessary filings or submission of information to any Governmental Authority in connection with this Agreement and the transactions contemplated hereby, including without limitation, any filings necessary or appropriate under the provisions of the HSR Act.

(b) Subject to the terms of this Agreement, Acquiror, the Company and the Operating Subsidiaries agree to cooperate and use all commercially reasonable efforts to contest and resist any action, including administrative or judicial action, and to have vacated, lifted, reversed or overturned any Order (whether temporary, preliminary or

permanent) of any Court or Governmental Authority that is or becomes in effect and that restricts, prevents or prohibits the consummation of the transactions contemplated by this Agreement; provided, however, that nothing contained in this Agreement shall require Acquiror to enter into a divestiture, hold-separate, business limitation or similar agreement or undertaking which would, individually or in the aggregate, in the judgment of Acquiror, adversely impact the economic or business benefits to Acquiror of the transactions contemplated by this Agreement or the ability of Acquiror to conduct its business substantially in the manner such business is being conducted as of the date of this Agreement.

(c) (i) Subject to the terms of this Agreement, each of the Company, the Operating Subsidiaries and the Acquiror will give (or will cause their respective Subsidiaries to give) any notices to third persons, and use, and cause their respective subsidiaries to use, all commercially reasonable efforts to obtain any consents from third persons (A) necessary, proper or advisable to consummate the transactions contemplated by this Agreement, (B) otherwise required under any contracts, licenses, leases or other agreements in connection with the consummation of the transactions contemplated hereby, or (C) required to prevent a material adverse effect on the Stores from occurring prior to the Closing Date. The Company and the Operating Subsidiaries shall notify Acquiror promptly, but in no event later than two (2) days, following receipt of the consent contemplated by Section 5.2(d) hereof.

(ii) If the Company or the Operating Subsidiaries shall fail to obtain any consent described in Section 4.2(c)(i) above from a third person, the Company and the Operating Subsidiaries will use all reasonable efforts, and will take any such actions reasonably requested by Acquiror, to limit the adverse effect upon the Acquiror and its Subsidiaries resulting, or which would result after the Closing Date, from the failure to obtain such consent and will cooperate in good faith with Acquiror to develop an alternative arrangement to ensure that Acquiror obtains the benefits consistent with the economic results intended by this Agreement.

4.3 No Solicitations.

(a) Neither the Company nor any of the Operating Subsidiaries shall, directly or indirectly, through any officer, director, employee, representative or agent solicit or encourage (including by way of furnishing any information or assistance) the initiation or submission of any inquiries, proposals or offers from any person regarding the sale of any of the Assets to be sold to Acquiror hereby (other than as permitted by Section 4.1(a)), whether or not in writing and whether or not delivered to the Company or any of its Subsidiaries generally (an "ACQUISITION PROPOSAL"); provided, however, that nothing contained in this Agreement shall prevent the Board of Directors of the Company or any of the Operating Subsidiaries from referring any third party to this Section 4.3. The Company and the Operating Subsidiaries further agree that neither the Company, the Operating Subsidiaries nor any of their respective officers or directors shall, and that they shall each direct and use their best efforts to cause their employees, agents and representatives (including any investment banker, attorney or accountant retained by the Company or any Operating Subsidiaries) not to, directly or indirectly, enter into

negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal.

(b) The Company shall immediately notify the Acquiror after receipt (after the date hereof) of any Acquisition Proposal or any request for nonpublic information relating to the Company or any of the Operating Subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of the Company or any of the Operating Subsidiaries that informs the Board of Directors of the Company that it is considering making, or has made, an Acquisition Proposal. The Company also agrees that it will promptly request each person that has heretofore executed a confidentiality agreement in connection with any such person's consideration of acquiring any of the Assets to return all confidential information heretofore furnished to such person by or on behalf of it.

(c) The Company agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. The Company agrees that it will take the necessary steps to promptly inform the individuals or entities referred to above of the obligations undertaken in this Section 4.3.

4.4 Press Releases. The Company, the Operating Subsidiaries and the Acquiror will consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press releases or other public statements with respect to any transactions described in this Agreement, and shall not issue any such press releases or make any such public statement prior to such consultation.

4.5 Confidentiality; Access to Information.

(a) The parties acknowledge that the Acquiror and the Company have entered into that certain confidentiality and non-disclosure agreement, dated as of November 16, 2002, as amended (the "CONFIDENTIALITY AGREEMENT"), which will terminate upon the execution of this Agreement. Notwithstanding the foregoing, the parties shall remain liable in accordance with the terms of the Confidentiality Agreement as if such agreement remained in effect for breaches, if any, thereunder occurring prior to the date hereof.

(b) Each of the Company, the Operating Subsidiaries and the Acquiror will, and will cause their respective officers, directors, employees, agents and representatives to (i) hold in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of Law, all nonpublic information concerning the other party furnished in connection with the transactions contemplated by this Agreement until such time as such information becomes publicly available (otherwise than through the wrongful act of such person) and (ii) not release or disclose such information to any other person, except in connection with this Agreement to its auditors, attorneys, financial advisors, other consultants and advisors. In the event of termination of this Agreement for any reason, the parties hereto will promptly return or destroy all documents containing

nonpublic information so obtained from any other party hereto and any copies made of such documents and any summaries, analyses or compilations made therefrom.

(c) Between the date hereof and the Closing Date, the Company and the Operating Subsidiaries will provide the Acquiror and its authorized representatives (including counsel, financial advisors and auditors) reasonable access during normal business hours to all employees, offices, warehouses and other facilities and to all books and records of the Company and the Operating Subsidiaries relating to the Assets and the operation of the Stores, will permit the Acquiror to make such inspections as the Acquiror may reasonably require and will cause the Company's officers and those of its Subsidiaries to furnish the Acquiror with such financial and operating data and other information with respect to the business, properties and personnel of the Company and its Subsidiaries relating to the Assets and the Stores as the Acquiror may from time to time reasonably request, provided that no investigation pursuant to this Section 4.5(c) shall affect or be deemed to modify any of the representations or warranties made by the Company or any of the Operating Subsidiaries and each representation and warranty shall survive such investigation.

(d) Between the date hereof and the Closing Date, the Company and the Operating Subsidiaries will provide the firms retained by Acquiror to deliver the Solvency Opinion and the Reasonably Equivalent Value Opinion, and each of their respective employees and authorized representatives, reasonable access during normal business hours to all employees, offices, warehouses and other facilities and to all books and records of the Company and each of its Subsidiaries, including the Operating Subsidiaries, and will permit such firms to make such inspections as reasonably required in order to obtain the information necessary to render the Solvency Opinion and the Reasonably Equivalent Value Opinion. The Company will cause its officers and those of its Subsidiaries to furnish such firms with such financial and operating data and other information with respect to the financial condition, business, operations and properties of the Company and its Subsidiaries as such firms may from time to time reasonably request in the course of their investigation. It is expressly understood among the parties that during the course of their engagement and at any time thereafter, the firms retained by Acquiror to deliver the Solvency Opinion and the Reasonably Equivalent Value Opinion will not provide confidential information of the Company or any of its Subsidiaries to the Acquiror. Notwithstanding the foregoing, such firms will be permitted to review such aspects of the confidential information as they deem appropriate in their professional judgment and report to the Acquiror concerning their satisfaction with the results of such review on rendering the opinions to Acquiror contemplated by Section 4.7 and Section 4.8 without disclosing the content of the confidential information reviewed by them to Acquiror.

(e) Between the date hereof and the Closing Date, the Company shall furnish to the Acquiror no later than one (1) business day following delivery thereof to management of the Company, such weekly and monthly financial statements and other data (financial, operational or otherwise) relating to the operation of the Stores as are regularly prepared for distribution to Company management.

4.6 Notice of Developments.

(a) Prior to the Closing Date, each of the parties hereto shall promptly notify the other in writing of all events, circumstances, facts and occurrences, whether arising prior to or subsequent to the date of this Agreement, that will or are reasonably likely to result in any breach of a representation or warranty or covenant made by the notifying party in this Agreement or in any failure to be satisfied of any condition to the obligations of the party receiving such notice under this Agreement.

(b) Should any event, circumstance, fact or occurrence relating to events after the date hereof require any change to any Schedule provided by the Company or the Operating Subsidiaries hereunder, the Company and the Operating Subsidiaries shall promptly deliver to Acquiror a supplement to such Schedule (a "SCHEDULE SUPPLEMENT") specifying such change. Upon receipt of any such Schedule Supplement, Acquiror shall have ten (10) days from delivery of each such Schedule Supplement (each, a "SUPPLEMENT REVIEW PERIOD") to review the contents of and disclosures in each such Schedule Supplement and to request and receive any additional information from the Company and the Operating Subsidiaries relating to the contents and disclosures contained in such Schedule Supplement. At any time through and including the Supplement Review Period, Acquiror shall have the right to notify the Company and the Operating Subsidiaries whether it elects to proceed with the transactions contemplated by this Agreement, or to terminate this Agreement. In the event Acquiror elects to terminate this Agreement, the provisions of Article VII shall govern and apply for all purposes. The termination of this Agreement by Acquiror pursuant to this Section 4.6(b) as a result of receipt of any such Schedule Supplement which would cause a representation or warranty of the Company or the Operating Subsidiaries to become untrue shall not be or be deemed to be a termination of this Agreement to which the provisions of Section 7.3(a) refers. In the event that Acquiror does not elect to terminate this Agreement during the Supplement Review Period as a result of receiving any such Schedule Supplement, then Acquiror shall be prohibited from seeking indemnification under Section 8.2(a) with respect to the specific breach of the representation and warranty resulting from the information included on such Schedule Supplement. Notwithstanding the foregoing, no delivery of any Schedule Supplement pursuant to this Section 4.6(b) will cure any breach of any representation or warranty of the Company or any Operating Subsidiary contained in this Agreement made as of the date hereof or otherwise limit or affect the remedies available hereunder to Acquiror with respect to such breach.

4.7 Solvency Opinion. Acquiror shall obtain a solvency opinion in the form and substance satisfactory to the Acquiror from a firm selected by the Acquiror providing that the Company and the Operating Subsidiaries are not Insolvent and will not be rendered Insolvent by the transactions contemplated hereby and otherwise addressing the items referenced in Section 3.26(b) as Acquiror deems appropriate (the "SOLVENCY OPINION"). The Solvency Opinion shall permit the Company and the Operating Subsidiaries to reasonably rely thereon, and upon receipt, Acquiror shall provide a copy of the Solvency Opinion to the Company and the Operating Subsidiaries. The Company shall promptly reimburse the Acquiror for the fees of such firm providing the Solvency Opinion up to an aggregate amount that, together with the fees for the Reasonably Equivalent Value Opinion, does not exceed $500,000; provided, however, that at

Acquiror's election, such aggregate fee amount may be credited against the Creditor Payment at Closing or against the Holdback Account.

4.8 Reasonably Equivalent Value Opinion. The Acquiror shall obtain a written opinion in the form and substance satisfactory to the Acquiror, from a firm selected by Acquiror providing that the Purchase Price being paid by Acquiror hereunder (taking into account the potential adjustments to the Purchase Price contained in Section 1.3(b)) for the sale of the Assets hereunder by the Company and the Operating Subsidiaries meets or exceeds the reasonably equivalent value of such Assets (the "REASONABLY EQUIVALENT VALUE OPINION"). The Reasonably Equivalent Value Opinion shall permit the Company and the Operating Subsidiaries to reasonably rely thereon, and upon receipt, Acquiror shall provide a copy of the Reasonably Equivalent Value Opinion to the Company and the Operating Subsidiaries. The Company shall promptly reimburse the Acquiror for the fees of such firm providing the Reasonably Equivalent Value Opinion up to an aggregate amount that, together with the fees for the Solvency Opinion, does not exceed $500,000; provided, however, that at Acquiror's election, such aggregate fee amount may be credited against the Creditor Payment at Closing or against the Holdback Account.

4.9 Employees. The Acquiror shall not assume the liability of the Company or the Operating Subsidiaries with respect to the employees for accrued but unpaid salaries (including deferred compensation), wages, vested vacation and sick pay, workers compensation claims, health benefit claims, employer contributions to a Company Employee Benefit Plan (including restorative payments) or incentive compensation, and the Company and the Operating Subsidiaries shall remain responsible for the payment of all the foregoing items through the date that is the earlier of (a) the date of termination of such employee, or (b) the last day of the Transition Period (the "EMPLOYEE TERMINATION DATE"), such payment to be made as soon as practicable after the Employee Termination Date or when such payment would otherwise be due, but in no event later than five (5) business days following the Employee Termination Date; provided, however, that notwithstanding the terms of any Company Employee Benefit Plans to the contrary, the Company shall remit to each of its and its Operating Subsidiaries' Store employees, salary in the amount equal to such employee's accrued but unpaid vacation as of such employee's Employee Termination Date. The Company and the Operating Subsidiaries shall also remain responsible for payment of any and all retention, change in control or other similar compensation or benefits which are or may become payable to the employees in connection with the transactions contemplated hereby, including without limitation, any severance payments or other such obligations to employees in accordance with the terms of the Company Employee Benefit Plans.

4.10 Designation by Acquiror of Acquiring Subsidiaries. No later than five (5) days prior to the Closing Date, Acquiror shall provide a list to the Company and the Operating Subsidiaries designating which Assets acquired hereunder will be acquired, upon the Closing, by certain of Acquiror's Subsidiaries. The Company and the Operating Subsidiaries shall execute all documents necessary to transfer, upon the Closing, such Assets to such designated Acquiror Subsidiaries.

4.11 Acquiror Due Diligence Period. Acquiror shall have the right to conduct due diligence and shall be entitled to review the books, records and operations of the Company and

the Operating Subsidiaries and to receive from the Company and any of the Operating Subsidiaries any and all financial, legal and other information necessary in completing its due diligence investigation of the Assets being acquired hereunder. On the fourteenth (14th) date following the date hereof (the "INITIAL INVESTIGATION PERIOD"), Acquiror shall evaluate the status of its due diligence investigation, and the Acquiror, the Company and the Operating Subsidiaries shall mutually agree on a reasonable period of no less than six (6) days in which Acquiror shall be entitled to complete its due diligence investigation following such fourteen (14) day period; provided, however, that in the event the parties are unable to agree on a reasonable period prior to the conclusion of such fourteen (14) day period, such fourteen (14) day period shall be extended for six (6) days (such extended period as agreed upon among the parties, or if no agreement among the parties is reached, such six (6) day period being herein referred to as the "EXTENDED INVESTIGATION PERIOD" and, together with the Initial Investigation Period, the "DUE DILIGENCE PERIOD"). In the event the last day of the Due Diligence Period shall fall on a day that is not a Business Day, the next following Business Day shall be the last day of the Due Diligence Period.

4.12 Little Rock Store Lease. Between the date hereof and the Closing Date, the Acquiror and the Company shall enter into a real estate lease (the "OWNED STORE LEASE") with respect to the Owned Store. The Owned Store Lease will become effective immediately following the Closing Date and contain terms reasonably satisfactory to each party that are customary for a similar commercial real estate lease in the same area.

ARTICLE V
CLOSING CONDITIONS

5.1 Conditions to Obligation of all Parties. The obligations of the parties to effect the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions at or prior to the Closing Date:

(a) HSR Act. (i) The waiting periods (and any extensions thereof) applicable to the transaction contemplated by this Agreement under the HSR Act shall have been terminated or shall have expired, and (ii) no condition shall have been imposed by any Governmental Authority on the parties hereto adversely impacting the ability of the parties to conduct their respective businesses substantially in the manner such businesses are being conducted as of the date of this Agreement.

(b) Other Governmental Approvals. All material governmental consents and approvals, if any, necessary to permit the consummation of the transactions contemplated by this Agreement will have been obtained.

(c) No Restraining Action. No action, suit, or proceeding before any Court or Governmental Authority will be pending, no investigation by any Governmental Authority will have been commenced against the Acquiror, the Company or any of its Subsidiaries, or any of the principals, officers or directors of any of them, seeking to restrain, prevent or change the transactions contemplated hereby or questioning the legality or validity of any such transactions or seeking damages in connection with any such transactions.

5.2 Conditions to the Acquiror's Obligations. The obligations of the Acquiror to effect the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions at or prior to the Closing Date, except to the extent waived in writing by the Acquiror:

(a) Representations and Warranties. Each of the representations and warranties of the Company and the Operating Subsidiaries contained in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made again on and as of the Closing Date, without giving effect to any Schedule Supplement; provided, however, that (i) any representation of warranty contained in Article III which contains an express materiality exception shall be accurate in all respects, (ii) any representation or warranty set forth in Section 3.27, Section 3.28, Section 3.29 and Section 3.30, to the extent such representations and warranties address financial performance (A) above the Closing Three Month Revenue Minimum, but below the Closing Three Month Revenue Target, (B) above the Closing Month Revenue Minimum but below the Closing Month Revenue Target, (C) above the Closing Weekly Revenue Minimum but below the Closing Weekly Revenue Target and (D) above the Closing Inventory Minimum but below the Closing Inventory Target, as applicable, shall be accurate in all respects and shall only result in the Purchase Price Reductions contemplated by Section 1.3(b), and (iii) any representation or warranty in Section 3.27, Section 3.28, Section 3.29 and Section 3.30, to the extent such representations and warranties address financial performance at or below the Closing Three Month Revenue Minimum, the Closing Month Revenue Minimum, the Closing Weekly Revenue Minimum and the Closing Inventory Minimum, as applicable, shall be excluded from this Section 5.2(a) and covered by Section 5.2(o) hereof. The Acquiror shall have received a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company and each of the Operating Subsidiaries, dated as of the Closing Date, to such effect.

(b) Agreements and Covenants. The Company and the Operating Subsidiaries shall have each performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Closing Date. The Acquiror shall have received a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company and each of the Operating Subsidiaries, dated as of the Closing Date, to such effect.

(c) No Material Adverse Effect. On or prior to the Closing Date, no event shall have occurred from the date hereof which has a material adverse effect on the Stores or the Assets. The Acquiror shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of the Company and each of the Operating Subsidiaries, dated as of the Closing Date, to such effect.

(d) Senior Lender Consent. No later than ten (10) days from the date of this Agreement, the Company shall have obtained the consent of its senior lenders set forth on Schedule 3.4, consenting to the Company's and each of the Operating Subsidiaries' execution, delivery and performance of the transactions contemplated hereby.

(e) Consents and Approvals. The consents listed on Schedule 5.2(e) shall have been received.

(f) Satisfactory Completion of Due Diligence Investigation by Acquiror. The financial, legal and other due diligence investigation of the Company, each of the Operating Subsidiaries and the Assets being sold hereunder shall have been completed, and Acquiror shall have been satisfied with the results thereof in its discretion; provided, however, that if this Agreement shall not have terminated prior to the date which is immediately following the end of the Due Diligence Period, this condition to closing shall be deemed to have been satisfied.

(g) Non-Competition and Non-Solicitation Agreement. The Company and the Operating Subsidiaries shall have each entered into an agreement (the "NON-COMPETITION AND NON-SOLICITATION AGREEMENT") with the Acquiror, in substantially the form of Exhibit "B" hereto, pursuant to which, among other things, the Acquiror shall pay to the Company, on behalf of the Company and the Operating Subsidiaries, the Non-Competition Payment at Closing in cash by wire transfer of immediately available funds to an account designated by the Company.

(h) Assignment and Assumption Agreement. The Company and the Operating Subsidiaries shall have each entered into the Assignment and Assumption Agreement with the Acquiror.

(i) Motor Vehicle Titles. The receipt by the Acquiror of certificates of title to all vehicles, whether owned or leased by the Company and the Operating Subsidiaries on the date hereof, which constitute Assets transferred hereunder, endorsed by the Company and the Operating Subsidiaries, as the case may be, together with completed originals of any forms required by the states in which such vehicles are located to transfer the same, free and clear of Encumbrances, other than Permitted Encumbrances.

(j) UCC-3 Termination Statements. The receipt by the Acquiror of UCC-3 Termination Statements, with evidence of authorization by the appropriate secured party, evidencing the release of the Encumbrances listed on Schedule 3.9, unless such Encumbrances have been released prior to the Closing Date, in which case the Company shall provide UCC financing statement searches from the appropriate governmental officials of the states and counties in which the Assets, are located indicating that there are no financing statements affecting any of the Assets, other than those evidencing Permitted Encumbrances.

(k) Reasonably Equivalent Value Opinion. The Acquiror shall have received the Reasonably Equivalent Value Opinion, and such opinion shall not have been withdrawn, revoked or modified prior to the Closing Date; provided, however, that Acquiror shall not be entitled to waive this condition.

(l) Solvency Opinion. The Acquiror shall have received the Solvency Opinion, and such opinion shall not have been withdrawn, revoked or modified prior to

the Closing Date; provided, however, that Acquiror shall not be entitled to waive this condition.

(m) Opinion of Counsel. The Acquiror shall have received the opinion of Hodgson Russ, LLP, counsel for the Company and the Operating Subsidiaries, dated as of the Closing Date, in substantially the form as set forth in Exhibit "C" hereto.

(n) No Adverse Regulatory Condition. All material consents of Governmental Authorities, including without limitation, those required under the HSR Act, necessary to permit the consummation of the transactions contemplated by this Agreement shall have been obtained to Acquiror's satisfaction and no required approvals, licenses or consents granted by any Governmental Authority (i) with respect to HSR Act matters, shall have imposed any obligation on Acquiror and (ii) with respect to non-HSR Act matters, shall have imposed any material obligation on Acquiror.

(o) Financial Covenants. The Closing Three Month Revenue and the Closing Month Revenue shall be greater than $10,000,000, the Closing Weekly Revenue shall be greater than $2,350,000 and the Closing Inventory shall be greater than $53,500,000.

5.3 Conditions to the Obligations of the Company and the Operating Subsidiaries. The obligations of the Company and the Operating Subsidiaries to effect the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions at or prior to the Closing, except to the extent waived in writing by the Company and the Operating Subsidiaries:

(a) Representations and Warranties. Each of the representations and warranties of the Acquiror contained in this Agreement shall be true and correct in all material respects (without duplication of any materiality exception contained in any individual representation or warranty) as of the date of this Agreement and as of the Closing Date as though made again on and as of the Closing Date. The Company and the Operating Subsidiaries shall each have received a certificate of the Chief Executive Officer and the Chief Financial Officer of the Acquiror, dated as of the Closing Date, to such effect.

(b) Agreements and Covenants. The Acquiror shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date. The Company and the Operating Subsidiaries shall each have received a certificate of the Chief Executive Officer and the Chief Financial Officer of the Acquiror, dated as of the Closing Date, to such effect.

(c) Non-Competition and Non-Solicitation Agreement. The Acquiror shall have entered into the Non-Competition and Non-Solicitation Agreement with the Company and the Operating Subsidiaries.

(d) Assignment and Assumption Agreement. The Acquiror shall have entered into the Assignment and Assumption Agreement with the Company and the Operating Subsidiaries.

(e) Opinion of Counsel. The Company shall have received an opinion from Winstead Sechrest & Minick P.C., counsel for the Acquiror, dated as of the Closing Date in substantially the form as set forth in Exhibit "D" hereto.

ARTICLE VI
POST-CLOSING COVENANTS

6.1 Apportionment. The Company and the Operating Subsidiaries, as the case may be, shall be entitled to all income earned in or from the ownership or operation of the Assets with respect to events occurring prior to and on the Closing Date, and the Acquiror will be entitled to all income earned in or from the ownership or operation of the Assets with respect to events occurring after the Closing Date. Without limiting the generality of the foregoing, all cash receipts received at the Stores on or prior to the Closing Date shall be the property of the Company and the Operating Subsidiaries, as the case may be, and all cash receipts received at the Stores after the Closing Date shall be the property of the Acquiror. The parties hereto agree to cooperate with each other to ensure that any amounts received are delivered to the party entitled to such amounts as provided herein. All property taxes, rent, utilities and amounts under the Store Leases shall be apportioned on an accrual basis as of the close of business on the Closing Date between Acquiror, the Company and the Operating Subsidiaries such that Acquiror shall be responsible only for property taxes, rent, utilities and amounts under the Store Leases with respect to periods occurring after the Closing Date.

6.2 License to Use Name. From and after the Closing, the Company shall grant to the Acquiror and its Subsidiaries for a 30-day transition period a non-exclusive, royalty-free license (the "LICENSE") to use the names "Rent-Way," "Home Choice" and "Rentavision" (collectively, the "COMPANY NAMES"), but only in connection with the business conducted by the Acquiror at the Stores. The License is granted strictly on a non-exclusive basis, and in this regard, the Company shall, after the Closing, have all rights to use and to grant and license to others the right to use the Company Names in whole or in part, in any location and in any manner whatsoever, subject to the terms of the Non-Competition and Non-Solicitation Agreement. The Acquiror acknowledges that as of the Closing it will have no property rights in and to the Company Names other than the License specifically granted herein and will not use the Company Names except pursuant to this Agreement. The License shall not be sublicensed or assigned by the Acquiror in any manner, except that the Acquiror may assign the License to any direct or indirect wholly-owned subsidiary of the Acquiror (i) in connection with a transfer of some or all of the operations to such entity and (ii) in connection with the matters as contemplated by Section 4.10 hereof (such entities together being referred to as a "PERMITTED TRANSFEREE") provided that prior to such transfer, the Permitted Transferee agrees to be bound by the provisions of the License and the Acquiror and the Acquiror continue to be liable for breach of the License by the Permitted Transferee.

6.3 Account Store Acquisition Option. For a period of thirty (30) days from the date immediately following the Closing Date (the "TRANSITION PERIOD"), Acquiror shall be entitled, upon delivery of written notice to the Company or the Operating Subsidiaries, as the case may be (an "ADDITIONAL STORE NOTICE"), to assume from the Company and any of the Operating Subsidiaries, as the case may be, the real estate lease (and the fixtures related thereto) at no additional cost for any of the Account Stores. In the event Acquiror exercises its rights under

this Section 6.3, Acquiror, the Company and the Operating Subsidiaries shall enter into an assignment and assumption agreement with respect to such real estate lease containing terms reasonably satisfactory to the parties and including terms at a minimum of which, shall provide that Acquiror shall only assume the obligations of the Company and the Operating Subsidiaries under such real estate lease for obligations attributable to periods following such assumption.

6.4 Transition Period; Access to Stores; Cooperation.

(a) With respect to each Account Store, the Company and each of the Operating Subsidiaries will provide access to each of the Account Stores through the Transition Period. Neither the Company, any of the Operating Subsidiaries nor any of their representatives shall remove any vehicles, fixtures, equipment or any other item from the Account Stores during the Transition Period. The Company and each of the Operating Subsidiaries shall reasonably cooperate with Acquiror in the transition of the Assets and business operations to Acquiror, including without limitation, providing staffing of the Company's and its Operating Subsidiaries' employees to Acquiror sufficient to permit the transition of such Account Store operations. The Company and the Operating Subsidiaries acknowledge that all such personnel utilized shall be the employees of the Company or the Operating Subsidiaries, as the case may be (the "TRANSITION PERSONNEL"). The duties of the Transition Personnel shall include without limitation (i) the winding down of the business operations of the Account Stores, (ii) the transfer of inventory and customer accounts to designated stores of the Acquiror, (iii) the transitioning of customer relationships to such Acquiror stores, (iv) assistance with respect to the conversion of customer account records of the Account Stores to Acquiror's computer information system, and (v) other similar type duties.

(b) The Company and the Operating Subsidiaries shall be jointly and severally liable for, and will each indemnify the Acquiror for, only the costs, expenses and liabilities attributable to the operation and transition of the Account Stores during the Transition Period as follows:

(i) rent, utilities and all obligations, expenses and liabilities under the leases underlying the Account Stores during the Transition Period;

(ii) lease and related costs applicable to office equipment in the Account Stores during the Transition Period (other than costs of printer cartridges, paper and other consumables associated with the operation of such equipment, which shall be Acquiror's responsibility);

(iii) the costs associated with vehicles owned or leased by the Company or any of the Operating Subsidiaries and used in connection with the Account Stores (other than fuel costs in excess of the costs of fuel in such vehicles as of the Closing Date), including lease costs, insurance costs and maintenance costs; and

(iv) employee payroll, health and other employee benefits, workers compensation claims, health care claims, employment practices claims

(including without limitation, termination and related claims) and all other costs, expenses and liabilities related to the Transition Personnel; provided, however; that Acquiror shall be responsible for liabilities (a) related to third-party injury claims (other than employees of the Company or its Subsidiaries, including the Transition Personnel) arising out of the operation of the Account Stores, and (b) liabilities relating to intentional acts by Transition Employees that are directed by Acquiror and that constitute violation of applicable Law. The Company and the Operating Subsidiaries shall maintain sufficient insurance coverage to cover applicable risks relative to the foregoing. At any time through the Transition Period, the Acquiror may offer employment to such employees of the Company and the Operating Subsidiaries at the Stores as the Acquiror shall determine in its sole discretion at wage or salary levels acceptable to the Acquiror, and with employee benefits that are acceptable to the Acquiror.

Acquiror shall be responsible for all other costs in connection with the operation of the Account Stores during the Transition Period, such as advertising costs, office equipment consumables referenced above, fuel charges referenced above and office supplies.

6.5 Leased Employees. With respect to the Acquired Stores, the Company and the Operating Subsidiaries shall lease to Acquiror through the Transition Period such employees of the Company or the Operating Subsidiaries as may be designated by Acquiror. Such employees shall at all times remain the employees of the Company or the Operating Subsidiaries, as the case may be (the "LEASED EMPLOYEES"). The Company and the Operating Subsidiaries shall be jointly and severally liable for, and will each indemnify the Acquiror for, all costs, expenses and liabilities of such Leased Employees, including without limitation, employee payroll, health and other employee benefits, workers compensation claims, health care claims, employment practices claims (including without limitation, termination and related claims) and all other costs, expenses and liabilities related to such Leased Employees attributable to the Transition Period; provided, however, that Acquiror shall be responsible only for liabilities (i) related to third-party injury claims (other than employees of the Company or its Subsidiaries, including the Transition Personnel) arising out of the operation of the Account Stores, and (ii) liabilities relating to intentional acts by Transition Employees that are directed by Acquiror and that constitute violation of applicable Law. At any time through the Transition Period, the Acquiror may offer employment to such employees of the Company and the Operating Subsidiaries at the Stores as the Acquiror shall determine in its sole discretion at wage or salary levels acceptable to the Acquiror, and with employee benefits that are acceptable to the Acquiror.

6.6 Tax Matters. The Company shall be responsible for the timely payments of, and shall indemnify and hold harmless the Acquiror against, all sales (including, without limitation, bulk sales), use, value added, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, firearm, ammunition, license and other similar taxes and fees ("TRANSFER TAXES"), arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement. The Company shall prepare and timely file all tax returns required to be filed in respect of Transfer Taxes; provided, however, that the Acquiror shall be

permitted to prepare any such Tax Returns that are the primary responsibility of the Acquiror under applicable Law.

6.7 Transition of Acquired Stores. With respect to the Acquired Stores, during the Transition Period the Company and the Operating Subsidiaries shall make available to the Acquiror and the Acquiror's employees Company personnel and, if necessary, any software not included in the Assets transferred hereunder necessary to effect an orderly transition from the Company's and the Operating Subsidiaries' management information systems to the Acquiror's systems.

ARTICLE VII
TERMINATION

7.1 Termination. This Agreement may be terminated by written notice to the non-terminating party at any time prior the Closing Date:

(a) by mutual written consent of the Acquiror, the Company and the Operating Subsidiaries;

(b) by Acquiror, if, on or after February 1, 2003, any action, suit or proceeding before any Court or Governmental Authority is pending, or any investigation by any Governmental Authority has been commenced, against the Acquiror, the Company or any of the Company's Subsidiaries, or any of the principals, officers or directors of any of them, seeking to restrain, prevent or change the transactions contemplated hereby or questioning the legality or validity of any such transactions or seeking damages in connection with any such transactions;

(c) by Acquiror, if the Company or the Operating Subsidiaries have breached any covenant or agreement set forth in this Agreement, or if any representation or warranty of the Company or the Operating Subsidiaries shall have become untrue, in either case such that the conditions set forth in Section 5.2(a) or Section 5.2(b) would not be satisfied (a "TERMINATING COMPANY BREACH") and such Terminating Company Breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured by the Company or the Operating Subsidiaries within a reasonable amount of time (but in any event prior to the Closing);

(d) by the Company or the Operating Subsidiaries, if Acquiror shall have breached any covenant or agreement set forth in this Agreement, or if any representation or warranty of the Acquiror shall have become untrue, in either case such that the conditions set forth in Section 5.3(a) or Section 5.3(b) would not be satisfied (a "TERMINATING ACQUIROR BREACH") and such Terminating Acquiror Breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured by the Acquiror within a reasonable amount of time (but in any event prior to the Closing);

(e) by Acquiror, if the condition set forth in Section 5.2(d) shall not have been satisfied;

(f) by either Acquiror or the Company and the Operating Subsidiaries, if there shall be an Order which is final and nonappealable preventing the consummation of the transactions contemplated hereby, unless the party relying on such Order has not complied with its obligations under Section 4.2 hereof;

(g) by either Acquiror or the Company and the Operating Subsidiaries, if the transactions contemplated hereby shall not have been consummated on or before February 28, 2003; provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(g) shall not be available to any party whose failure to fulfill any of the obligations contained in this Agreement have been the cause of, or resulted in, the failure of the transactions contemplated hereby to have occurred on or prior to the aforementioned date; and provided, further, that this Agreement may be extended by written notice of either the Acquiror, the Company or the Operating Subsidiaries for up to sixty (60) days from February 28, 2003 if the transactions contemplated hereby have not been consummated as a result of the conditions set forth in Section 5.1(a), Section 5.1(c) or Section 5.2(n) not being satisfied; provided, further, that this Agreement may be extended by Acquiror by written notice for up to a period not to exceed sixty (60) days from February 28, 2003 if Acquiror, the Company, the Operating Subsidiaries or any of the firms engaged to provide the opinions referenced in Section 4.7 and Section 4.8 hereof shall have received an oral or written threat of litigation of the nature contemplated by Section 5.1(c).

(h) by the Acquiror, from the date hereof through the date that is the last day of the Due Diligence Period;

(i) by Acquiror, as provided in Section 1.3(c).

The right of any party hereto to terminate this Agreement pursuant to Section 7.1 will remain operative and in full force and effect regardless of any investigation made by or on behalf of any party hereto, any person controlling any such party or any of their respective officers, directors, representatives or agents, whether prior to or after the execution of this Agreement.

7.2 Automatic Termination. This Agreement shall terminate if either the condition set forth in Section 5.2(k) or Section 5.2(l) shall not have been satisfied on February 28, 2003, unless such date has been extended by Acquiror pursuant to the third proviso in Section 7.1(g), in which termination shall occur on such extended date. The termination of this Agreement pursuant to this Section 7.2 shall be the sole remedy of the Company and the Operating Subsidiaries with respect to the failure of the condition set forth in Section 5.2(k) or Section 5.2(l) to be satisfied.

7.3 Effect of Termination.

(a) Except with respect to Section 4.4, Section 4.5(b), the provisions of this Article VII and Article IX of this Agreement, each of which shall survive termination, in the event of termination of this Agreement pursuant to Section 7.1 or Section 7.2, this Agreement will forthwith be terminated, there will be no liability on the part of the Acquiror, the Company or the Operating Subsidiaries or any of their respective officers

or directors to the other and all rights and obligations of any party hereto will cease; provided, however, that if this Agreement is terminated by a party due to the breach of the Agreement by the other party or because one or more conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

(b) In the event that this Agreement is terminated (i) pursuant to Section 7.1(e) or Section 7.1(i), the Company shall pay or cause to be paid to Acquiror, within two (2) Business Days from the date of termination, an amount equal to Acquiror's actual and reasonably documented Expenses incurred by Acquiror in connection with this Agreement and the transactions contemplated hereby or (ii) pursuant to Section 7.2, the Company shall pay or cause to be paid to Acquiror, within two (2) Business Days from the date of termination, an amount equal to (A) Acquiror's actual and reasonably documented Expenses incurred by Acquiror in connection with this Agreement and the transactions contemplated hereby and (B) the aggregate fees of the firms engaged to provide the opinions referenced in Section 4.7 and Section 4.8, such aggregate fees not to exceed $500,000. The rights hereunder are in addition to, and not in limitation of, any other right or remedy (legal, equitable or otherwise) which may be available to Acquiror.

7.4 Amendment. Subject to the requirements of Law, this Agreement may be amended by the parties hereto only by action taken by or on behalf of their respective boards of directors or applicable governing body at any time prior to the Closing Date. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

7.5 Waiver. At any time prior to the Closing Date, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations or warranties of the other party contained herein or in any document delivered pursuant hereto and (c) waive compliance by the other party with any of the agreements or conditions contained herein. Any such extension or waiver will be valid only if set forth in an instrument in writing signed by the party or parties to be bound thereby.

7.6 Expenses. Except as set forth in Section 7.3(b) hereof, all Expenses incurred by the parties hereto will be borne solely and entirely by the party which as incurred such expenses.

ARTICLE VIII
INDEMNIFICATION

8.1 Survival of Representations and Warranties. All of the representations and warranties of the Company and the Operating Subsidiaries contained in Article III of this Agreement, the certificates delivered pursuant to Section 5.2(a), Section 5.2(b) and Section 5.2(c) and any other document delivered pursuant to this Agreement shall survive Closing and the consummation of the transactions contemplated hereby and shall continue in full force and effect for the four-year period following the Closing Date, with the exception that Section 3.10 shall survive for a period of ninety (90) days following the Closing Date.

8.2 Indemnification by the Company and the Operating Subsidiaries. Subject to the other provisions of this Article VIII, from and after the Closing, the Company and the Operating Subsidiaries shall jointly and severally indemnify and hold the Acquiror and its officers, directors, employees, attorneys and agents harmless from, against and in respect of any and all claims, demands, lawsuits, proceedings, losses, judgments, restitution, assessments, taxes, costs of abatement, fines, penalties, administrative orders, obligations, costs, expenses, liabilities and damages, including interest, penalties, reasonable attorneys' fees and costs and costs of investigation (all of the foregoing hereinafter referred to collectively as "INDEMNITY CLAIMS"), which arise or result from and to the extent they are attributable to:

(a) the untruth, breach or failure of any representation or warranty made by the Company or the Operating Subsidiaries pursuant to this Agreement or any other agreement or document executed and delivered by the Company or the Operating Subsidiaries in connection with the transactions contemplated hereby;

(b) the breach of, or failure to perform, any of the covenants, commitments, agreements or obligations of the Company or the Operating Subsidiaries under or contained in this Agreement or any other agreement or document executed and delivered by the Company or the Operating Subsidiaries in connection with the transactions contemplated hereby;

(c) the noncompliance with the provisions of any bulk sales laws, including, without limitation, the bulk transfer provisions of the Uniform Commercial Code of any state or any similar statute, if and to the extent applicable to the transactions contemplated by this Agreement;

(d) the Excluded Assets;

(e) the continued sponsorship by the Company of the Company Employee Benefit Plans and any and all liability for violations under COBRA occurring prior to the Closing Date, it being understood and agreed to by the parties that the sponsorship and maintenance of any Company Employee Benefit Plans shall in no way be the responsibility of the Acquiror on or after the Closing Date;

(f) any Tax Claim asserted against Acquiror with respect to any Taxes relating to the Assets or the operations of the Company or the Operating Subsidiaries attributable to periods on or before the Closing Date and as otherwise set forth in Section 6.6;

(g) any Indemnity Claims related to the Transition Period as set forth in Section 6.4 and Section 6.5;

(h) any product or component thereof manufactured by, or any services provided by, the Company or the Operating Subsidiaries in whole or in part;

(i) all liabilities of the Company and its Subsidiaries, other than Assumed Liabilities;

(j) any WARN Act and similar state or local Law liability that may result from an employment loss, as defined by 29 U.S.C. Section 2101(a)(6), caused by any action of the Company or the Operating Subsidiaries on or before the last day of the Transition Period or by the Acquiror's decision not to hire previous employees of the Company or the Operating Subsidiaries related to the Stores;

(k) payments made under Rental Purchase Agreements by customers of the Company or any of its Subsidiaries on or before the Closing Date;

(l) any costs, expenses or amounts (other than the payment of fees which is covered by Section 4.7 and Section 4.8 hereunder) payable by the Acquiror to the firms providing the opinions referenced in Section 4.7 and Section 4.8 hereof reasonably relating to or reasonably associated with the delivery of such opinions by such firms; and

(m) any other debts, liabilities or obligations of the Company or the Operating Subsidiaries, whether accrued, absolute, contingent, known, unknown or otherwise, but excluding the Assumed Liabilities.

8.3 Indemnification by the Acquiror. Subject to the other provisions of this Article VIII, from and after the Closing the Acquiror shall indemnify and hold the Company and the Operating Subsidiaries and their respective officers, directors, employees, attorneys and agents harmless from, against and in respect of any and all Indemnity Claims which arise or result from and to the extent they are attributable to:

(a) the untruth, breach or failure of any representation or warranty made by the Acquiror pursuant to this Agreement or any other agreement or document executed and delivered by the Acquiror in connection with the transactions contemplated hereby;

(b) the breach of, or failure to perform, any of the covenants, commitments, agreements or obligations of the Acquiror under or contained in this Agreement or any other agreement or document executed and delivered by the Acquiror in connection with the transactions contemplated hereby; or

(c) the Assumed Liabilities.

8.4 Holdback Amount; Right of Set Off.

(a) On the Closing Date, Acquiror shall withhold the Holdback Amount for the payment of claims asserted against the Company or any of the Operating Subsidiaries and to provide for the payment in part the indemnification rights of the Acquiror for a period of eighteen (18) months following the Closing Date. Upon notice to the Company and the Operating Subsidiaries, the Acquiror may set-off against the Holdback Amount any amount to which it may be entitled under this Article VIII. The exercise of Acquiror's right to make an Indemnity Claim for set-off against the Holdback Amount in good faith, whether or not ultimately determined to be justified, shall not be deemed a breach of Acquiror's obligation to deliver the Purchaser Price under this Agreement. Neither the exercise nor the failure to exercise such right of set-off will constitute an

election of remedies or otherwise limit Acquiror in any manner in the enforcement of any other remedies that may be available to it.

(b) On the 90th day following the Closing Date (the "INITIAL DISTRIBUTION DATE"), the Acquiror shall disburse to the Company, on behalf of the Company and the Operating Subsidiaries, the total of $5,000,000, less the sum of (i) any amounts for Claims to which the Acquiror has exercised its right of set-off pursuant to Section 8.4(a) and (ii) any amounts representing unsatisfied Indemnity Claims asserted by Acquiror under Section 8.4(a) which are unresolved on the Initial Distribution Date. On the date that is eighteen (18) months following the Closing Date (the "FINAL DISTRIBUTION DATE"), upon the execution of all necessary documentation reasonably required by Acquiror, the Acquiror shall disburse to the Company, on behalf of the Company and the Operating Subsidiaries, the amount of the Holdback Amount, less the sum of (i) all amounts for Indemnity Claims to which the Acquiror has exercised its right of set-off pursuant to Section 8.4(a), (ii) any amounts representing unsatisfied Indemnity Claims asserted by the Acquiror pursuant to Section 8.4(a) which are unresolved on the Final Distribution Date, and (iii) the amount paid to the Company, on behalf of the Company and the Operating Subsidiaries on the Initial Distribution Date. At such time that any Indemnity Claims which are unresolved on the Final Distribution Date are subsequently resolved and which the Company and the Operating Subsidiaries would have been entitled to additional amounts paid out from the Holdback Amount (the "EXCESS"), then Acquiror shall deliver the Excess to the Company, on behalf of the Company and the Operating Subsidiaries, within five (5) business days of the final resolution of such Indemnity Claims. Notwithstanding the foregoing, no portion of the Holdback Amount shall be paid to the Company, on behalf of the Company and the Operating Subsidiaries, until all Liens against the Assets shall have been released of record.

8.5 Method of Asserting Indemnity Claims, Etc. All claims for indemnification by any party under this Section 8.5 shall be asserted and resolved as follows:

(a) In the event that any claim or demand in respect of which any party would be entitled to indemnification hereunder is asserted against such party by a third party (a "THIRD PARTY CLAIM"), said party shall within ninety (90) days thereof notify the indemnifying party of such claim or demand, specifying the nature of and specific basis for such claim or demand and the amount or the estimated amount thereof to the extent then feasible, which estimate shall not be conclusive of the final amount of such claim or demand (the "INDEMNITY CLAIM NOTICE"); provided, however, that the failure to notify the indemnifying party of the commencement of such Indemnity Claim within such ninety (90) day period will not relieve the indemnifying party of any liability that it may have to any indemnified party, except to the extent that the indemnifying party conclusively demonstrates that the defense of such action was prejudiced by the indemnifying party's failure to give such Indemnity Claim Notice. The indemnifying party shall have thirty (30) days from the personal delivery or mailing of the Indemnity Claim Notice (the "NOTICE PERIOD") to notify the indemnified party (i) whether or not it disputes entitlement of the indemnified party to indemnification hereunder with respect to such claim or demand, and (ii) whether or not it desires at no cost or expense to the indemnified party, to defend the indemnified party against such claim or demand; provided, however, that

any indemnified party is hereby authorized prior to and during the Notice Period to file any motion, answer or other pleading which it shall deem necessary or appropriate to protect its interests or those of the indemnifying party and that are not materially prejudicial to the indemnifying party. In the event that the indemnifying party notifies the indemnified party within the Notice Period that it desires to defend the indemnified party against such claim or demand and except as hereinafter provided, the indemnifying party shall have the right to defend by all appropriate proceedings, which proceedings shall be promptly settled or prosecuted by it to a final conclusion. If the indemnified party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If requested by the indemnifying party, the indemnified party agrees to cooperate with the indemnifying party and its counsel in contesting any claim or demand which the indemnifying party elects to contest, or, if appropriate and related to the claim in question, in making any counterclaim against the person asserting the third cross complaint against any person. No claim may be settled without the consent of the indemnifying party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, in connection with a Third Party Claim asserted against both such indemnified party and indemnifying party, if (i) such indemnified party has available to it defenses which are in addition to those available to the indemnifying party, (ii) such indemnified party has available to it defenses which are inconsistent with the defenses available to the indemnifying party, or (iii) a conflict exists or may reasonably be expected to exist in connection with the representation of both such indemnified party and indemnifying party by the legal counsel chosen by the indemnifying party, such indemnified party shall have the right to select its own legal counsel subject to the approval of such legal counsel by the indemnifying party, such approval not to be unreasonably withheld. If such indemnified party selects its own legal counsel pursuant to the immediately preceding sentence and the underlying Third Party Claim is otherwise subject to the scope of the indemnification obligations of the indemnifying party pursuant to this Article VIII, the reasonable fees and expenses of such legal counsel will be included within the indemnification obligations of the indemnifying party; provided, however, that under no circumstances will the indemnifying party be obligated to indemnify such indemnified party against the fees and expenses of more than one legal counsel selected by such indemnified party in connection with a single claim (notwithstanding the number of persons against whom the Third Party Claim may be asserted). To the extent an Indemnity Claim with respect to indemnification of representations and warranties is made within the survival period set forth in Section 8.1, such Indemnity Claim shall survive until such Indemnity Claim is resolved pursuant to the provisions of Section 8.4 and Section 8.5 hereof, notwithstanding the expiration of the applicable survival period set forth in Section 8.1.

(b) In the event any indemnified party should have an indemnification claim hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the indemnified party shall send an Indemnity Claim Notice with respect to such claim to the indemnifying party and, if applicable, otherwise comply with the provisions of this Section 8.5. Any Inventory Condition Indemnity Claim shall be made no later than ninety (90) days after closing.

8.6 Limitation on Amount - Company and Operating Subsidiaries.

(a) The Company and the Operating Subsidiaries shall have no liability with respect to the matters described under Section 8.2(a) until the aggregate of all Indemnity Claims for which indemnity would otherwise be payable by them exceeds $100,000 (the "COMPANY BASKET"); provided, however, that in the event that the Indemnity Claims to which the Acquiror shall be entitled exceed the Company Basket, the Company and the Operating Subsidiaries shall be responsible for the total amount of such Indemnity Claims without giving effect to the Company Basket, but in no case shall the liability of the Company and the Operating Subsidiaries with respect to matters set forth in Section 8.2(a) hereunder exceed the Purchase Price. However, this Section 8.6 will not apply to, and the Company's and the Operating Subsidiaries' obligations hereunder shall be unlimited for any breach of the Company's or the Operating Subsidiaries' representations and warranties of which the Company or the Operating Subsidiaries had knowledge at any time prior to the date on which such representation and warranty is made.

(b) In the event that (i) an Indemnity Claim is made by Acquiror with respect to the condition of the Store inventory sold hereunder as of the Closing Date pursuant to a breach of Section 3.10, (an "INVENTORY CONDITION INDEMNITY CLAIM"), and (ii) the Closing Inventory (net of 30-days past due) exceeds $54,500,000, then such Inventory Condition Indemnity Claim shall be reduced by the amount in which the Closing Inventory (net of 30-days past due) exceeds $54,500,000.

8.7 Limitation on Amount - Acquiror. Acquiror shall have no liability with respect to the matters described under Section 8.3(a) until the aggregate of all Indemnity Claims for which indemnity would otherwise be payable by Acquiror exceeds $100,000 (the "ACQUIROR BASKET"); provided, however, that in the event that the Indemnity Claims to which the Company or the Operating Subsidiaries shall be entitled to exceed the Acquiror Basket, the Acquiror shall be responsible for the total amount of such Indemnity Claims without giving effect to the Acquiror Basket, but in no case shall the liability of the Acquiror with respect to matters set forth in Section 8.3(a) hereunder exceed the Purchase Price.

8.8 Insurance and Tax Benefit. In calculating any amount due under this Article VIII with respect to Indemnity Claims, such Indemnity Claims shall be reduced by (a) any amounts actually recovered by the indemnified party under insurance policies or third party indemnification obligations or other rights of recovery with respect to such Indemnity Claims, and (b) the amount of any Net Tax Benefit realized by the indemnified party from the incurrence or payment of such Indemnity Claims.

ARTICLE IX
GENERAL PROVISIONS

9.1 Certain Definitions. For purposes of this Agreement:

"ACCOUNT STORES" has the meaning set forth in Section 1.2(d) hereof.

"ACQUIRED STORES" has the meaning set forth in Section 3.8 hereof.

"ACQUIROR" means Rent-A-Center, Inc., a Delaware corporation, and its successors and assigns.

"ACQUIROR BASKET" has the meaning set forth in Section 8.7.

"ACQUISITION PROPOSAL" has the meaning set forth in Section 4.3 hereof.

"ADDITIONAL STORE NOTICE" has the meaning set forth in Section 6.3 hereof.

"AGREEMENT" has the meaning set forth in the preamble hereto.

"ASSETS" has the meaning set forth in Section 1.1 hereof.

"ASSIGNMENT AND ASSUMPTION AGREEMENT" means that certain Bill of Sale, Assignment and Assumption Agreement to be entered into among the parties at Closing effecting the sale of the Assets to Acquiror hereunder.

"ASSUMED LIABILITIES" has the meaning set forth in Section 1.5(b) hereof.

"BUSINESS DAY" shall mean any day other than a day on which banks in the State of Texas or the State of New York are authorized or obligated to be closed.

"CLAIM" means a right to payment or property, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured.

"CLOSING" means a meeting, which will be held in accordance with Section 1.6 hereof, of all Persons interested in the transactions contemplated by the Agreement at which all documents deemed necessary by the parties to the Agreement to evidence the fulfillment or waiver of all conditions precedent to the consummation of the transactions contemplated by the Agreement are executed and delivered.

"CLOSING DATE" means the date of the Closing as determined pursuant to Section 1.6 hereof; provided, however, that if the Closing Date shall fall on a date that is not a Business Day, the next following Business Day shall be the Closing Date.

"CLOSING DATE PAYMENT" has the meaning set forth in Section 1.3 hereof.

"CLOSING INVENTORY" has the meaning set forth in Section 3.30 hereof.

"CLOSING INVENTORY MINIMUM" has the meaning set forth in Section 3.30 hereof.

"CLOSING INVENTORY TARGET" has the meaning set forth in Section 3.30 hereof.

"CLOSING MONTH REVENUE" has the meaning set forth in Section 3.28 hereof.

"CLOSING MONTH REVENUE MINIMUM" has the meaning set forth in Section 3.28 hereof.

"CLOSING MONTH REVENUE TARGET" has the meaning set forth in Section 3.28 hereof.

"CLOSING THREE MONTH REVENUE" has the meaning set forth in Section 3.27 hereof.

"CLOSING THREE MONTH REVENUE MINIMUM" has the meaning set forth in Section 3.27 hereof.

"CLOSING THREE MONTH REVENUE TARGET" has the meaning set forth in Section 3.27 hereof.

"CLOSING WEEKLY REVENUE" has the meaning set forth in Section 3.29 hereof.

"CLOSING WEEKLY REVENUE MINIMUM" has the meaning set forth in Section 3.29 hereof.

"CLOSING WEEKLY REVENUE TARGET" has the meaning set forth in Section 3.29 hereof.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"CODE" means the Internal Revenue Code of 1986, as amended, and the rules and Regulations promulgated thereunder.

"COMMISSION" means the United States Securities and Exchange Commission.

"COMPANY" means Rent-Way, Inc., a Pennsylvania corporation, and its successors and assigns.

"COMPANY BASKET" has the meaning set forth in Section 8.6 hereof.

"COMPANY EMPLOYEE BENEFIT PLANS" has the meaning set forth in Section 3.24 hereof.

"COMPANY ERISA AFFILIATE" has the meaning set forth in Section 3.24 hereof.

"COMPANY NAMES" has the meaning set forth in Section 6.2 hereof.

"COMPANY'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS" means the consolidated balance sheets of the Company and its Subsidiaries as of September 30, 2000 and September 30, 2001 and the related consolidated statements of operations, shareholders equity and cash flows for the years ended September 30, 1999, 2000 and 2001, together with the notes thereto, all as audited by Pricewaterhouse Coopers, LLP, the Company's independent accountants, under their report with respect thereto dated December 20, 2001, and included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001 filed with the Commission.

"COMPANY'S CONSOLIDATED BALANCE SHEET" means the consolidated balance sheet of the Company as of September 30, 2001, included in the Company's Consolidated Financial Statements.

"COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS" means the Company's Audited Consolidated Financial Statements and the Company's Unaudited Consolidated Financial Statements.

"COMPANY'S UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS" means the unaudited consolidated balance sheet of the Company and its Subsidiaries as of June 30, 2002 and the related consolidated statements of income, stockholder equity and cash flows for the three month periods ended June 30, 2002 and June 30, 2001, together with the notes thereto, included in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 filed with the Commission.

"CONFIDENTIALITY AGREEMENT" has the meaning set forth in Section 4.5(a) hereof.

"COURT" means any court or arbitration tribunal of the United States or any domestic state, and any political subdivision thereof.

"CREDITOR PAYMENT" has the meaning set forth in Section 1.3 hereof.

"DEBT" means liability on a Claim.

"DESIGNATED DATE" shall mean the date (or if such date is not a Business Day, the next following Business Day) that is the earlier of (x) January 31, 2003 and (y) the date that is the fifth day after the date upon which all of the conditions to the Closing set forth in Section 5.1(a) and Section 5.2(n) are satisfied; provided, however, that the Acquiror shall have been provided, and the Designated Date shall be extended for (i) the entire ten (10) day period contemplated in Section 1.1(f) with respect to the identification of vehicles acquired hereunder, (ii) the entire period contemplated by Section 4.11 pertaining to Acquiror's due diligence right, (iii) the entire Supplement Review Period to evaluate any Supplemental Schedule as set forth in Section 4.6(b), (iv) the entire period, including any extension thereof, contemplated by Section 7.1(g) with respect to the delivery of the opinions contemplated by Section 5.2(k) and Section 5.2(l); and (v) the five (5) day period as contemplated by Section 4.10 with respect to the identification of Acquiror affiliates acquiring the Assets hereunder.

"DUE DILIGENCE PERIOD" has the meaning set forth on Section 4.11 hereof.

"EMPLOYEE TERMINATION DATE" has the meaning set forth in Section 4.9 hereof.

"ENCUMBRANCES" has the meaning set forth in Section 1.1 hereof.

"ENVIRONMENTAL LAW OR LAWS" means any and all Laws, statutes, ordinances, rules, Regulations, or Orders of any Governmental Authority pertaining to human health or the environment currently in effect and applicable to a specified Person and its Subsidiaries, including but not limited to the Clean Air Act, as amended, CERCLA, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the RCRA, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Emergency Planning and Right-to-Know Act, as amended, the Hazardous Materials Transportation Authorization Act, as amended, the Oil Pollution Act of 1990, as amended, any state or local Laws implementing the foregoing federal Laws, and all other Laws pertaining to the protection of human health and the environment (inclusive, in each case, of all regulations issued thereunder). For purposes of the Agreement, the terms "hazardous substance" and "release" have the meanings specified in CERCLA; provided, however, that, to the extent the Laws of the state or locality in which the property is located establish a meaning for "hazardous

substance" or "release" that is broader than that specified in CERCLA, such broader meaning will apply within the jurisdiction of such state or locality, and the term "hazardous substance" will include all dehydration and treating wastes, waste (or spilled) oil, and waste (or spilled) petroleum products, and (to the extent in excess of background levels) radioactive material, even if such are specifically exempt from classification as hazardous substances pursuant to CERCLA or RCRA or the analogous statutes of any jurisdiction applicable to the specified Person or its Subsidiaries or any of their respective properties or assets.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the Regulations promulgated thereunder.

"EXCESS" has the meaning set forth in Section 8.4(b) hereof.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the Regulations promulgated thereunder.

"EXCLUDED ASSETS" has the meaning set forth in Section 1.2 hereof.

"EXPENSES" means all reasonable out-of-pocket expenses (including all fees and expenses of counsel, accountants, experts and consultants to a party hereto and its affiliates) incurred by a party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and all other matters related to the consummation of the transactions contemplated hereby.

"EXTENDED DUE DILIGENCE PERIOD" has the meaning set forth in Section 4.11 hereof.

"FINAL DISTRIBUTION DATE" has the meaning set forth in Section 8.4(b) hereof.

"FORM 8594" means Form 8594, Asset Acquisition Statement under Section 1060 of the Code.

"GAAP" means accounting principles generally accepted in the United States consistently applied by a specified Person.

"GOVERNMENTAL AUTHORITY" means any governmental agency or authority (other than a Court) of the United States or any domestic state, and any political subdivision or agency thereof, and includes any authority having governmental or quasi-governmental powers.

"HOLDBACK AMOUNT" has the meaning set forth in Section 1.3 hereof.

"HSR ACT" means the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended.

"IDLE INVENTORY" has the meaning set forth in Section 1.1(d) hereof.

"INDEMNITY CLAIM NOTICE" has the meaning set forth in Section 8.5 hereof.

"INDEMNITY CLAIMS" has the meaning set forth in Section 8.2 hereof.

"INITIAL DISTRIBUTION DATE" has the meaning set forth in Section 8.4(b) hereof.

"INITIAL DUE DILIGENCE PERIOD" has the meaning set forth in Section 4.11 hereof.

"INITIAL INVESTIGATION PERIOD" has the meaning set forth in Section 4.11 hereof.

"INSOLVENT" has the meaning set forth in Section 3.26 hereof.

"INVENTORY CONDITION INDEMNITY CLAIM" has the meaning set forth in Section 8.6(b) hereof.

"IRS" means the United States Internal Revenue Service.

"LAW" means all laws, statutes, ordinances and Regulations of the United States, any foreign country, or any domestic or foreign state, and any political subdivision or agency thereof, including all decisions of Courts having the effect of Law in such jurisdiction.

"LEASED EMPLOYEES" has the meaning set forth in Section 6.5 hereof.

"LICENSE" has the meaning set forth in Section 6.2 hereof.

"LIEN" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement, any lease in the nature thereof or the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

"NET TAX BENEFIT" means the excess of (i) Taxes that would have been incurred by the indemnified party if the applicable Indemnity Claim had not been incurred by the indemnified party, and (ii) the actual Taxes payable by the indemnified party (such Taxes being determined on a "grossed up" basis after taking into account amounts calculated to be due hereunder).

"NON-COMPETITION AND NON-SOLICITATION AGREEMENT" has the meaning set forth in Section 5.2(g) hereof.

"NON-COMPETITION PAYMENT" has the meaning set forth in Section 1.3 hereof.

"NOTICE PERIOD" has the meaning set forth in Section 8.5 hereof.

"OPERATING SUBSIDIARIES" means Rent-Way Michigan and TTIG, collectively.

"OPERATING SUBSIDIARY" means Rent-Way Michigan and TTIG, individually.

"ORDER" means any judgment, order or decree of any Court or Governmental Authority, federal, foreign, state or local.

"OWNED STORE" means that certain Company-owned Store located at 1600 S. Main Street, Little Rock, Arkansas.

"OWNED STORE LEASE" has the meaning set forth in Section 4.12 hereof.

"PERMIT" means any and all permits, licenses, authorizations, orders, certificates, registrations or other approvals granted by any Governmental Authority.

"PERMITTED ENCUMBRANCES" means the following:

(1) Liens for Taxes, assessments and other governmental charges not delinquent or which are currently being contested in good faith by appropriate proceedings; provided that the specified Person or one of its Subsidiaries will have set aside on its books adequate reserves with respect thereto;

(2) Mechanics' and materialmen's Liens not filed of record and similar charges not delinquent or which are filed of record but are being contested in good faith by appropriate proceedings; provided that, in the latter case, the specified Person or one of its Subsidiaries will have set aside on its books adequate reserves with respect thereto.

(3) Liens in respect of judgments or awards with respect to which the specified Person or one of its Subsidiaries will in good faith currently be prosecuting an appeal or other proceeding for review and with respect to which such Person or such Subsidiary will have secured a stay of execution pending such appeal or such proceeding for review; provided that, such Person or such Subsidiary will have set aside on its books adequate reserves with respect thereto;

(4) easements, leases, reservations or other rights of others in, or minor defects and irregularities in title to, property or assets of a specified Person or any of its Subsidiaries; provided that such easements, leases, reservations, rights, defects or irregularities do not materially impair the use of such property or assets for the purposes for which they are held;

(5) any Lien or privilege vested in any lessor or licensor for rent or other obligations of a specified Person or any of its Subsidiaries thereunder so long as the payment of such rent or the performance of such obligations is not delinquent; and

(6) encumbrances which secure deposits of public funds as required by Law.

"PERMITTED TRANSFEREE" has the meaning set forth in Section 6.2 hereof.

"PERSON" means an individual, partnership, limited liability company, corporation, joint stock company, trust, estate, joint venture, association or unincorporated organization, or any other form of business or professional entity, but does not include a Governmental Authority or Court.

"PROFIT AND LOSS STATEMENT" and "PROFIT AND LOSS STATEMENTS" each has the meaning set forth in Section 3.6(a) hereof.

"PURCHASE PRICE" has the meaning set forth in Section 1.3 hereof.

"PURCHASE PRICE REDUCTION" has the meaning set forth in Section 1.3(b) hereof.

"REASONABLY EQUIVALENT VALUE OPINION" has the meaning set forth in Section 4.8 hereof.

"REGULATION" means any rule or regulation of any Governmental Authority having the effect of Law.

"RELEVANT GROUP" has the meaning set forth in Section 3.23(b) hereof.

"RENT-WAY MICHIGAN" means Rent-Way of Michigan, Inc., a Delaware corporation and wholly owned subsidiary of the Company.

"RENTAL PURCHASE AGREEMENTS" has the meaning set forth in Section 1.1(a) hereof.

"REPORTS" means, with respect to a specified Person, all reports, registrations, filings and other documents and instruments required to be filed by the specified Person or any of its Subsidiaries with any Governmental Authority (other than the Commission).

"REVENUE PURCHASE PRICE REDUCTIONS" has the meaning set forth in Section 1.3(b)(ii) hereof.

"SEC REPORTS" means (i) all Annual Reports on Form 10-K promulgated under the Exchange Act, (ii) all Quarterly Reports on Form 10-Q promulgated under the Exchange Act, (iii) all proxy statements relating to meetings of shareholders (whether annual or special), (iv) all Current Reports on Form 8-K promulgated under the Exchange Act and (v) all other reports, schedules, registration statements or other documents required to be filed during a specified period by a Person with the Commission pursuant to the Securities Act or the Exchange Act.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended, and the Regulations promulgated thereunder.

"SCHEDULE SUPPLEMENT" has the meaning set forth in Section 4.6(b) hereof.

"SHORT AVERAGE MONTHLY REVENUE AMOUNT" has the meaning set forth in Section 1.3(b)(i) hereof.

"SHORT AVERAGE MONTHLY REVENUE AMOUNT ADJUSTMENT" has the meaning set forth in Section 1.3(b)(i) hereof.

"SHORT INVENTORY AMOUNT" has the meaning set forth in Section 1.3(b)(iv) hereof.

"SHORT INVENTORY AMOUNT ADJUSTMENT" has the meaning set forth in Section 1.3(b)(iv) hereof.

"SHORT MONTHLY REVENUE AMOUNT" has the meaning set forth in Section 1.3(b)(ii) hereof.

"SHORT MONTHLY REVENUE AMOUNT ADJUSTMENT" has the meaning set forth in Section 1.3(b)(ii) hereof.

"SHORT WEEKLY REVENUE AMOUNT" has the meaning set forth in Section 1.3(b)(iii) hereof.

"SHORT WEEKLY REVENUE AMOUNT ADJUSTMENT" has the meaning set forth in Section 1.3(b)(iii) hereof.

"SOLVENCY OPINION" has the meaning set forth in Section 4.7 hereof.

"STORE" and "STORES" has the meaning set forth in the Recitals.

"STORE LEASE" has the meaning set forth in Section 3.8 hereof.

"SUBSIDIARY" of a specified Person means any corporation, partnership, limited liability company, joint venture or other legal entity of which the specified Person (either alone or through or together with any other Subsidiary) owns, directly or indirectly, twenty-five percent (25%) or more of the stock or other equity or partnership interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or legal entity.

"SUPPLEMENT REVIEW PERIOD" has the meaning set forth in Section 4.6(b) hereof.

"TAX" has the meaning set forth in Section 3.23(a) hereof.

"TAX RETURN" has the meaning set forth in Section 3.23(a) hereof.

"TAXES" has the meaning set forth in Section 3.23(a) hereof.

"TERMINATING ACQUIROR BREACH" has the meaning set forth in Section 7.1(d) hereof.

"TERMINATING COMPANY BREACH" has the meaning set forth in Section 7.1(c) hereof.

"TERMINATION FEE" has the meaning set forth in Section 7.3(b) hereof.

"THIRD PARTY CLAIM" has the meaning set forth in Section 8.5 hereof.

"TRANSITION PERIOD" has the meaning set forth in Section 6.3 hereof.

"TRANSITION PERSONNEL" has the meaning set forth in Section 6.4 hereof.

"TTIG" means Rent-Way of TTIG, L.P., an Indiana limited partnership and wholly owned subsidiary of the Company.

"UNDISCLOSED LIABILITIES" has the meaning set forth in Section 3.6(c) hereof.

9.2 Notices. All notices and other communications given or made pursuant hereto shall be in writing and will be deemed to have been duly given, upon receipt, if delivered personally (including by courier or overnight courier), mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses, or sent by electronic transmission to the telecopier number specified below:

(a) if to the Acquiror:

Rent-A-Center, Inc.
5700 Tennyson Parkway, 4th Floor
Plano, Texas 75024
Attention: Chief Executive Officer
Telecopy: 972-943-0116

With a copy to:

Winstead Sechrest & Minick P.C.
5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270
Attention: Thomas W. Hughes, Esq.
Telecopy: 214-745-5390

(b) if to the Company or the Operating Subsidiaries:

Rent-Way, Inc.
One Rent Way Place
Erie, Pennsylvania 16505
Attention: Chief Executive Officer
Telecopy: 814-461-5401

With a copy to:

Hodgson Russ, LLP
One M&T Plaza, Suite 2000
Buffalo, New York 14203-2391
Attention: John J. Zak, Esq.
Telecopy: 716-849-0349

or to such other address or telecopier number as any party may, from time to time, designate in a written notice given in like manner. Notice given by the telecopier will be deemed delivered on the day the sender receives telecopier confirmation that such notice was reached at the telecopier number of the addressee. Notices delivered personally shall be deemed delivered as of actual receipt and mailed notices shall be deemed delivered three days after mailing.

9.3 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References to Sections and Articles refer to sections and articles of this Agreement unless otherwise stated.

9.4 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other

provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

9.5 Entire Agreement. This Agreement (together with all other documents and instruments referred to herein) constitutes the entire agreement among the parties, and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

9.6 Assignment. This Agreement may not be assigned by operation of Law or otherwise, except that Acquiror may assign, transfer or convey this Agreement and the rights, interests and obligations hereof to any Subsidiary of Acquiror provided that the Acquiror remains bound hereunder.

9.7 Parties in Interest. This Agreement will be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or will confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

9.8 Failure or Indulgence Not Waiver; Remedies Cumulative; Specific Performance. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor will any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not alternative to or exclusive to, and not exclusive of, any rights or remedies otherwise available. Notwithstanding anything to the contrary contained herein, and without limiting any other rights of the Acquiror hereunder, whether in law or in equity, the parties agree that Acquiror shall be entitled to the remedy of specific performance to enforce the obligations of the Company and of the Operating Subsidiaries hereunder.

9.9 Governing Law. THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUSIVE OF CONFLICTS OF LAW PRINCIPLES). COURTS WITHIN THE STATE OF TEXAS WILL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES HERETO, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY. THE PARTIES CONSENT TO AND AGREE TO SUBMIT TO THE JURISDICTION OF SUCH COURTS. EACH OF THE PARTIES HEREBY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (i) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, (ii) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (iii) ANY LITIGATION COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM.

9.10 Counterparts. This Agreement may be executed in multiple counterparts, and by the different parties hereto in separate counterparts, each of which when executed will be deemed to be an original but all of which taken together will constitute one and the same agreement.

9.11 No Consequential Damages. Notwithstanding anything to the contrary elsewhere in this Agreement, no party (or its affiliates) shall, in any event, be liable to any other party (or its affiliates) for any consequential damages, including, but not limited to, loss of revenue or income, cost of capital, or loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement.

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Signature Page

IN WITNESS WHEREOF, the Acquiror, the Company and the Operating Subsidiaries have executed or caused this Agreement to be executed on the date first written above.

RENT-A-CENTER, INC.

By: /s/ Mark E. Speese

Name: Mark E. Speese

Title: Chairman of the Board and

Chief Executive Officer

RENT-WAY, INC.

By: /s/ William F. Morgenstern

Name: William F. Morgenstern

Title: President

RENT-WAY OF MICHIGAN, INC.

By: /s/ William F. Morgenstern

Name: William F. Morgenstern

Title: President

RENT-WAY OF TTIG, L.P.

By: Rent-Way Development, Inc.,
its general partner

By: /s/ William F. Morgenstern

Name: William F. Morgenstern

Title: President

EXHIBIT 2.3

[RAC Letterhead]

December 31, 2002

VIA FACSIMILE (814) 461-5401

Rent-Way, Inc.
Rent-Way of Michigan, Inc.
Rent-Way of TTIG, L.P.
Attn: Chief Executive Officer
One Rent Way Place
Erie, Pennsylvania 16505

Dear Sir:

This letter is provided pursuant to Section 4.11 of that certain Asset Purchase Agreement, dated as of December 17, 2002 (the "ASSET PURCHASE AGREEMENT"), by and among Rent-A-Center, Inc. (the "ACQUIROR"), and Rent-Way, Inc. (the "COMPANY"), Rent-Way of Michigan, Inc. ("RENT-WAY MICHIGAN") and Rent-Way of TTIG, L.P. ("TTIG" and, together with Rent-Way Michigan, the "OPERATING SUBSIDIARIES"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Asset Purchase Agreement.

Following an evaluation of the status of Acquiror's due diligence investigation up to and including the date hereof, the Acquiror, the Company and the Operating Subsidiaries hereby mutually agree, in accordance with Section 4.11 of the Asset Purchase Agreement, that the Extended Investigation Period shall be a period of twenty (20) days as fully set forth below. The Company and the Operating Subsidiaries hereby acknowledge that the Extended Investigation Period is necessary for Acquiror to adequately complete its due diligence review of the Company and the Operating Subsidiaries. Accordingly, the Extended Investigation Period shall extend until and include January 20, 2003, provided, however, that the Extended Investigation Period shall continue after January 20, 2003 in the event that Company or any of the Operating Subsidiaries shall not have reasonably complied with the covenants set forth in Section 4.5(c) and (e) of the Asset Purchase Agreement. Other than as specifically provided for herein, all other terms and conditions of the Asset Purchase Agreement shall remain in full force and effect.

[Signature Page to Follow]

RENT-A-CENTER, INC.

By: /s/ Mark E. Speese

Name: Mark E. Speese

Title: Chief Executive Officer

AGREED AND ACCEPTED:

RENT-WAY, INC.

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President

RENT-WAY OF MICHIGAN, INC.

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President

RENT-WAY OF TTIG, L.P.

By: Rent-Way Development, Inc.,
its general partner

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President
---

cc: Hodgson Russ, LLP
One M&T Plaza, Suite 2000
Buffalo, New York 14203-2391
Attention: John J. Zak, Esq.
Telecopy: 716-849-0349

EXHIBIT 2.4

[RAC Letterhead]

January 7, 2003

VIA FACSIMILE (814) 461-5401

Rent-Way, Inc.
Rent-Way of Michigan, Inc.
Rent-Way of TTIG, L.P.
Attn: Chief Executive Officer
One Rent Way Place
Erie, Pennsylvania 16505

Dear Sir:

Reference is made to that certain Asset Purchase Agreement, dated as of December 17, 2002 (the "ASSET PURCHASE AGREEMENT"), by and among Rent-A-Center East, Inc., a Delaware corporation (formerly known as Rent-A-Center, Inc.) ("ACQUIROR"), and Rent-Way, Inc. (the "COMPANY"), Rent-Way of Michigan, Inc. ("RENT-WAY MICHIGAN") and Rent-Way of TTIG, L.P. ("TTIG" and, together with Rent-Way Michigan, the "OPERATING SUBSIDIARIES"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Asset Purchase Agreement.

Effective as of December 31, 2002, Acquiror consummated an internal reorganization of its corporate structure. By virtue of an inversion merger, Acquiror created a holding company structure pursuant to which a Delaware corporation became the sole stockholder of Acquiror and changed its name to "Rent-A-Center, Inc." ("HOLDING COMPANY"). The stockholders of Acquiror prior to the merger became stockholders of Holding Company immediately upon the merger. Acquiror changed its name to "Rent-A-Center East, Inc." and transferred substantially all of Acquiror's assets related to stores in Texas and its headquarters operations to Rent-A-Center Texas, L.P., a Texas limited partnership, the general partner of which is the Acquiror, and all of Acquiror's assets related to stores in the western portion of the United States to Rent-A-Center West, Inc., a Delaware corporation and wholly owned subsidiary of Acquiror.

Acquiror has not transferred the Asset Purchase Agreement and remains the primary obligor thereunder. This letter agreement memorializes the understanding of the parties to the Asset Purchase Agreement regarding the reorganization and hereby amends, modifies and supplements the Asset Purchase Agreement as follows:

1. Acquiror Obligations. The parties acknowledge that, except as specifically provided for herein, the term "Acquiror" as used herein, in the Asset Purchase Agreement and in the documents referenced therein shall mean Rent-A-Center East, Inc., formerly known as Rent-A-Center, Inc.

2. Solvency and Reasonably Equivalent Value Opinions. With respect to Section 4.7 and Section 5.2(l) of the Asset Purchase Agreement related to the Solvency Opinion and Section 4.8 and Section 5.2(k) of the Asset Purchase Agreement related to the Reasonably Equivalent Value Opinion, the parties hereby agree that Holding Company may perform Acquiror's obligations thereunder. The parties acknowledge that in the event Holding Company obtains and delivers the Solvency Opinion and the Reasonably Equivalent Value Opinion, the covenants set forth in Section 4.7 and Section 4.8 and the conditions to closing set forth in Section 5.2(k) and Section 5.2(l) shall be deemed to have been complied with, notwithstanding that such covenants and conditions to closing were complied with by Holding Company and not Acquiror.

3. Entire Agreement. Notwithstanding the provisions of Section 9.5 of the Asset Purchase Agreement and consistent with Section 7.4 of the Asset Purchase Agreement, this letter agreement, together with the Asset Purchase Agreement and all other documents and instruments referred to therein, including, but not limited to, the letter from Acquiror to the Company and the Operating Subsidiaries dated December 31, 2002, relating to the extension of the Due Diligence Period, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the transactions contemplated by the Asset Purchase Agreement.

4. No Further Amendments. Other than as specifically provided for herein, all other terms and conditions of the Asset Purchase Agreement shall remain in full force and effect in accordance with its terms.

5. Governing Law. The provisions of Section 9.9 of the Asset Purchase Agreement shall apply to this letter agreement.

[SIGNATURE PAGE TO FOLLOW]

RENT-A-CENTER EAST, INC.,
formerly known as Rent-A-Center, Inc.

By: /s/ Mark E. Speese

Name: Mark E. Speese

Title: Chief Executive Officer

AGREED AND ACCEPTED:

RENT-WAY, INC.

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President

RENT-WAY OF MICHIGAN, INC.

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President

RENT-WAY OF TTIG, L.P.

By: Rent-Way Development, Inc.,
its general partner

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President
---

cc: Hodgson Russ, LLP
One M&T Plaza, Suite 2000
Buffalo, New York 14203-2391
Attention: John J. Zak, Esq.
Telecopy: 716-849-0349

EXHIBIT 2.5

[RAC Letterhead]

February 7, 2003

VIA FACSIMILE (814) 461-5401

Rent-Way, Inc.
Rent-Way of Michigan, Inc.
Rent-Way of TTIG, L.P.
Attn: Chief Executive Officer
One Rent Way Place
Erie, Pennsylvania 16505

Dear Sir:

Reference is made to that certain Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc., a Delaware corporation (formerly known as Rent-A-Center, Inc.) ("ACQUIROR"), and Rent-Way, Inc. (the "COMPANY"), Rent-Way of Michigan, Inc. ("RENT-WAY MICHIGAN") and Rent-Way of TTIG, L.P. ("TTIG" and, together with Rent-Way Michigan, the "OPERATING SUBSIDIARIES"), as amended by that certain letter agreement dated December 31, 2002 and that certain letter agreement dated January 7, 2003 (together, the "ASSET PURCHASE AGREEMENT"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Asset Purchase Agreement.

WHEREAS, on January 29, 2002, the Company and the Operating Subsidiaries delivered to Acquiror, pursuant to Section 4.6(b) of the Asset Purchase Agreement, a Schedule Supplement (the "FIRST SCHEDULE SUPPLEMENT") related to newly threatened litigation arising from alleged unpaid overtime wages (the "THREATENED LITIGATION"); and

WHEREAS, the parties to the Asset Purchase Agreement desire to memorialize their understanding with respect to various transitional and other matters.

NOW, THEREFORE, this letter agreement, in accordance with Section 7.4 of the Asset Purchase Agreement, memorializes the understanding of the parties to the Asset Purchase Agreement regarding certain changes thereto and hereby amends, modifies and supplements the Asset Purchase Agreement as follows:

1. Extension of Supplemental Review Period. The parties hereby agree that, notwithstanding the provisions of Section 4.6(b) of the Asset Purchase Agreement, the Supplemental Review Period related to the First Schedule Supplement shall extend until and include February 21, 2003, provided, however, that such period shall earlier terminate on the date of the Settlement (as hereinafter defined) of the Threatened Litigation.

2. Additional Closing Condition. The parties hereby agree that the Asset Purchase Agreement be amended such that the Settlement (as hereinafter defined) of the Threatened Litigation by the Company and the Operating Subsidiaries shall be deemed an additional condition to Acquiror's obligations to close under Section 5.2 of the Asset Purchase Agreement. For purposes of this letter agreement, "SETTLEMENT" shall mean that the named plaintiffs in the Threatened Litigation and the Company and its Subsidiaries have entered into a signed, written final agreement, whereby such plaintiffs agree to release the Company and its Subsidiaries from their claims contemplated by the Threatened Litigation and any and all other existing claims, and that proper documents have been filed with the court of competent jurisdiction seeking to dismiss all lawsuits filed by any of the plaintiffs against the Company or its Subsidiaries. The Company and the Operating Subsidiaries shall promptly notify Acquiror upon the Settlement of the Threatened Litigation.

3. Closing Date.

(a) The parties hereby agree that, notwithstanding the provisions of Section 1.6 of the Asset Purchase Agreement, in the event that (i) all of the conditions to Closing set forth in Article V of the Asset Purchase Agreement shall have been satisfied or waived by the party entitled to waive the same on or prior to February 8, 2003, and (ii) the Settlement of the Threatened Litigation shall have occurred on or prior to February 7, 2003, then the Closing Date shall be February 8, 2003; provided, however, that the Closing Date may be extended by (a) the entire Supplemental Review Period required to evaluate any Supplemental Schedule in addition to the First Supplemental Schedule delivered on or prior to February 8, 2003 as set forth in Section 4.6(b) of the Asset Purchase Agreement, (b) the entire period, including any extension thereof, contemplated by Section 7.1(g) of the Asset Purchase Agreement with respect to the delivery of opinions contemplated by Section 5.2(k) and Section 5.2(l) of the Asset Purchase Agreement, or (c) any period of time upon mutual agreement in writing of the parties hereto. The parties hereby acknowledge that, in the event the Closing occurs on February 8, 2003, the Creditor Payment and the Non-Competition Payment shall be made on February 10, 2003, and, notwithstanding that fact, the Closing Date shall be deemed to be February 8, 2003.

(b) In the event that (i) all of the conditions to Closing set forth in Article V of the Asset Purchase Agreement shall not have been satisfied on or prior to February 8, 2003 or (ii) the Settlement of the Threatened Litigation has not occurred on or prior to February 7, 2003, the Closing shall occur on the earlier of (x) the third Business Day following the date of Settlement of the Threatened Litigation or (y) February 21, 2003; provided, however, that the Closing Date may be extended by (a) the entire Supplemental Review Period required to evaluate any Supplemental Schedule in addition to the First Supplemental Schedule as set forth in Section 4.6(b) of the Asset Purchase Agreement, (b) the entire period, including any extension thereof, contemplated by Section 7.1(g) of the Asset Purchase Agreement with respect to the delivery of opinions contemplated by Section 5.2(k) and Section 5.2(l) of the Asset Purchase Agreement, or (c) any

period of time upon mutual agreement in writing of the parties hereto. Nothing in this paragraph shall be deemed to otherwise amend any other conditions to closing set forth in Article V of the Asset Purchase Agreement, each of which shall be satisfied or waived by the party entitled to waive the same prior to the Closing Date contemplated hereunder.

4. Amendment to Section 9.9. Section 9.9 of the Asset Purchase Agreement is hereby amended to read in its entirety as follows:

"9.9 Governing Law; Exclusive Jurisdiction. THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUSIVE OF CONFLICTS OF LAW PRINCIPLES). COURTS WITHIN THE STATE OF TEXAS WILL HAVE EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES HERETO, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY. THE PARTIES CONSENT TO AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE PARTIES HEREBY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (i) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, (ii) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (iii) ANY LITIGATION COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM."

5. Amendment to Form of Non-Competition and Non-Solicitation Agreement. Section 12 of the form of Non-Competition and Non-Solicitation Agreement referenced in Section 5.2(g) of the Asset Purchase Agreement and attached as Exhibit "B" thereto is hereby amended to read in its entirety as follows:

"12. GOVERNING LAW; EXCLUSIVE JURISDICTION. THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUSIVE OF CONFLICTS OF LAW PRINCIPLES). COURTS WITHIN THE STATE OF TEXAS WILL HAVE EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES HERETO, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY. THE PARTIES CONSENT TO AND

AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE PARTIES HEREBY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (i) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, (ii) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (iii) ANY LITIGATION COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM."

6. Inactive Rental Purchase Agreements. Notwithstanding Section 1.2(c) of the Asset Purchase Agreement, the parties hereby acknowledge that, following the Closing Date, Acquiror may have in its possession at the Stores certain Rental Purchase Agreements of the Company or the Operating Subsidiaries which have terminated on or before the Closing Date (the "INACTIVE AGREEMENTS"). In the event that the Company or its Operating Subsidiaries need a copy of one or more Inactive Agreements in connection with the defense of pending or threatened litigation, the parties hereby agree that upon specific written request by the Company, the Acquiror shall use its reasonable efforts to locate and (i) forward copies of any such Inactive Agreements then in its possession or (ii) notify Company of its inability to locate same within five (5) days of receipt of such request.

7. Gateway Computers. The parties hereby agree that Acquiror shall reimburse the Company and the Operating Subsidiaries for fees actually paid by the Company or the Operating Subsidiaries to Gateway for the purchase and maintenance of internet service charges for Gateway computers on rent in the Stores following the Closing Date. Acquiror shall provide the Company with a list of such computers that are no longer on rent at least four (4) days prior to the first of each month.

8. Real Property Leases of Acquired Stores. The parties hereby acknowledge that, with respect to the Acquired Stores, upon the Closing, Acquiror shall notify the lessors of any real property related to the Acquired Stores that the transactions contemplated by the Asset Purchase Agreement have been consummated. The Company and the Operating Subsidiaries shall cooperate in good faith with Acquiror to obtain any consents of such lessors and enter into any documents as are reasonably necessary to ensure that such leases are properly assigned to Acquiror as contemplated by the Asset Purchase Agreement.

9. Vehicles. The parties hereby agree that, notwithstanding the provisions of Section 5.2(i) of the Asset Purchase Agreement, the Company and the Operating Subsidiaries may provide at Closing, in lieu of actual certificates of title on all vehicles which constitute Assets, a letter from the lessor of such vehicles stating that upon receipt of a specified amount of the Closing Payment, such vehicles shall be transferred free and clear of all liens and encumbrances. The Company and the Operating Subsidiaries shall provide the actual certificates of title to Acquiror as promptly as practicable following the Closing Date.

10. Inventory Adjustment Amendment. Section 1.3(b)(iv) of the Asset Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"with respect to the failure to represent and warrant on the Closing Date the matters set forth in Section 3.30, the Purchase Price shall be reduced by an amount equal to (a) $54,500,000, less the Closing Inventory (net of 30-days past due) (the "SHORT INVENTORY AMOUNT"), (b) multiplied by 1.0 (such adjustment being referred to as the "SHORT INVENTORY AMOUNT Adjustment")."

11. Closing Date Payment Adjustment. Solely for the purposes of determining the Purchase Price adjustment required at Closing pursuant to Section 1.3(b)(iv) of the Agreement as amended above, the parties agree that, on the Closing Date, the net book value of the Store inventory being sold pursuant to the Asset Purchase Agreement calculated under the accounting methods set forth in the Company's consolidated financial statements (including inventory ordered on or before the Closing Date but not yet delivered on the Closing Date), shall be $53,400,000 (the "ESTIMATED CLOSING DATE INVENTORY"). Accordingly, the parties agree that the Purchase Price shall be reduced by $1,100,000 for purposes of the Closing Date Payment. No later than three (3) days following the Closing Date, the parties shall determine the actual net book value of the Store inventory calculated under the accounting methods set forth in the Company's consolidated financial statements as of the Closing Date (including inventory ordered on or before the Closing Date but not yet delivered on the Closing Date)(the "ACTUAL CLOSING DATE Inventory"). In the event the Actual Closing Date Inventory amount shall exceed the Estimated Closing Date Inventory amount, such resulting amount shall be paid by Acquiror to the Company, on behalf of the Company and the Operating Subsidiaries. In the event the Actual Closing Date Inventory amount shall be less than the Estimated Closing Date Inventory amount, such resulting amount shall be paid by the Company, on behalf of the Company and the Operating Subsidiaries, to Acquiror. All such payments shall be made promptly by wire transfer upon the determination of such amount, but in any event within two (2) Business Days.

12. Non-Competition Payment. Notwithstanding Section 1.3(a) of the Asset Purchase Agreement, the parties hereby agree that, as directed by the Company, the Non-Competition Payment shall be paid, on behalf of the Company and the Operating Subsidiaries, directly to the bank designated by the Company, together with the Creditor Payment.

13. Entire Agreement. Notwithstanding the provisions of Section 9.5 of the Asset Purchase Agreement and consistent with Section 7.4 of the Asset Purchase Agreement, this letter agreement, together with the Asset Purchase Agreement and all other documents and instruments referred to therein, including, but not limited to, the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated December 31, 2002, relating to the extension of the Due Diligence Period, and the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated January 7, 2003, relating to the Acquiror's internal reorganization, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the transactions contemplated by the Asset Purchase Agreement.

14. No Further Amendments. Other than as specifically provided for herein, all other terms and conditions of the Asset Purchase Agreement shall remain in full force and effect in accordance with its terms.

15. Governing Law. The provisions of Section 9.9 of the Asset Purchase Agreement, as amended hereby, shall apply to this letter agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

RENT-A-CENTER EAST, INC.,
formerly known as Rent-A-Center, Inc.

By: /s/ Mark E. Speese

Name: Mark E. Speese

Title: Chairman of the Board and

Chief Executive Officer

AGREED AND ACCEPTED:

RENT-WAY, INC.

By: /s/ Ronald D. DeMoss

Name: Ronald D. DeMoss

Title: Vice President

RENT-WAY OF MICHIGAN, INC.

By: /s/ Ronald D. DeMoss

Name: Ronald D. DeMoss

Title: Vice President

RENT-WAY OF TTIG, L.P.

By: Rent-Way Development, Inc.,
its general partner

By: /s/ Ronald D. DeMoss

Name: Ronald D. DeMoss

Title: Vice President
---

cc: Hodgson Russ, LLP
One M&T Plaza, Suite 2000
Buffalo, New York 14203-2391
Attention: John J. Zak, Esq.
Telecopy: 716-849-0349

EXHIBIT 2.6

[RAC Letterhead]

February 10, 2003

VIA FACSIMILE (814) 461-5401

Rent-Way, Inc.
Rent-Way of Michigan, Inc.
Rent-Way of TTIG, L.P.
Attn: Chief Executive Officer
One Rent Way Place
Erie, Pennsylvania 16505

Dear Sir:

Reference is made to that certain Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc., a Delaware corporation (formerly known as Rent-A-Center, Inc.) ("ACQUIROR"), and Rent-Way, Inc. (the "COMPANY"), Rent-Way of Michigan, Inc. ("RENT-WAY MICHIGAN") and Rent-Way of TTIG, L.P. ("TTIG" and, together with Rent-Way Michigan, the "OPERATING SUBSIDIARIES"), as amended by that certain letter agreement dated December 31, 2002, that certain letter agreement dated January 7, 2003, and that certain letter agreement dated February 7, 2003 (together, the "ASSET PURCHASE AGREEMENT"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Asset Purchase Agreement.

WHEREAS, the Closing of the transactions contemplated under the Asset Purchase Agreement occurred as of February 8, 2003; and

WHEREAS, the parties now desire to alter the original lists of Account Stores, the real property leases of which shall be retained by the Company and the Operating Subsidiaries, and Acquired Stores, the real property leases of which shall be assumed by Acquiror, as set forth herein.

NOW, THEREFORE, this letter agreement, in accordance with Section 7.4 of the Asset Purchase Agreement, memorializes the understanding of the parties to the Asset Purchase Agreement regarding certain post-closing changes thereto and hereby amends, modifies and supplements the Asset Purchase Agreement as follows:

1. Return of Chattanooga Store. Acquiror hereby sells, transfers, assigns, conveys and delivers to TTIG any and all of those Assets related to the Account Store located at 2109 East 23rd Street, Chattanooga, TN (the "CHATTANOOGA STORE") and acquired at by Acquiror at Closing, effective as of the date hereof, free and clear of all Encumbrances (except for those Encumbrances under Acquiror's senior credit facility, if any, which may have attached on February 8, 2003 and which Acquiror covenants it will obtain applicable

releases if required). TTIG hereby assumes and agrees to pay, perform, discharge, and satisfy any and all of those Assumed Liabilities related to the Chattanooga Store previously assumed by Acquiror at Closing, effective as of the date hereof. Acquiror shall be entitled to all income earned in or from the ownership or operation of the Assets related to the Chattanooga Store with respect to events occurring prior to the date hereof, and TTIG will be entitled to all income earned in or from the ownership or operation of the Assets related to the Chattanooga Store with respect to events occurring on or after the date hereof. Without limiting the generality of the foregoing, all cash receipts received at the Chattanooga Store prior to the date hereof shall be the property of Acquiror, and all cash receipts received at the Chattanooga Store on or after the date hereof shall be the property of TTIG. The parties hereto agree to cooperate with each other to ensure that any amounts received are delivered to the party entitled to such amounts as provided herein.

2. Acquisition of Marlow Heights Store.

(a) Each of the Company and the Operating Subsidiaries, as the case may be, hereby sells, transfers, assigns, conveys and delivers to Acquiror all of such entity's right, title and interest in and to those Assets related to the store located at 4141 Branch Avenue, Marlow Heights, MD (the "MARLOW HEIGHTS STORE"), in each case free and clear of any and all Encumbrances, effective as of the date hereof. Acquiror hereby acquires the Assets related to the Marlow Heights Store as of the date hereof as if the Assets related to the Marlow Heights Store were Assets originally acquired under the Asset Purchase Agreement as an Acquired Store. The Company and the Operating Subsidiaries, as the case may be, shall be entitled to all income earned in or from the ownership or operation of the Assets related to the Marlow Heights Store with respect to events occurring prior to the date hereof, and the Acquiror will be entitled to all income earned in or from the ownership or operation of the Assets related to the Marlow Heights Store with respect to events occurring on or after the date hereof. Without limiting the generality of the foregoing, all cash receipts received at the Stores prior to the date hereof shall be the property of the Company and the Operating Subsidiaries, as the case may be, and all cash receipts received at the Stores on or after the date hereof shall be the property of the Acquiror. The parties hereto agree to cooperate with each other to ensure that any amounts received are delivered to the party entitled to such amounts as provided herein. All property taxes, rent, utilities and amounts under the real estate lease related to the Marlow Heights Store shall be apportioned on an accrual basis as of the close of business on the date immediately prior to the date hereof between Acquiror, the Company and the Operating Subsidiaries such that Acquiror shall be responsible only for property taxes, rent, utilities and amounts under the Store Leases with respect to periods occurring on or after the date hereof.

(b) The Representations and Warranties of the Company and the Operating Subsidiaries set forth in Section 3.3, 3.4, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.17, 3.19, 3.21(b) and 3.31 of the Asset Purchase Agreement are hereby

incorporated herein by reference and are deemed made as of the date hereof with respect to matters related to the Marlow Heights Store and the operations conducted therein by the Company or the Operating Subsidiaries on or prior to the date hereof.

(c) As of the date hereof, Acquiror shall hereby assume only those liabilities or obligations of a kind or nature, whether absolute, contingent, accrued, known or unknown, that are attributable to the periods, events or circumstances on or after the date hereof, and which arise under, relate to or are in connection with the Assets related to the Marlow Heights Store on or after the date hereof. Except as specifically set forth in the previous sentence, Acquiror shall assume no other liabilities or obligations relating to the Assets related to the Marlow Heights Store, including, without limitation, those specifically excluded liabilities set forth in Section 1.5(b) of the Asset Purchase Agreement as applied to the Marlow Heights Store.

(d) Acquiror, the Company and the Operating Subsidiaries acknowledge and agree that all of the Indemnification provisions set forth in Article VIII of the Asset Purchase Agreement shall be deemed to apply with equal force to any Indemnity Claims arising or resulting from and to the extent they are attributable to the Marlow Heights Store as if the Marlow Heights Store was originally an Acquired Store and acquired as of the Closing Date under the Asset Purchase Agreement.

3. New Acquired Stores.

(a) Each of the Company and the Operating Subsidiaries, as the case may be, hereby sells, transfers, assigns, conveys and delivers to Acquiror and the Subsidiary Transferees, as the case may be, all of such entity's right, title and interest in and to the real estate leases (and fixtures related thereto) (the "ACCOUNT STORE LEASES") related to the Stores set forth in this Section 3(a) below, such Stores having been previously designated as Account Stores under the Asset Purchase Agreement, in each case free and clear of any and all Encumbrances, effective as of the date hereof. Acquiror and the Subsidiary Transferees, as the case may be, will acquire the Account Store Leases as of the date hereof under the same terms and subject to the same exceptions (including those set forth in Section 1.5 of the Asset Purchase Agreement) as if the Account Store Leases related to the New Acquired Stores were Assets originally acquired under the Asset Purchase Agreement, effective as of the date hereof.

STORE #	ADDRESS	CITY	ST
00146	245 South George Street	York	PA
00182	2801 Lancaster Avenue	Wilmington	DE

00231 6451 West Colfax Avenue Lakewood CO 01004
1105 South Josey Lane Carrollton TX 01007
800 North Highway 77 Waxahachie TX 01073
4449 NW 50th Street Oklahoma City OK 01145 2301
East Lake Mead Road North Las Vegas NV 01146 2350
Miracle Mile Bullhead City AZ 01248 1967
North Decatur Boulevard Las Vegas NV 01424
2514 South Federal Hwy. Fort Pierce FL 01448 1815
S WW White Road San Antonio TX 01452 1376
Sullivan Lane Sparks NV 01455 4003
East Sprague Spokane WA 01510 6990
East 22nd Street Tucson AZ 01745 1115
Charles G. Seviers Boulevard Clinton TN 01879 4082
Lankford Highway Exmore VA

(b) The Representations and Warranties of the Company and the Operating Subsidiaries set forth in Section 3.8 of the Asset Purchase Agreement are hereby incorporated herein by reference and are deemed made by the Company and the Operating Subsidiaries as of the date hereof with respect to the matters related to the Account Store Leases on or prior to the date hereof.

(c) As of the date hereof, Acquiror and the Subsidiary Transferees, as the case may be, shall assume only those liabilities or obligations of a kind or nature, whether absolute, contingent, accrued, known or unknown, that are attributable to the periods, events or circumstances on or after the date hereof, and which arise under, relate to or are in connection with the Account Store Leases on or after the date hereof. Except as specifically set forth in the previous sentence, Acquiror shall assume no other liabilities or obligations relating to the Account Store Leases.

(d) Acquiror, the Company and the Operating Subsidiaries acknowledge and agree that all of the Indemnification provisions set forth in Article VIII of the Asset

Purchase Agreement shall be deemed to apply with equal force to any Indemnity Claims arising or resulting from and to the extent they are attributable to Account Store Leases as if originally contemplated by the Asset Purchase Agreement.

4. New Account Stores.

(a) Acquiror and the Subsidiary Transferees, as the case may be, hereby sells, transfers, assigns, conveys and delivers to the Company and the Operating Subsidiaries, as the case may be, without representation or warranty and free and clear of all Encumbrances (except for those Encumbrances under Acquiror's senior credit facility, if any, which may have attached on February 8, 2003 and which Acquiror covenants it will obtain applicable releases if required), all of such entity's right, title and interest in and to all of the real estate leases, fixtures, supplies, office furniture, computers (including peripherals), equipment (other than filing cabinets, copiers and fax machines), product displays and any deposits (the "RETURNED ASSETS") related to the Stores set forth in this Section 4(a) below, such Stores having been previously designated as Acquired Stores under the Asset Purchase Agreement, effective as of the date hereof:

STORE #	ADDRESS	CITY	ST	- -
- --	00196	8636 Richmond Highway	Alexandria	VA
00224	5330 West Washington	Indianapolis	IN	
00280	421 Smithville Road	Orrville	OH	
00552	1740 South Cliff Avenue	Sioux Falls	SD	
01230	110 West McGaffey	Roswell	NM	
01259	400 Northline Mall	Houston	TX	
01272	1920 11th Avenue	North Texas City	TX	
01317	92 15th Street	Tuscaloosa	AL	
01403	1509 E. Main Street	Russellville	AR	

(b) The Company and the Operating Subsidiaries, as the case may be, hereby assume and agree to pay, perform, discharge, and satisfy any and all of those Assumed Liabilities related to the Returned Assets previously assumed by Acquiror and the Subsidiary Transferees on the Closing Date, effective as of the date hereof.

5. Exercise of Account Store Acquisition Option.

(a) Acquiror hereby exercises its rights under Section 6.3 of the Asset Purchase Agreement to assume from the Company and the Operating Subsidiaries, as the case may be, the real estate lease (and the fixtures related thereto) with respect to each of the following Account Stores (the "ADDITIONAL LEASES"):

STORE #	ADDRESS	CITY	ST	-
00246	2116 North Mitchell Street	Cadillac	MI	00488
5402	Charlotte Avenue	Nashville	TN	01005
222	Camp Wisdom Road	Duncanville	TX	01051
9751	Webb Chapel	Dallas	TX	01505
114	N. Vine Street	Urbana	IL	01549
1709	North Walnut	Hartford City	IN	01813
1834	North Main Street	Longmont	CO	01817
1341	24th Street	Port Huron	MI	

The parties hereby acknowledge that this letter agreement shall constitute the written notice required under Section 6.3 of the Asset Purchase Agreement and that they will enter into the assignment and assumption agreement, in the form attached as Exhibit "A" hereto, with respect to such real estate leases in accordance with Section 6.3 of the Asset Purchase Agreement. As consideration for Acquiror exercising its rights under Section 6.3 of the Asset Purchase Agreement with respect to the Account Stores set forth above, the Company and the Operating Subsidiaries shall pay to Acquiror on the date hereof the amount of Two Hundred Thousand Dollars ($200,000) by wire transfer of immediately available funds.

(b) The Representations and Warranties of the Company and the Operating Subsidiaries set forth in Section 3.8 of the Asset Purchase Agreement are hereby incorporated herein by reference and are deemed made by the Company and the Operating Subsidiaries as of the date hereof with respect to the matters related to the Additional Leases on or prior to the date hereof.

(c) As of the date hereof, Acquiror shall assume only those liabilities or obligations of a kind or nature, whether absolute, contingent, accrued, known or unknown, that are attributable to the periods, events or circumstances on or after the date hereof, and which arise under, relate to or are in connection with the Additional

Leases on or after the date hereof. Except as specifically set forth in the previous sentence, Acquiror shall assume no other liabilities or obligations relating to the Additional Leases.

(d) Acquiror, the Company and the Operating Subsidiaries acknowledge and agree that all of the Indemnification provisions set forth in Article VIII of the Asset Purchase Agreement shall be deemed to apply with equal force to any Indemnity Claims arising or resulting from and to the extent they are attributable to the Additional Leases as if originally contemplated by the Asset Purchase Agreement.

(e) Pursuant to Section 4.10 of the Asset Purchase Agreement, Acquiror hereby designates that (i) the Additional Leases related to the above referenced Store Nos. 01005 and 01051 shall be acquired as of the date hereof by Rent-A-Center Texas, L.P., (ii) the Additional Lease related to the above referenced Store No. 01813 shall be acquired as of the date hereof by Rent-A-Center West, Inc., and (iii) the Additional Leases related to the above referenced Store Nos. 00246, 00488, 01505, 01549 and 01817 shall be acquired as of the date hereof by Rent-A-Center East, Inc.

6. Entire Agreement. Notwithstanding the provisions of Section 9.5 of the Asset Purchase Agreement and consistent with Section 7.4 of the Asset Purchase Agreement, this letter agreement, together with the Asset Purchase Agreement and all other documents and instruments referred to therein, including, but not limited to, the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated December 31, 2002, relating to the extension of the Due Diligence Period, the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated January 7, 2003, relating to the Acquiror's internal reorganization, and the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated February 7, 2003, relating to various transitional and other matters, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the transactions contemplated by the Asset Purchase Agreement.

7. No Further Amendments. Other than as specifically provided for herein, all other terms and conditions of the Asset Purchase Agreement shall remain in full force and effect in accordance with its terms.

8. Governing Law. The provisions of Section 9.9 of the Asset Purchase Agreement shall apply to this letter agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

RENT-A-CENTER EAST, INC.,
formerly known as Rent-A-Center, Inc.

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: Chairman of the Board and
Chief Executive Officer

RENT-A-CENTER WEST, INC.

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: President

RENT-A-CENTER TEXAS, L.P.

By: Rent-A-Center East, Inc.,
its general partner

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: Chairman of the Board and
Chief Executive Officer

AGREED AND ACCEPTED:

RENT-WAY, INC.

By: /s/ William A. McDonnell
Name: William A. McDonnell
Title: Vice President

RENT-WAY OF MICHIGAN, INC.

By: /s/ William A. McDonnell
Name: William A. McDonnell
Title: Vice President

RENT-WAY OF TTIG, L.P.

By: Rent-Way Development, Inc.,
its general partner

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President
---

cc: Hodgson Russ, LLP
One M&T Plaza, Suite 2000
Buffalo, New York 14203-2391
Attention: John J. Zak, Esq.
Telecopy: 716-849-0349

EXHIBIT 2.7

[RAC Letterhead]

March 10, 2003

VIA FACSIMILE (814) 461-5401

Rent-Way, Inc.
Rent-Way of Michigan, Inc.
Rent-Way of TTIG, L.P.
Attn: Chief Executive Officer
One Rent Way Place
Erie, Pennsylvania 16505

Dear Sir:

Reference is made to that certain Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc., a Delaware corporation (formerly known as Rent-A-Center, Inc.) ("ACQUIROR"), and Rent-Way, Inc. (the "COMPANY"), Rent-Way of Michigan, Inc. ("RENT-WAY MICHIGAN") and Rent-Way of TTIG, L.P. ("TTIG" and, together with Rent-Way Michigan, the "OPERATING SUBSIDIARIES"), as amended by that certain letter agreement dated December 31, 2002, that certain letter agreement dated January 7, 2003, that certain letter agreement dated February 7, 2003 and that certain Letter Agreement dated February 10, 2003 (together, the "ASSET PURCHASE AGREEMENT"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Asset Purchase Agreement.

WHEREAS, the Closing of the transactions contemplated under the Asset Purchase Agreement occurred as of February 8, 2003; and

WHEREAS, Acquiror now wishes to exercise its option to assume an additional real estate lease from an Acquired Store, and

WHEREAS, the Company desires to grant the Acquiror an option to amend the list of Acquired Stores and Account Stores as provided herein.

NOW, THEREFORE, this letter agreement, in accordance with Section 7.4 of the Asset Purchase Agreement, memorializes the understanding of the parties to the Asset Purchase Agreement regarding certain post-closing changes thereto and hereby amends, modifies and supplements the Asset Purchase Agreement as follows:

1. Wolcott Store Lease Option.

(a) The Company hereby grants to the Acquiror the option (the "OPTION") to sell, transfer, assign, convey and deliver to the Company, without representation or

warranty and free and clear of all Encumbrances (except for those Encumbrances under Acquiror's senior credit facility, if any, which may have attached on February 8, 2003 and which Acquiror covenants it will obtain applicable releases if required), all of Acquiror's right, title and interest in and to all of the real estate leases and fixtures (together, the "RETURNED ASSETS") located at or associated with the Acquired Store located at 12042 East Main Street, Wolcott, NY 14590 (the "WOLCOTT STORE"). Acquiror hereby acknowledges that (i) the Option will expire at the close of business on August 31, 2004, and (ii) it will be responsible for rent on the Wolcott Store until such time as Acquiror exercises the Option.

(b) The Company hereby agrees that, should the Acquiror exercise the Option, then as of the date of exercise of the Option, the Company shall assume and agree to pay, perform, discharge, and satisfy any and all of those Assumed Liabilities related to the Returned Assets previously assumed by Acquiror on the Closing Date, effective as of the date of the exercise of the Option.

2. Exercise of Account Store Acquisition Option.

(a) Acquiror hereby exercises its rights under Section 6.3 of the Asset Purchase Agreement to assume from the Company the real estate lease (and the fixtures related thereto) with respect to the Account Store located at 1121 NW 23rd Street, Oklahoma City, OK 73106 (the "ADDITIONAL LEASE"). The parties hereby acknowledge that this letter agreement shall constitute the written notice required under Section 6.3 of the Asset Purchase Agreement and that they will enter into the assignment and assumption agreement, in the form attached as Exhibit "A" hereto, with respect to the Additional Lease in accordance with Section 6.3 of the Asset Purchase Agreement.

(b) The Representations and Warranties of the Company set forth in Section 3.8 of the Asset Purchase Agreement are hereby incorporated herein by reference and are deemed made by the Company as of the date hereof with respect to the matters related to the Additional Lease on or prior to the date hereof.

(c) As of the date hereof, Acquiror shall assume only those liabilities or obligations of a kind or nature, whether absolute, contingent, accrued, known or unknown, that are attributable to the periods, events or circumstances on or after the date hereof, and which arise under, relate to or are in connection with the Additional Lease on or after the date hereof. Except as specifically set forth in the previous sentence, Acquiror shall assume no other liabilities or obligations relating to the Additional Lease.

(d) Acquiror and the Company acknowledge and agree that all of the Indemnification provisions set forth in Article VIII of the Asset Purchase Agreement shall be deemed to apply with equal force to any Indemnity Claims arising or resulting from and to the extent they are attributable to the Additional Lease as if originally contemplated by the Asset Purchase Agreement.

3. Entire Agreement. Notwithstanding the provisions of Section 9.5 of the Asset Purchase Agreement and consistent with Section 7.4 of the Asset Purchase Agreement, this letter agreement, together with the Asset Purchase Agreement and all other documents and instruments referred to therein, including, but not limited to, the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated December 31, 2002, relating to the extension of the Due Diligence Period, the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated January 7, 2003, relating to the Acquiror's internal reorganization, the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated February 7, 2003, relating to various transitional and other matters, and the letter agreement from Acquiror to the Company and the Operating Subsidiaries, dated February 10, 2003, relating to certain post-closing matters constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the transactions contemplated by the Asset Purchase Agreement.

4. No Further Amendments. Other than as specifically provided for herein, all other terms and conditions of the Asset Purchase Agreement shall remain in full force and effect in accordance with its terms.

5. Governing Law. The provisions of Section 9.9 of the Asset Purchase Agreement shall apply to this letter agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

RENT-A-CENTER EAST, INC.,
formerly known as Rent-A-Center, Inc.

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel

Title: President and Chief Operating Officer

AGREED AND ACCEPTED:

RENT-WAY, INC.

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President

RENT-WAY OF MICHIGAN, INC.

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President

RENT-WAY OF TTIG, L.P.

By: Rent-Way Development, Inc.,
its general partner

By: /s/ William A. McDonnell

Name: William A. McDonnell

Title: Vice President
---

cc: Hodgson Russ, LLP
One M&T Plaza, Suite 2000
Buffalo, New York 14203-2391
Attention: John J. Zak, Esq.
Telecopy: 716-849-0349

EXHIBIT 4.7

RENT-A-CENTER EAST, INC.,
as Issuer,

RENT-A-CENTER, INC.,
as Guarantor,

the SUBSIDIARY GUARANTORS named herein,
as Guarantors,

and

THE BANK OF NEW YORK
as Trustee

AMENDED AND RESTATED THIRD SUPPLEMENTAL INDENTURE

Dated as of March 26, 2003

To be effective as of December 31, 2002

to

INDENTURE

Dated as of December 19, 2001

between

RENT-A-CENTER EAST, INC., as Issuer,

the SUBSIDIARY GUARANTORS named therein, as Guarantors,

and

THE BANK OF NEW YORK, as Trustee

$275,000,000
SERIES D
11% SENIOR SUBORDINATED NOTES DUE 2008

This AMENDED AND RESTATED THIRD SUPPLEMENTAL INDENTURE is made and entered into as of March 26, 2003, to be effective as of December 31, 2002, by and among Rent-A-Center East, Inc. (formerly, Rent-A-Center, Inc.), a Delaware corporation (the "COMPANY"), Rent-A-Center, Inc. (formerly, Rent-A-Center Holdings, Inc.), a Delaware corporation ("RAC HOLDINGS"), ColorTyme, Inc., a Texas corporation ("COLORTYME"), Rent-A-Center West, Inc., a Delaware corporation, formerly known as Advantage Companies, Inc. ("RAC WEST"), Get It Now, LLC, a Delaware limited liability company ("GET IT NOW"), Rent-A-Center Texas, L.P., a Texas limited partnership ("RAC TEXAS, LP"), Rent-A-Center Texas, L.L.C., a Nevada limited liability company ("RAC TEXAS, LLC"), and The Bank of New York, a New York banking corporation, as Trustee (the "TRUSTEE").

RECITALS

WHEREAS, the parties hereto have previously executed that certain Third Supplemental Indenture, dated as of December 31, 2002 (the "Third Supplemental Indenture"); and

WHEREAS, the parties hereto desire to amend and restate the Third Supplemental Indenture in its entirety.

NOW, THEREFORE, for and in consideration of the premises and covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, RAC Holdings, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC and the Trustee hereby agree that the Third Supplemental Indenture shall be amended and restated to read in its entirety as follows:

AMENDED AND RESTATED THIRD SUPPLEMENTAL INDENTURE

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of December 19, 2001, as supplemented by the First Supplemental Indenture, dated May 1, 2002, between the Company, ColorTyme, RAC West and the Trustee, and the Second Supplemental Indenture, dated September 30, 2002, between the Company, ColorTyme, RAC West, Get It Now and the Trustee (the "INDENTURE") providing for the issuance of its 11% Senior Subordinated Notes due 2008, Series D (the "NOTES"); and

WHEREAS, the Company has formed RAC Holdings as a wholly-owned subsidiary of the Company; and

WHEREAS, RAC Holdings has formed RAC Merger Sub, Inc., a Delaware corporation ("SUB RAC"), as a wholly-owned subsidiary of RAC Holdings; and

WHEREAS, the Company intends to merge Sub RAC with and into the Company effective as of December 31, 2002 (the "MERGER"), whereupon the Company will continue as the surviving corporation following the Merger; and

WHEREAS, pursuant to Section 801 of the Indenture, the Merger is permitted under the Indenture; and

WHEREAS, upon the effective time of the Merger, the Company's name will be changed to Rent-A-Center East, Inc. ("RAC EAST") and immediately thereafter, RAC Holdings will change its name to Rent-A-Center, Inc.; and

WHEREAS, RAC Holdings will be deemed a successor issuer to the Company under Rule 12g-3 of the Securities Exchange Act of 1934 and will therefore assume the Company's filing obligations under Section 1019 of the Indenture (the "ASSUMPTION OF FILING OBLIGATIONS"); and

WHEREAS, pursuant to Section 901(ix) of the Indenture, the Trustee is permitted to amend the Indenture to allow for the Assumption of Filing Obligations; and

WHEREAS, RAC Holdings will Guarantee the Notes under the Indenture (the "GUARANTEE") and has been designated as a Unrestricted Subsidiary by the Company under the Indenture; and

WHEREAS, pursuant to Section 901(iii) of the Indenture, the Trustee is permitted to amend the Indenture to allow for the Guarantee; and

WHEREAS, ColorTyme, RAC West and Get It Now are currently Subsidiary Guarantors under such Indenture; and

WHEREAS, the Company has formed RAC Texas, LLC as a wholly-owned subsidiary of the Company; and

WHEREAS, the Company has formed RAC Texas, LP as an indirect wholly-owned subsidiary of the Company, the sole limited partner of which is RAC Texas, LLC and the sole general partner of which is the Company; and

WHEREAS, in connection with the formation of each of RAC Texas, LP and RAC Texas, LLC, certain assets held by the Company will be transferred to RAC Texas, LP (the "TEXAS TRANSFER"); and

WHEREAS, in connection with the formation of each of RAC Texas, LP and RAC Texas, LLC and the resulting Texas Transfer, the Company has designated each of RAC Texas, LP and RAC Texas, LLC as a Restricted Subsidiary under the Indenture; and

WHEREAS, certain assets held by the Company will also be transferred to RAC West (together with the Texas Transfer, the "TRANSFERS"); and

WHEREAS, pursuant to Section 1009, 1012 and 1017 of the Indenture, the Transfers are permitted under the Indenture; and

WHEREAS, in partial consideration for the Texas Transfer, each of RAC Texas, LP and RAC Texas, LLC has agreed to become a Subsidiary Guarantor by guaranteeing the obligations of the Company under the Indenture in accordance with the terms thereof; and

WHEREAS, pursuant to Section 1020 of the Indenture, the addition of each of RAC Texas, LP and RAC Texas, LLC as a Subsidiary Guarantor is required under the Indenture; and

WHEREAS, in order to properly reflect the names of the parties to the Indenture, the definition of "Company" in Section 101 of the Indenture shall refer to RAC East (the "CONFORMING DEFINITION"); and

WHEREAS, in order to properly reflect the names of the parties to the Indenture, the reference to Advantage Companies, Inc. in the definition of "Subsidiary Guarantor" in Section 101 of the Indenture shall refer to RAC West (together with the Conforming Definition, the "CONFORMING DEFINITIONS"); and

WHEREAS, pursuant to Section 901(ix) of the Indenture, the Trustee is permitted to amend the Indenture to allow for the Conforming Definitions; and

WHEREAS, RAC East will establish the Legacy Drive Trust (the "TRUST"), a grantor trust to be governed by the laws of the State of Texas; and

WHEREAS, RAC East will fund the Trust with treasury stock of RAC Holdings held by the Company or previously unissued shares of RAC Holdings; and

WHEREAS, RAC East may contribute additional assets or cash to the Trust from time to time; and

WHEREAS, pursuant to Section 901(ix) of the Indenture, the Trustee is permitted to amend the Indenture to allow for the formation, funding and operation of the Trust; and

WHEREAS, each of the Company, RAC Holdings, ColorTyme, RAC West, Get It Now, RAC Texas, LP and RAC Texas, LLC has been duly authorized to enter into, execute and deliver this Amended and Restated Third Supplemental Indenture.

NOW, THEREFORE, for and in consideration of the premises and covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, RAC Holdings, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC and the Trustee agree as follows:

SECTION 1. Capitalized terms used herein but not defined herein shall have the meaning provided in the Indenture.

SECTION 2. The Trustee hereby consents to the Assumption of Filing Obligations by RAC Holdings, the related amendment to Section 1019 of the Indenture to provide for RAC Holdings to satisfy the filing obligations, the Guarantee by RAC Holdings, the Conforming Definitions and the formation, funding and operation of the Trust as described herein.

SECTION 3. The Trustee hereby consents to the Transfers and to the addition of each of RAC Texas, LP and RAC Texas, LLC as additional Subsidiary Guarantors under the Indenture. Simultaneously with the Transfers (the "EFFECTIVE TIME"), each of RAC Texas, LP and RAC Texas, LLC shall become, and each of ColorTyme, RAC West and Get It Now shall continue to

be, a "Subsidiary Guarantor" under and as defined in the Indenture, and at the Effective Time, each of RAC Texas, LP and RAC Texas, LLC shall assume all the obligations of a Subsidiary Guarantor under the Notes and the Indenture as described in the Indenture. Each of RAC Holdings, RAC Texas, LP and RAC Texas, LLC hereby, jointly and severally, unconditionally guarantees the full and prompt payment of the principal of, premium, if any, and interest on the Notes and all other obligations of the Issuer and the Guarantors under the Indenture in accordance with the terms of the Notes and the Indenture.

SECTION 4. Except as expressly supplemented by this Amended and Restated Third Supplemental Indenture, the Indenture and the Notes issued thereunder are in all respects ratified and confirmed and all of the rights, remedies, terms, conditions, covenants and agreements of the Indenture and Notes issued thereunder shall remain in full force and effect.

SECTION 5. This Amended and Restated Third Supplemental Indenture is executed and shall constitute an indenture supplemental to the Indenture and shall be construed in connection with and as part of the Indenture. This Amended and Restated Third Supplemental Indenture shall be governed by and construed in accordance with the laws of the jurisdiction that governs the Indenture and its construction.

SECTION 6. This Amended and Restated Third Supplemental Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes; but such counterparts shall together be deemed to constitute but one and the same instrument.

SECTION 7. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Amended and Restated Third Supplemental Indenture may refer to the Indenture without making specific reference to this Amended and Restated Third Supplemental Indenture, but nevertheless all such references shall include this Amended and Restated Third Supplemental Indenture unless the context otherwise requires.

SECTION 8. This Amended and Restated Third Supplemental Indenture shall be deemed to have become effective upon the date first above written.

SECTION 9. In the event of a conflict between the terms of this Amended and Restated Third Supplemental Indenture and the Indenture, this Amended and Restated Third Supplemental Indenture shall control.

SECTION 10. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Amended and Restated Third Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company, RAC Holdings, ColorTyme, RAC West, Get It Now, RAC Texas, LP and RAC Texas, LLC.

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Third Supplemental Indenture to be duly executed as of the day and year first above written.

THE BANK OF NEW YORK,
as Trustee

By: /s/ Van K. Brown
Name: Van K. Brown
Title: Vice President

RENT-A-CENTER EAST, INC.

By: /s/ Mark E. Speese
Mark E. Speese
Chairman of the Board and
Chief Executive Officer

RENT-A-CENTER, INC.

By: /s/ Mark E. Speese
Mark E. Speese
Chairman of the Board and
Chief Executive Officer

COLORTYME, INC.

By: /s/ Mark E. Speese
Mark E. Speese
Vice President

RENT-A-CENTER WEST, INC.

By: /s/ Mark E. Speese
Mark E. Speese
President

GET IT NOW, L.L.C.

By: /s/ Mark E. Speese

Mark E. Speese
President

RENT-A-CENTER TEXAS, L.P.

By: /s/ Mark E. Speese

Mark E. Speese
Chief Executive Officer

RENT-A-CENTER TEXAS, L.L.C.

By: /s/ James Ashworth

James Ashworth
President

EXHIBIT 10.2

==========

AMENDED AND RESTATED CREDIT AGREEMENT

among

RENT-A-CENTER, INC.,

RENT-A-CENTER EAST, INC.,

as Borrower,

The Several Lenders from Time to Time Parties Hereto,

COMERICA BANK,

as Documentation Agent,

BANK OF AMERICA, N.A.,

as Syndication Agent,

and

JPMORGAN CHASE BANK,

as Administrative Agent

Dated as of August 5, 1998,

as Amended and Restated as of December 31, 2002

J.P. MORGAN SECURITIES INC.,

as Sole Lead Arranger and Sole Bookrunner

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H-4	Form of Increased Tranche D LC Facility Activation Notice

CREDIT AGREEMENT, dated as of August 5, 1998, as amended and restated as of December 31, 2002, among RENT-A-CENTER, INC., a Delaware corporation ("Holdings"), RENT-A-CENTER EAST, INC., a Delaware corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), COMERICA BANK, as documentation agent (in such capacity, the "Documentation Agent"), BANK OF AMERICA, N.A., as syndication agent (in such capacity, the "Syndication Agent"), and JPMORGAN CHASE BANK, as administrative agent.

WHEREAS, the Borrower entered into a Credit Agreement, dated as of August 5, 1998, as amended and restated as of May 3, 2002, as further amended prior to the date hereof (the "Existing Credit Agreement"), with JPMorgan Chase Bank, as administrative agent, the banks, financial institutions or other entities parties thereto as lenders and certain other parties;

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement as provided in this Agreement, which Agreement shall become effective upon the satisfaction of the conditions precedent set forth in Section 5.1 hereof; and

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement or evidence repayment of any of such obligations and liabilities and that this Agreement amend and restate in its entirety the Existing Credit Agreement and re-evidence the obligations of the Borrower outstanding thereunder;

NOW, THEREFORE, in consideration of the above premises, the parties hereto hereby agree that on the Restatement Effective Date (as defined below) the Existing Credit Agreement shall be amended and restated in its entirety as follows:

SECTION 1. DEFINITIONS

1.1. Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Reference Lender as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by the Reference Lender in connection with extensions of credit to debtors); "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D Assessment Rate; and "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a

Business Day, on the next preceding Business Day) by the Reference Lender from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. Any change in the ABR due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"ABR Loans": Loans the rate of interest applicable to which is based upon the ABR.

"Adjustment Date": as defined in the Pricing Grid.

"Administrative Agent": JPMorgan Chase Bank, together with its affiliates, as the arranger of the Facilities and as the administrative agent for the Lenders under this Agreement and the other Loan Documents, together with any of its successors.

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agents": the collective reference to the Syndication Agent, the Documentation Agent and the Administrative Agent.

"Aggregate Exposure": with respect to any Lender at any time, an amount equal to the sum of (a) the aggregate then unpaid principal amount of such Lender's Term Loans, (b) the amount of such Lender's Revolving Commitment then in effect or, if the Revolving Commitments have been terminated, the amount of such Lender's Revolving Extensions of Credit then outstanding and (c) without duplication, the amount of such Lender's Tranche D Credit-Linked Deposit and unreimbursed Tranche D LC Reimbursement Amount then outstanding.

"Aggregate Exposure Percentage": with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Applicable Margin": (a) for each Type of Loan (other than Tranche D Term Loans and Tranche D LC Equivalent Loans), the rate per annum set forth under the relevant column heading in the Pricing Grid, (b) for each Tranche D Term Loan that is a Eurodollar Loan, 3.00%, (c) for each Tranche D Term Loan that is an ABR Loan, 2.00%, (d) for each Tranche D LC Equivalent Loan that is a Eurodollar Loan, 2.75%, and (e) for each Tranche D LC Equivalent Loan that is an ABR Loan, 1.75%.

"Application": an application, in such form as the Issuing Lender may specify from time to time, requesting the Issuing Lender to open a Letter of Credit.

"Approved Fund": with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Asset Sale": any Disposition of property or series of related Dispositions of property (excluding any such Disposition permitted by clause (a), (b), (c), (d), (f), (g) or (h) of Section 7.5 and any Disposition of Cash Equivalents) that yields gross proceeds to Holdings or any of its Subsidiaries (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of $500,000.

"Assignee": as defined in Section 10.6(c).

"Assignment and Acceptance": an Assignment and Acceptance, substantially in the form of Exhibit E.

"Assignor": as defined in Section 10.6(c).

"Assumed Indebtedness": Indebtedness assumed in connection with a Permitted Acquisition, provided that (a) such Indebtedness is outstanding at the time of such acquisition and was not incurred in connection therewith or in contemplation thereof and (b) in the event that such Permitted Acquisition constitutes an acquisition of property other than Capital Stock, such Indebtedness was incurred in order to acquire or improve such property.

"Available Revolving Commitment": as to any Revolving Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Commitment then in effect over (b) such Lender's Revolving Extensions of Credit then outstanding; provided, that in calculating any Lender's Revolving Extensions of Credit for the purpose of determining such Lender's Available Revolving Commitment pursuant to Section 2.8(a), the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

"Benchmark LIBOR Rate": as defined in Section 3.5(c).

"Benefitted Lender": as defined in Section 10.7(a).

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrower Deposit Payment": as defined in Section 3.5(a).

"Borrowing Date": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"Business": as defined in Section 4.17(b).

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close, provided, that with respect to notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

"Capital Expenditures": for any period, with respect to any Person, the aggregate of all expenditures (other than those made pursuant to Permitted Acquisitions) by such Person and its Subsidiaries for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period

but excluding merchandise inventory acquired during such period) that should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"Capital Expenditures (Expansion)": for any period, with respect to any Person, any Capital Expenditures made by such Person in connection with the opening of new stores to be operated by such Person.

"Capital Expenditures (Maintenance)": for any period, with respect to any Person, any Capital Expenditures which do not constitute Capital Expenditures (Expansion) of such Person.

"Capital Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Cash/Debt Consideration": with respect to any Permitted Acquisition, the portion of the Purchase Price with respect thereto that is payable in the forms referred to in clauses (a) and (d) of the definition of "Purchase Price" set forth in Section 1.1.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $500,000,000; (c) commercial paper of an issuer rated at least A-2 by Standard & Poor's Ratings Services ("S&P") or P-2 by Moody's Investors Service, Inc. ("Moody's"), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; (g) short term investments (not exceeding 30 days) in loans made to obligors having an investment grade rating from each of S&P and Moody's; or (h) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (g) of this definition.

"C/D Assessment Rate": for any day as applied to any ABR Loan, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund maintained by the Federal Deposit Insurance Corporation (the "FDIC") classified as well-capitalized and within supervisory subgroup "B" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. Section 327.4 (or any successor provision) to the FDIC (or any successor) for the FDIC's (or such successor's) insuring time deposits at offices of such institution in the United States.

"C/D Reserve Percentage": for any day as applied to any ABR Loan, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board, for determining the maximum reserve requirement for a Depositary Institution (as defined in Regulation D of the Board as in effect from time to time) in respect of new non-personal time deposits in Dollars having a maturity of 30 days or more.

"Closing Date": August 5, 1998.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment Fee Rate": the rate per annum set forth under the relevant column heading in the Pricing Grid.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with Holdings within the meaning of Section 4001 of ERISA or is part of a group that includes Holdings and that is treated as a single employer under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

"Consolidated Current Assets": at any date, (a) all amounts (other than cash and Cash Equivalents) that would, in conformity with GAAP, be set forth opposite the caption "total current assets" (or any like caption) on a consolidated balance sheet of the Reporting Entity and its Subsidiaries at such date and (b) without duplication of clause (a) above, the book value of all rental merchandise inventory of the Reporting Entity and its Subsidiaries at such date.

"Consolidated Current Liabilities": at any date, all amounts that would, in conformity with GAAP, be set forth opposite the caption "total current liabilities" (or any like caption) on a consolidated balance sheet of the Reporting Entity and its Subsidiaries at such date, but excluding (a) the current portion of any Funded Debt of the Reporting Entity and its Subsidiaries and (b) without duplication of clause (a) above, all Indebtedness consisting of Revolving Loans or Swingline Loans to the extent otherwise included therein.

"Consolidated EBITDA": for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge or reduction in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation (excluding depreciation of rental merchandise) and amortization expense, including, without limitation, amortization of intangibles (including, but not limited to, goodwill) and organization costs, (d) any extraordinary, unusual or non-recurring non-cash expenses or losses (including, whether or not otherwise includable as a separate item

in the statement of such Consolidated Net Income for such period, non-cash losses on sales of assets outside of the ordinary course of business) and (e) any other non-cash charges, and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income, (b) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business) and (c) any other non-cash income earned outside the ordinary course of business, all as determined on a consolidated basis. For the purposes of calculating Consolidated EBITDA for any Reference Period pursuant to any determination of the Consolidated Leverage Ratio, if during such Reference Period the Reporting Entity or any Subsidiary shall have made a Material Disposition or Material Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving pro forma effect thereto as if such Material Disposition or Material Acquisition occurred on the first day of such Reference Period. As used in this definition, "Material Acquisition" means any acquisition of property or series of related acquisitions of property that (a) constitutes assets comprising all or substantially all of an operating unit of a business or constitutes all or substantially all of the common stock of a Person and (b) involves the payment of consideration by the Reporting Entity and its Subsidiaries in excess of $15,000,000 (or such lesser amount as the Reporting Entity may determine in its discretion); and "Material Disposition" means any Disposition of property or series of related Dispositions of property that yields gross proceeds to the Reporting Entity or any of its Subsidiaries in excess of $15,000,000 (or such lesser amount as the Borrower may determine in its discretion).

"Consolidated Fixed Charge Coverage Ratio": for any period, the ratio of (a) the sum of Consolidated EBITDA for such period and, to the extent reducing Consolidated Net Income for such period, Consolidated Lease Expense for such period, less the aggregate amount actually paid by the Reporting Entity and its Subsidiaries during such period on account of Capital Expenditures (Maintenance) to (b) Consolidated Fixed Charges for such period.

"Consolidated Fixed Charges": for any period, the sum (without duplication) of (a) Consolidated Interest Expense for such period, (b) Consolidated Lease Expense for such period, (c) regular, scheduled payments made during such period on account of principal of Indebtedness of the Reporting Entity or any of its Subsidiaries (including scheduled principal payments in respect of the Term Loans but excluding prepayments thereof) and (d) cash dividend payments made during such period in respect of the Preferred Stock.

"Consolidated Funded Debt": at any date, the aggregate principal amount of all Funded Debt (which, for purposes of the calculation of Consolidated Funded Debt, shall be deemed to exclude any unfunded portion of the Letters of Credit) of the Reporting Entity and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Consolidated Interest Expense": for any period, total cash interest expense (including that attributable to Capital Lease Obligations), net of cash interest income, of the Reporting Entity and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Reporting Entity and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, commitment fees payable pursuant to Section 2.8(a) or (b), amounts payable by the Borrower pursuant to Section 3.5(c) and net costs under Hedge Agreements in respect of such Indebtedness to the extent such net costs are allocable to such period in accordance with GAAP).

"Consolidated Lease Expense": for any period, the aggregate amount of fixed and contingent rentals payable by the Reporting Entity and its Subsidiaries for such period with respect to leases of real and personal property, determined on a consolidated basis in accordance with GAAP.

"Consolidated Leverage Ratio": as at the last day of any period, the ratio of (a) Consolidated Funded Debt on such day to (b) Consolidated EBITDA for such period.

"Consolidated Net Income": for any period, the consolidated net income (or loss) of the Reporting Entity and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Reporting Entity or is merged into or consolidated with the Reporting Entity or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Reporting Entity) in which the Reporting Entity or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Reporting Entity or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of the Reporting Entity to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

"Consolidated Net Income Amount": at any date of determination, an amount equal to cumulative Consolidated Net Income from October 1, 2002 through the last day of the most recent fiscal quarter for which financial statements have been delivered pursuant to Section 6.1.

"Consolidated Net Worth": at any date, all amounts that would, in conformity with GAAP, be included on a consolidated balance sheet of the Reporting Entity and its Subsidiaries under stockholders' equity at such date.

"Consolidated Working Capital": at any date, the excess of Consolidated Current Assets on such date over Consolidated Current Liabilities on such date.

"Continuing Directors": the directors of the Borrower on the Restatement Effective Date (who shall become directors of Holdings on such date), and each other director of Holdings, if, in each case, such other director's nomination for election to the board of directors of Holdings is recommended by at least 66-2/3% of the then Continuing Directors.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control Investment Affiliate": as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Default": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied (including, in any event, a "Default" under and as defined in the Senior Subordinated Note Indenture).

"Disposition": with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms "Dispose" and "Disposed of" shall have correlative meanings.

"Documentation Agent": as defined in the preamble hereto.

"Dollars" and "$": dollars in lawful currency of the United States.

"Domestic Subsidiary": any Subsidiary of Holdings organized under the laws of any jurisdiction within the United States.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan (other than any Eurodollar Loan having a seven-day Interest Period), the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period, provided that if such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen) the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent. If no such rate is available or if the Eurodollar Base Rate is being determined in connection with any Eurodollar Loan having a seven-day Interest Period, such rate shall be determined by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 10:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

Eurodollar Base Rate

1.00 - Eurocurrency Reserve Requirements

"Eurodollar Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in Section 8, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied (including, in any event, an "Event of Default" under and as defined in the Senior Subordinated Note Indenture).

"Excess Cash Flow": for any fiscal year of the Reporting Entity, the excess, if any, of (a) the sum, without duplication, of (i) Consolidated Net Income for such fiscal year, (ii) an amount equal to the amount of all non-cash charges (including depreciation (other than depreciation of rental merchandise) and amortization) deducted in arriving at such Consolidated Net Income, (iii) decreases in Consolidated Working Capital for such fiscal year, (iv) an amount equal to the aggregate net non-cash loss on the Disposition of property by the Reporting Entity and its Subsidiaries during such fiscal year (other than Dispositions of (x) rental merchandise otherwise included in changes in Consolidated Working Capital and (y) inventory in the ordinary course of business), to the extent deducted in arriving at such Consolidated Net Income and (v) amounts paid or invested by the Insurance Subsidiary in the Reporting Entity and its Subsidiaries as permitted by this Agreement (other than reimbursement of insurance claims to the Reporting Entity or its Subsidiaries), over (b) the sum, without duplication, of (i) an amount equal to the amount of all non-cash credits included in arriving at such Consolidated Net Income, (ii) the aggregate amount actually paid by the Reporting Entity and its Subsidiaries in cash during such fiscal year on account of Capital Expenditures (excluding the principal amount of Indebtedness incurred in connection with such expenditures and any such expenditures financed with the proceeds of any Reinvestment Deferred Amount), (iii) the aggregate amount actually paid by the Borrower and its Subsidiaries in cash during such fiscal year on account of Permitted Acquisitions, (iv) the aggregate amount of all prepayments of Revolving Loans and Swingline Loans during such fiscal year to the extent accompanying permanent optional reductions of the Revolving Commitments and all optional prepayments of the Term Loans during such fiscal year (including prepayments of the Term Loans required by Section 7.6(e) or clause (ii) of the proviso contained in Section 7.9(a)), (v) the aggregate amount of all regularly scheduled principal payments of Funded Debt (including the Term Loans) of the Reporting Entity and its Subsidiaries made during such fiscal year, (vi) increases in Consolidated Working Capital for such fiscal year, (vii) an amount equal to the aggregate net non-cash gain on the Disposition of property by the Reporting Entity and its Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent included in arriving at such Consolidated Net Income and (viii) the aggregate amount of cash paid to the Insurance Subsidiary by the Reporting Entity and its Subsidiaries in insurance premiums.

"Excess Cash Flow Application Date": as defined in Section 2.11(d).

"Excluded Foreign Subsidiary": any Foreign Subsidiary in respect of which either (a) the pledge of all of the Capital Stock of such Subsidiary as Collateral or (b) the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

"Existing Credit Agreement": as defined in the recitals hereto.

"Existing Effective Date": May 3, 2002.

"Facility": the credit facility consisting of, as applicable, (a) the Tranche B Term Loans (the "Tranche B Term Facility"), (b) the Tranche C Term Loans (the "Tranche C Term Facility"), (c) the Tranche D Term Loans (the "Tranche D Term Facility"), (d) the Revolving Commitments and the extensions of credit made thereunder (the "Revolving Facility") and (e) the Tranche D Letters of Credit, the Tranche D Credit-Linked Deposit and any Tranche D LC Reimbursement Amount (the "Tranche D LC Facility").

"Federal Funds Effective Rate": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Reference Lender from three federal funds brokers of recognized standing selected by it.

"Foreign Subsidiary": any Subsidiary of Holdings that is not a Domestic Subsidiary.

"Funded Debt": as to any Person, on any date, (a) all Indebtedness of such Person that matures more than one year from the date of its creation or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year from such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year from such date, including all current maturities and current sinking fund payments in respect of such Indebtedness whether or not required to be paid within one year from the date of its creation and, in the case of the Borrower, Indebtedness in respect of the Loans and the Reimbursement Obligations (but excluding, in the case of the Borrower, any Guarantee Obligations of the Borrower in respect of Indebtedness of franchisees, to the extent permitted by Section 7.2(h)), minus (b) the aggregate amount of cash and Cash Equivalents on the consolidated balance sheet of the Reporting Entity and its Subsidiaries on such date, but in no event exceeding $30,000,000.

"Funding Office": the office of the Administrative Agent specified in Section 10.2 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

"GAAP": generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the Closing Date and consistent with those used in the preparation of the most recent audited financial statements delivered pursuant to Section 4.1(b). In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then Holdings, the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Reporting Entity's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by Holdings, the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other

entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement executed and delivered by Holdings, the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A, as the same may be amended, supplemented or otherwise modified from time to time.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Hedge Agreements": all swaps, caps, collars or similar arrangements providing for protection against fluctuations in interest rates, currency exchange rates or commodities prices or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Holdings": as defined in the preamble hereto.

"Increased Revolving Facility Activation Notice": a notice substantially in the form of Exhibit H-2.

"Increased Revolving Facility Closing Date": any Business Day designated as such in an Increased Revolving Facility Activation Notice.

"Increased Tranche D LC Facility Activation Notice": a notice substantially in the form of Exhibit H-4.

"Increased Tranche D LC Facility Closing Date": any Business Day designated as such in an Increased Tranche D LC Facility Activation Notice.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of

property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party under acceptance, letter of credit or similar facilities, (g) the liquidation value of all redeemable preferred Capital Stock of such Person (other than any such preferred Capital Stock that is not redeemable until a date that is no earlier than one year and one day after the final maturity of the Loans and the Preferred Stock), (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above; (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation; and (j) for the purposes of Section 8(e) only, all obligations of such Person in respect of Hedge Agreements.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Insurance Subsidiary": a direct or indirect Subsidiary of Holdings to be formed for the sole purpose of providing insurance services to Holdings and its Subsidiaries.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any ABR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Loan (other than any Revolving Loan that is an ABR Loan and any Swingline Loan), the date of any repayment or prepayment made in respect thereof.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending seven days (in the case of Revolving Loans only) or one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending seven days (in the case of Revolving Loans only) or one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) the Borrower may not select an Interest Period for a particular Facility that would extend beyond the final maturity date applicable thereto;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(iv) the Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

Notwithstanding the foregoing, clause (iii) above shall not apply to Eurodollar Loans having a seven-day Interest Period.

"Investments": as defined in Section 7.8.

"Issuing Lender": JPMorgan Chase Bank (or any of its Affiliates, including, without limitation, JPMorgan Chase Bank of Delaware), in its capacity as issuer of any Letter of Credit.

"LC Fee Payment Date": the last day of each March, June, September and December, the last day of the Revolving Commitment Period (in the case of RC Letters of Credit) and the Tranche D LC Termination Date (in the case of Tranche D Letters of Credit).

"Lenders": as defined in the preamble hereto.

"LC Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed (including any unreimbursed Tranche D LC Reimbursement Amount).

"Letters of Credit": as defined in Section 3.1. Letters of Credit shall be either (a) "Tranche D Letters of Credit" to the extent of Letters of Credit having an aggregate face amount not exceeding the Tranche D LC Amount or (b) "RC Letters of Credit" to the extent of Letters of Credit having an aggregate face amount in excess of the Tranche D LC Amount.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Litigation Subsidiary": a direct or indirect Subsidiary of Holdings to be formed for the sole purpose of holding assets to provide for settlement of litigation claims and final judgments in the ordinary course of business.

"Loan": any loan made by any Lender pursuant to this Agreement, including any Tranche D LC Equivalent Loan.

"Loan Documents": this Agreement, the Security Documents and the Notes.

"Loan Equivalent Notice": a notice delivered by the Borrower to the Administrative Agent at any time on or after the date on which any Tranche D Credit-Linked Deposit has been applied to reimburse the Issuing Lender pursuant to Section 3.5(a), which notice shall specify that the Borrower wishes to treat the relevant portion of the Tranche D LC Reimbursement Amount in a manner equivalent, mutatis mutandis, to the treatment of "Loans" (and, as applicable, subject to Section 2.12, "ABR Loans" or "Eurodollar Loans") hereunder.

"Loan Parties": Holdings and each Subsidiary of Holdings that is a party to a Loan Document.

"Majority Facility Lenders": with respect to any Facility, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans, the Total Revolving Extensions of Credit or (without duplication) the Total Tranche D Credit-Linked Deposit and unreimbursed Tranche D LC Reimbursement Amount, as the case may be, outstanding under such Facility (or in the case of the Revolving Facility, prior to any termination of the Revolving Commitments, the holders of more than 50% of the Total Revolving Commitments).

"Material Adverse Effect": a material adverse effect on (a) the business, property, operations, condition (financial or otherwise) or prospects of Holdings and its Subsidiaries taken as a whole or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Mortgaged Property": any real property of any Loan Party as to which the Administrative Agent for the benefit of the Lenders has been granted a Lien pursuant to any Mortgage.

"Mortgage": any mortgage or deed of trust made by any Loan Party in favor of, or for the benefit of, the Administrative Agent for the benefit of the Lenders, substantially in the form of Exhibit D (with such changes thereto as shall be advisable under the law of the jurisdiction in which such mortgage or deed of trust is to be recorded), as the same may be amended, supplemented or otherwise modified from time to time.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale or Recovery Event, net of attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset that is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document) and

other customary fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable currently as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (b) in connection with any issuance or sale of equity securities or debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"New Revolving Lender": as defined in Section 2.2(d).

"New Revolving Lender Supplement": as defined in Section 2.2(d).

"New Tranche D LC Lender": as defined in Section 3.1(e).

"New Tranche D LC Lender Supplement": as defined in Section 3.1(e).

"Non-Excluded Taxes": as defined in Section 2.19(a).

"Non-U.S. Lender": as defined in Section 2.19(d).

"Notes": the collective reference to any promissory note evidencing Loans.

"Obligations": the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender (or, in the case of Hedge Agreements, any affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit, any Hedge Agreement entered into with any Lender or any affiliate of any Lender in connection with this Agreement or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant": as defined in Section 10.6(b).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Permitted Acquisition": any acquisition, consisting of a single transaction or a series of related transactions, by the Borrower or any one or more of its Wholly Owned Subsidiary Guarantors of all of the Capital Stock of, or all or a substantial part of the assets of, or of a business, unit or division of, any Person organized under the laws of the United States or any state thereof (such business, unit or division, the "Acquired Business"), provided that (a) the consideration paid by the Borrower or such

Subsidiary or Subsidiaries pursuant to such acquisition shall be solely in a form referred to in clause (a), (b), (c) or (d) of the definition of "Purchase Price" set forth in Section 1.1 (or some combination thereof), (b) the requirements of Section 6.11 have been satisfied with respect to such acquisition, (c) the Reporting Entity shall be in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Section 7.1, in each case recomputed as at the last day of the most recently ended fiscal quarter of the Reporting Entity as if such acquisition had occurred on the first day of each relevant period for testing such compliance, (d) no Default or Event of Default shall have occurred and be continuing, or would occur after giving effect to such acquisition, (e) all actions required to be taken with respect to any acquired or newly formed Subsidiary or otherwise with respect to the Acquired Business in such acquisition under Section 6.10 shall have been taken, (f) the aggregate Purchase Prices in respect of such acquisition and all other Permitted Acquisitions consummated in accordance with this Agreement shall not exceed, in any fiscal year of the Reporting Entity, the sum of (i) $100,000,000 (or, if the Consolidated Leverage Ratio as of the last day of any fiscal quarter during such fiscal year is less than 3.50 to 1.0, $150,000,000) and (ii) an additional up to $25,000,000 to the extent not expended as Capital Expenditures (Expansion) during such fiscal year pursuant to 7.7(b), (g) the Cash/Debt Consideration in respect of such acquisition and all other Permitted Acquisitions consummated in accordance with this Agreement shall not exceed, in any fiscal year of the Reporting Entity, $150,000,000 (plus any amounts available pursuant to the foregoing clause (f)(ii)), and (h) any such acquisition shall have been approved by the Board of Directors or such comparable governing body of the Person (or whose business, unit or division is, as the case may be) being acquired.

"Permitted Investors": the collective reference to (a) the Sponsor and (b) the Speese Persons.

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan that is covered by ERISA and in respect of which Holdings or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Preferred Stock": the Series A Preferred Stock, $0.01 par value, of Holdings.

"Pricing Grid": the pricing grid attached hereto as Annex A.

"Projections": as defined in Section 6.2(c).

"Properties": as defined in Section 4.17(a).

"Purchase Price": with respect to any Permitted Acquisition, the sum (without duplication) of (a) the amount of cash paid by the Borrower and its Subsidiaries in connection with such acquisition, (b) the value (as determined for purposes of such acquisition in accordance with the applicable acquisition agreement) of all Capital Stock of Holdings issued or given as consideration in connection with such acquisition, (c) the Qualified Net Cash Equity Proceeds applied to finance such acquisition and (d) the principal amount (or, if less, the accreted value) at the time of such acquisition of all Assumed Indebtedness with respect thereto.

"Qualified Net Cash Equity Proceeds": the Net Cash Proceeds of any offering of Capital Stock of Holdings, provided that (a) such offering was made in express contemplation of a Permitted

Acquisition, (b) such Capital Stock is not mandatorily redeemable and (c) such Permitted Acquisition is consummated within 90 days after receipt by Holdings of such Net Cash Proceeds.

"RC LC Commitment": the amount of the Total Revolving Commitments.

"RC LC Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding RC Letters of Credit and (b) the aggregate amount of drawings under RC Letters of Credit that have not then been reimbursed pursuant to Section 3.6.

"RC LC Participants": the collective reference to all Revolving Lenders (including the Issuing Lender), as participants in each RC Letter of Credit.

"RC Letter of Credit": as defined in the definition of "Letters of Credit".

"Recovery Event": any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of Holdings or any of its Subsidiaries.

"Reference Lender": JPMorgan Chase Bank.

"Reference Period": with respect to any date, the period of four consecutive fiscal quarters of the Reporting Entity immediately preceding such date or, if such date is the last day of a fiscal quarter, ending on such date.

"Refunded Swingline Loans": as defined in Section 2.6(b).

"Refunding Date": as defined in Section 2.6(c).

"Register": as defined in Section 10.6(d).

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reimbursement Obligation": the obligation of the Borrower to reimburse pursuant to Section 3.6 amounts paid under Letters of Credit (including the obligation to reimburse any unreimbursed Tranche D LC Reimbursement Amount).

"Reinvestment Deferred Amount": with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by Holdings or any of its Subsidiaries in connection therewith that are not applied to prepay the Term Loans pursuant to Section 2.11(c) as a result of the delivery of a Reinvestment Notice.

"Reinvestment Event": any Asset Sale or Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

"Reinvestment Notice": a written notice executed by a Responsible Officer stating that no Event of Default has occurred and is continuing and that the Borrower (directly or indirectly through a Subsidiary of the Borrower) intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to acquire assets useful in its business.

"Reinvestment Prepayment Amount": with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire assets useful in the Borrower's business.

"Reinvestment Prepayment Date": with respect to any Reinvestment Event, the earlier of (a) the date occurring twelve months after such Reinvestment Event and (b) the date on which the Borrower shall have determined not to, or shall have otherwise ceased to, acquire assets useful in the Borrower's business with all or any portion of the relevant Reinvestment Deferred Amount.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. Section 4043.

"Reporting Entity": (a) for periods prior to December 31, 2002, the Borrower and (b) for periods thereafter, Holdings.

"Required Lenders": at any time, the holders of more than 50% of the sum of (a) the aggregate unpaid principal amount of the Term Loans then outstanding, (b) the Total Revolving Commitments then in effect or, if the Revolving Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding and (c) without duplication, the Total Tranche D Credit-Linked Deposit and unreimbursed Tranche D LC Reimbursement Amount then outstanding.

"Required Prepayment Lenders": the Majority Facility Lenders in respect of each of the Tranche B Term Facility, the Tranche C Term Facility, the Tranche D Term Facility and the Revolving Facility.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the chief executive officer, president, chief financial officer or treasurer of Holdings or the Borrower, as the case may be, but in any event, with respect to financial matters, the chief financial officer or president of Holdings or the Borrower, as the case may be.

"Restatement Effective Date": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied, which date is December 31, 2002.

"Restricted Payments": as defined in Section 7.6.

"Revolving Commitment": as to any Lender, the obligation of such Lender, if any, to make Revolving Loans and participate in Swingline Loans and RC Letters of Credit.

"Revolving Commitment Period": the period ending on the Revolving Scheduled Commitment Termination Date.

"Revolving Extensions of Credit": as to any Revolving Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Loans held by such Lender then outstanding, (b) such Lender's Revolving Percentage of the RC LC Obligations then outstanding and (c) such Lender's Revolving Percentage of the aggregate principal amount of Swingline Loans then outstanding.

"Revolving Lender": each Lender that has a Revolving Commitment or that holds Revolving Loans.

"Revolving Loans": as defined in Section 2.2.

"Revolving Percentage": as to any Revolving Lender at any time, the percentage which such Lender's Revolving Commitment then constitutes of the Total Revolving Commitments (or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Revolving Loans then outstanding constitutes of the aggregate principal amount of the Revolving Loans then outstanding).

"Revolving Scheduled Commitment Termination Date": July 31, 2004.

"Sale/Leaseback Transaction": any arrangement providing for the leasing to Holdings or any Subsidiary of real or personal property that has been or is to be (a) sold or transferred by Holdings or any Subsidiary or (b) constructed or acquired by a third party in anticipation of a program of leasing to Holdings or any Subsidiary.

"SEC": the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

"Security Documents": the collective reference to the Guarantee and Collateral Agreement, the Mortgages and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"Senior Subordinated Note Indenture": the Indenture entered into by the Borrower and certain of its Subsidiaries in connection with the issuance of the Senior Subordinated Notes, together with all instruments and other agreements entered into by the Borrower or such Subsidiaries in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 7.9.

"Senior Subordinated Notes": the subordinated notes of the Borrower issued pursuant to the Senior Subordinated Note Indenture.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

"Solvent": when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives

rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Specified Change of Control": a "Change of Control" as defined in the Senior Subordinated Note Indenture.

"Specified Subsidiaries": the collective reference to the Insurance Subsidiary, the Litigation Subsidiary and any Excluded Foreign Subsidiary.

"Speese Persons": the collective reference to Mark E. Speese, any person having a relationship with Mark E. Speese by blood, marriage or adoption not more remote than first cousin and any trust established for the benefit of any such person.

"Sponsor": Apollo Management IV, L.P., Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and their Control Investment Affiliates.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Holdings.

"Subsidiary Guarantor": each Subsidiary of Holdings other than the Specified Subsidiaries and the Borrower.

"Swingline Commitment": the obligation of the Swingline Lender to make Swingline Loans pursuant to Section 2.6 in an aggregate principal amount at any one time outstanding not to exceed $20,000,000.

"Swingline Lender": JPMorgan Chase Bank, in its capacity as the lender of Swingline Loans.

"Swingline Loans": as defined in Section 2.3.

"Swingline Participation Amount": as defined in Section 2.6(c).

"Syndication Agent": as defined in the preamble hereto.

"Term Lenders": the collective reference to the Tranche B Term Lenders, the Tranche C Term Lenders and the Tranche D Term Lenders.

"Term Loans": the collective reference to the Tranche B Term Loans, the Tranche C Term Loans and the Tranche D Term Loans.

"Total Revolving Commitments": at any time, the aggregate amount of the Revolving Commitments then in effect. The amount of the Total Revolving Commitments as of the Restatement Effective Date is $120,000,000.

"Total Revolving Extensions of Credit": at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Lenders outstanding at such time.

"Total Tranche D Credit-Linked Deposit": at any time, the aggregate amount of the Tranche D Credit-Linked Deposit then outstanding. The amount of the Total Tranche D Credit-Linked Deposit as of the Restatement Effective Date is $80,000,000.

"Tranche B Term Lender": each Lender that holds a Tranche B Term Loan.

"Tranche B Term Loan": as defined in Section 2.1(a).

"Tranche B Term Percentage": as to any Tranche B Term Lender at any time, the percentage which the aggregate principal amount of such Lender's Tranche B Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche B Term Loans then outstanding.

"Tranche C Term Lender": each Lender that holds a Tranche C Term Loan.

"Tranche C Term Loan": as defined in Section 2.1(b).

"Tranche C Term Percentage": as to any Tranche C Term Lender at any time, the percentage which the aggregate principal amount of such Lender's Tranche C Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche C Term Loans then outstanding.

"Tranche D Credit-Linked Deposit": as defined in Section 3.5(a).

"Tranche D Credit-Linked Deposit Account": the account established by the Administrative Agent under its sole and exclusive control and designated as the "Rent-A-Center Tranche D Credit-Linked Deposit Account" that shall be used solely for the purposes set forth in Section 3.5.

"Tranche D LC Amount": an aggregate amount equal to $80,000,000 on the Restatement Effective Date, which amount (a) may be increased from time to time (i) pursuant to Section 3.1(d) or (ii) by the amount of any Borrower Deposit Payment and (b) shall be decreased by the amount of any decrease in the Total Tranche D Credit-Linked Deposit.

"Tranche D LC Equivalent Loan": any portion of the Tranche D LC Reimbursement Amount as to which a Loan Equivalent Notice has been given. Tranche D LC Equivalent Loans shall be ABR Loans unless and until they are converted into Eurodollar Loans pursuant to Section 2.12. It is understood that Tranche D LC Equivalent Loans do not constitute "Term Loans".

"Tranche D LC Lender": each Lender that has an outstanding Tranche D Credit-Linked Deposit or an unreimbursed Tranche D LC Reimbursement Amount.

"Tranche D LC Percentage": as to any Tranche D LC Lender at any time, the percentage which such Lender's Tranche D Credit-Linked Deposit then outstanding constitutes of the Total Tranche D Credit-Linked Deposit then outstanding or, if the Total Tranche D Credit-Linked Deposit shall have been reduced to $0, such percentage in effect immediately prior to such reduction.

"Tranche D LC Reimbursement Amount": as defined in Section 3.5(a). The portion of the Tranche D LC Reimbursement Amount held by each Tranche D LC Lender shall be deemed to equal its Tranche D LC Percentage thereof. The Tranche D LC Reimbursement Amount shall include any

portion thereof that has been designated as a Tranche D LC Equivalent Loan in accordance with the terms hereof.

"Tranche D LC Termination Date": December 31, 2007.

"Tranche D Letter of Credit": as defined in the definition of "Letters of Credit".

"Tranche D Term Lender": each Lender holds a Tranche D Term Loan.

"Tranche D Term Loan": as defined in Section 2.1(b).

"Tranche D Term Percentage": as to any Tranche D Term Lender at any time, the percentage which the aggregate principal amount of such Lender's Tranche D Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche D Term Loans then outstanding.

"Transferee": any Assignee or Participant.

"Type": as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"United States": the United States of America.

"Voting Stock": with respect to any Person, any class or series of Capital Stock of such Person that is ordinarily entitled to vote in the election of directors thereof at a meeting of stockholders called for such purpose, without the occurrence of any additional event or contingency.

"Wholly Owned Subsidiary": as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

"Wholly Owned Subsidiary Guarantor": any Subsidiary Guarantor that is a Wholly Owned Subsidiary of Holdings.

1.2. Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto. Any defined term used in the Existing Credit Agreement (or the "Existing Credit Agreement" referred to in the Existing Credit Agreement) and deleted pursuant to this Agreement or the Existing Credit Agreement, as the case may be, shall, to the extent such defined term is still contained in any other Loan Document, continue to have the same meaning as set forth in the Existing Credit Agreement or such "Existing Credit Agreement", as the case may be, subject to any applicable modification of any related term pursuant to this Agreement.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to Holdings and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation" and (iii) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any

and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF FACILITIES

2.1. Tranche B Term Loans, Tranche C Term Loans and Tranche D Term Commitments(a) . (a) Subject to the terms and conditions hereof, (i) the "Tranche B Term Loan" held by each Tranche B Term Lender under the Existing Credit Agreement shall remain outstanding pursuant to this Agreement, (ii) the "Tranche C Term Loan" held by each Tranche C Term Lender under the Existing Credit Agreement shall remain outstanding pursuant to this Agreement and (iii) the "Tranche D Term Loan" held by each Tranche D Term Lender under the Existing Credit Agreement shall remain outstanding pursuant to this Agreement.

(b) The Term Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.4, 2.5 and 2.12.

2.2. Revolving Commitments. (a) Subject to the terms and conditions hereof, each Revolving Lender severally agrees to make revolving credit loans ("Revolving Loans") to the Borrower from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender's Revolving Percentage of the sum of (i) the RC LC Obligations then outstanding and (ii) the aggregate principal amount of the Swingline Loans then outstanding, does not exceed the amount of such Lender's Revolving Commitment. During the Revolving Commitment Period the Borrower may use the Revolving Commitments by borrowing, prepaying the Revolving Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.5 and 2.12.

(b) The Borrower and any one or more Revolving Lenders (including New Revolving Lenders) may agree that each such Lender shall obtain a Revolving Commitment or increase the amount of its existing Revolving Commitment, as applicable, in each case by executing and delivering to the Administrative Agent an Increased Revolving Facility Activation Notice specifying (i) the amount of such increase and (ii) the Increased Revolving Facility Closing Date. Notwithstanding the foregoing, without the consent of the Required Lenders, (i) the aggregate amount of incremental Revolving Commitments obtained pursuant to this paragraph shall not exceed $40,000,000 and (ii) no more than one Increased Revolving Facility Closing Date may be selected by the Borrower during the term of this Agreement. No Lender shall have any obligation to participate in any increase described in this paragraph unless it agrees to do so in its sole discretion.

(c) Any additional bank, financial institution or other entity which, with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld), elects to become a "Revolving Lender" under this Agreement in connection with any transaction described in Section 2.2(b) shall execute a New Revolving Lender Supplement (each, a "New Revolving Lender Supplement"), substantially in the form of Exhibit H-1, whereupon such bank, financial institution or other entity (a "New Revolving Lender") shall become a Revolving Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement.

(d) For the purpose of providing that the respective amounts of Revolving Loans (and Eurodollar Tranches in respect thereof) held by the Revolving Lenders are held pro rata according to their respective Revolving Commitments, unless otherwise agreed by the Administrative Agent, on the Increased Revolving Facility Closing Date, the Borrower shall borrow a Revolving Loan from each relevant Lender in an amount determined by reference to the amount of each Type of Loan (and, in the case of Eurodollar Loans, of each Eurodollar Tranche) which would then have been outstanding from such Lender if (i) each such Type or Eurodollar Tranche had been borrowed or effected on the Increased Revolving Facility Closing Date and (ii) the aggregate amount of each such Type or Eurodollar Tranche requested to be so borrowed or effected had been proportionately increased. The Eurodollar Base Rate applicable to any Eurodollar Loan borrowed pursuant to the preceding sentence shall equal the Eurodollar Base Rate then applicable to the Eurodollar Loans of the other Lenders in the same Eurodollar Tranche (or, until the expiration of the then-current Interest Period, such other rate as shall be agreed upon between the Borrower and the relevant Lender).

2.3. Swingline Commitment. Subject to the terms and conditions hereof, the Swingline Lender agrees to make a portion of the credit otherwise available to the Borrower under the Revolving Commitments from time to time during the Revolving Commitment Period by making swing line loans ("Swingline Loans") to the Borrower; provided that (a) the aggregate principal amount of Swingline Loans outstanding at any time shall not exceed the Swingline Commitment then in effect (notwithstanding that the Swingline Loans outstanding at any time, when aggregated with the Swingline Lender's other outstanding Revolving Loans hereunder, may exceed the Swingline Commitment then in effect) and (b) the Borrower shall not request, and the Swingline Lender shall not make, any Swingline Loan if, after giving effect to the making of such Swingline Loan, the aggregate amount of the Available Revolving Commitments would be less than zero. During the Revolving Commitment Period, the Borrower may use the Swingline Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swingline Loans shall be ABR Loans only.

2.4. [RESERVED].

2.5. Procedure for Revolving Loan Borrowing. The Borrower may borrow under the Revolving Commitments during the Revolving Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 12:00 Noon, New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, in the case of ABR Loans), specifying (i) the amount and Type of Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Period therefor. Each borrowing under the Revolving Commitments shall be in an amount equal to (x) in the case of ABR Loans, $2,000,000 or a whole multiple of $500,000 in excess thereof (or, if the then aggregate Available Revolving Commitments are less than $2,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, $3,000,000 or a whole multiple of $1,000,000 in excess thereof; provided, that the Swingline Lender may request, on behalf of the Borrower, borrowings under the Revolving Commitments that are ABR Loans in

other amounts pursuant to Section 2.6. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each relevant Lender thereof. Each relevant Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the relevant Lenders and in like funds as received by the Administrative Agent.

2.6. Procedure for Swingline Borrowing; Refunding of Swingline Loans. (a) Whenever the Borrower desires that the Swingline Lender make Swingline Loans it shall give the Swingline Lender irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by the Swingline Lender not later than 1:00 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date (which shall be a Business Day during the Revolving Commitment Period). Each borrowing under the Swingline Commitment shall be in an amount equal to $500,000 or a whole multiple of $100,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in a notice in respect of Swingline Loans, the Swingline Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the amount of the Swingline Loan to be made by the Swingline Lender. The Administrative Agent shall make the proceeds of such Swingline Loan available to the Borrower on such Borrowing Date by depositing such proceeds in the account of the Borrower with the Administrative Agent on such Borrowing Date in immediately available funds.

(b) The Swingline Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs the Swingline Lender to act on its behalf), on one Business Day's notice given by the Swingline Lender no later than 12:00 Noon, New York City time (with a copy of such notice being provided to the Borrower), request each Revolving Lender to make, and each Revolving Lender hereby agrees to make, a Revolving Loan, in an amount equal to such Revolving Lender's Revolving Percentage of the aggregate amount of the Swingline Loans (the "Refunded Swingline Loans") outstanding on the date of such notice, to repay the Swingline Lender. Each Revolving Lender shall make the amount of such Revolving Loan available to the Administrative Agent at the Funding Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such Revolving Loans shall be immediately made available by the Administrative Agent to the Swingline Lender for application by the Swingline Lender to the repayment of the Refunded Swingline Loans. The Borrower irrevocably authorizes the Swingline Lender to charge the Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swingline Loans to the extent amounts received from the Revolving Lenders are not sufficient to repay in full such Refunded Swingline Loans (with notice of such charge being provided to the Borrower, provided that the failure to give such notice shall not affect the validity of such charge).

(c) If prior to the time a Revolving Loan would have otherwise been made pursuant to Section 2.6(b), one of the events described in Section 8(f) shall have occurred and be continuing with respect to the Borrower or if for any other reason, as determined by the Swingline Lender in its sole discretion, Revolving Loans may not be made as contemplated by Section 2.6(b), each Revolving Lender shall, on the date such Revolving Loan was to have been made pursuant to the notice referred to in Section 2.6(b) (the "Refunding Date"), purchase for cash an undivided participating interest in the then outstanding Swingline Loans by paying to the Swingline Lender an amount (the "Swingline Participation Amount") equal to (i) such Revolving Lender's Revolving Percentage times (ii) the sum of the aggregate

principal amount of Swingline Loans then outstanding that were to have been repaid with such Revolving Loans.

(d) Whenever, at any time after the Swingline Lender has received from any Revolving Lender such Lender's Swingline Participation Amount, the Swingline Lender receives any payment on account of the Swingline Loans, the Swingline Lender will distribute to such Lender its Swingline Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swingline Loans then due); provided, however, that in the event that such payment received by the Swingline Lender is required to be returned, such Revolving Lender will return to the Swingline Lender any portion thereof previously distributed to it by the Swingline Lender.

(e) Each Revolving Lender's obligation to make the Loans referred to in Section 2.6(b) and to purchase participating interests pursuant to Section 2.6(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Revolving Lender or the Borrower may have against the Swingline Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.7. Repayment of Loans. (a) The Tranche B Term Loan of each Tranche B Term Lender shall mature in 8 remaining installments, each of which shall be in an amount equal to such Lender's Tranche B Term Percentage multiplied by the amount set forth below opposite such installment (provided that the aggregate amount of the final installment shall in any event equal the aggregate then outstanding principal amount of the Tranche B Term Loans):

Installment Principal Amount
September 30, 2003	$ 272,195.60
September 30, 2004	272,192.60
December 31, 2004	11,976,592.86
March 31, 2005	11,976,592.86
June 30, 2005	11,976,592.86
September 30, 2005	11,976,592.86
December 31, 2005	11,976,592.86
January 31, 2006	11,976,592.86

The remaining installments set forth above have been adjusted to reflect scheduled payments and optional and mandatory prepayments of the Tranche B Term Loans made prior to the Restatement Effective Date.

(b) The Tranche C Term Loan of each Tranche C Term Lender shall mature in 9 remaining installments, each of which shall be in an amount equal to such Lender's Tranche C Term Percentage multiplied by the amount set forth below opposite such installment (provided that the

aggregate amount of the final installment shall in any event equal the aggregate then outstanding principal amount of the Tranche C Term Loans):

Installment Principal Amount
September 30, 2003 $ 394,946.33
September 30, 2004 394,946.33
September 30, 2005 394,946.33
December 31, 2005 394,946.33
March 31, 2006 25,434,543.97
June 30, 2006 25,434,543.97
September 30, 2006 25,434,543.97
December 31, 2006 25,434,543.97
January 31, 2007 25,434,543.97

The remaining installments set forth above have been adjusted to reflect scheduled payments and optional and mandatory prepayments of the Tranche C Term Loans made prior to the Restatement Effective Date.

(c) The Tranche D Term Loan of each Tranche D Term Lender shall mature in 8 remaining installments, each of which shall be in an amount equal to such Lender's Tranche D Term Percentage multiplied by the amount set forth below opposite such installment (provided that the aggregate amount of the final installment shall in any event equal the aggregate then outstanding principal amount of the Tranche D Term Loans):

Installment Principal Amount
September 30, 2003 $ 396,258.60
September 30, 2004 396,258.60
September 30, 2005 396,258.60
September 30, 2006 396,258.60
March 31, 2007 11,689,628.76
June 30, 2007 11,689,628.76
September 30, 2007 11,689,628.76
December 31, 2007 11,689,628.76

The remaining installments set forth above have been adjusted to reflect scheduled payments and optional and mandatory prepayments of the Tranche D Term Loans made prior to the Restatement Effective Date.

(d) The Borrower shall repay all outstanding Revolving Loans

and Swingline Loans on the Revolving Scheduled Commitment Termination Date.

(e) The Borrower shall repay all outstanding Tranche D LC Equivalent Loans on the Tranche D LC Termination Date.

2.8. Commitment Fees, etc(a) . (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee accruing during the Revolving Commitment Period, computed at a per annum rate equal to the Commitment Fee Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period for which

payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Revolving Scheduled Commitment Termination Date.

(b) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates previously agreed to in writing by the Borrower and the Administrative Agent.

2.9. Termination or Reduction of Revolving Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Commitments or, from time to time, to reduce the amount of the Revolving Commitments; provided that no such termination or reduction of Revolving Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Loans and Swingline Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Total Revolving Commitments. Any such partial reduction shall be in an amount equal to $1,000,000, or a whole multiple thereof, and shall reduce permanently the relevant Commitments then in effect.

2.10. Optional Prepayments. Subject to Section 2.17, the Borrower may at any time and from time to time prepay the Loans (including Tranche D LC Equivalent Loans) or reduce the Tranche D Credit-Linked Deposit, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and the Tranche D Credit-Linked Deposit and at least one Business Day prior thereto in the case of ABR Loans, which notice shall specify the date and amount of prepayment and, if applicable, whether the prepayment is of Eurodollar Loans or ABR Loans; provided, that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.20. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Loans that are ABR Loans and Swingline Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Loans (other than Swingline Loans) and partial reductions of the Tranche D Credit-Linked Deposit shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof. Partial prepayments of Swingline Loans shall be in an aggregate principal amount of $100,000 or a whole multiple thereof. Upon any such reduction of the Tranche D Credit-Linked Deposit, the Administrative Agent shall promptly remit to each Tranche D LC Lender its pro rata share thereof based on its Tranche D LC Percentage.

2.11. Mandatory Prepayments. (a) Unless the Required Prepayment Lenders shall otherwise agree, if any Capital Stock (other than any Capital Stock issued by Holdings to finance any Permitted Acquisition) shall be issued by Holdings or any of its Subsidiaries, an amount equal to 75% (the "Equity Percentage") of the Net Cash Proceeds thereof shall be applied within two Business Days following the date of such issuance toward the prepayment of the Term Loans; provided that the Equity Percentage shall instead equal 25% if the Consolidated Leverage Ratio, determined as at the end of the most recent period of four consecutive fiscal quarters ended prior to the required date of prepayment for which the relevant financial information is available on a pro forma basis as if such issuance had occurred on the first day of such period, is less than 3.50 to 1.0.

(b) Unless the Required Prepayment Lenders shall otherwise agree, if any Indebtedness shall be incurred by Holdings or any of its Subsidiaries (excluding any Indebtedness incurred in accordance with Section 7.2 as in effect on the date of this Agreement), an amount equal to 100%) of the Net Cash Proceeds thereof shall be applied on the date of such incurrence toward the prepayment of the Term Loans.

(c) Unless the Required Prepayment Lenders shall otherwise agree, if on any date Holdings or any of its Subsidiaries shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, an amount equal to 75% of such Net Cash Proceeds shall be applied within two Business Days following such date toward the prepayment of the Term Loans; provided, that, notwithstanding the foregoing, (i) the aggregate Net Cash Proceeds of Asset Sales that may be excluded from the foregoing requirement pursuant to a Reinvestment Notice shall not exceed $15,000,000 in any fiscal year of the Reporting Entity, and (ii) on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event shall be applied toward the prepayment of the Term Loans; provided, further, that, notwithstanding the foregoing, the Borrower shall not be required to prepay the Term Loans in accordance with this paragraph (c) except to the extent that the Net Cash Proceeds from all Asset Sales which have not been so applied equals or exceeds $5,000,000 in the aggregate.

(d) Unless the Required Prepayment Lenders shall otherwise agree, if, for any fiscal year of the Reporting Entity, commencing with the fiscal year ending December 31, 2002, there shall be Excess Cash Flow, the Borrower shall, on the relevant Excess Cash Flow Application Date, apply 75% (or, if the Consolidated Leverage Ratio as of the last day of such fiscal year is not greater than 3.50 to 1.0, 50%) of such Excess Cash Flow toward the prepayment of the Term Loans. Each such prepayment and commitment reduction shall be made on a date (an "Excess Cash Flow Application Date") no later than five Business Days after the earlier of (i) the date on which the financial statements of the Reporting Entity referred to in Section 6.1(a), for the fiscal year with respect to which such prepayment is made, are required to be delivered to the Lenders and (ii) the date such financial statements are actually delivered.

(e) The application of any prepayment under a Facility pursuant to Section 2.11 shall be made, first, to ABR Loans and, second, to Eurodollar Loans. Each prepayment of the Loans under Section 2.11 (except in the case of Revolving Loans that are ABR Loans and Swingline Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

2.12. Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), provided that no ABR Loan under a particular Facility may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan under a particular Facility may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such continuations, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.13. Limitations on Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurodollar Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to $3,000,000 or a whole multiple of $1,000,000 in excess thereof and (b) no more than 15 Eurodollar Tranches shall be outstanding at any one time.

2.14. Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Loans and Reimbursement Obligations (whether or not overdue) shall bear interest at a rate per annum equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2%, (y) in the case of Reimbursement Obligations under the Revolving Facility, the rate applicable to ABR Loans under the Revolving Facility plus 2%, or (z) in the case of Reimbursement Obligations under the Tranche D LC Facility that are not classified as Tranche D LC Equivalent Loans (which shall be governed by clause (x) above), the ABR plus 3.75%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee, Letter of Credit fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to ABR Loans under the relevant Facility plus 2% (or, (x) in the case of the Tranche D LC Facility, the ABR plus 3.75% and (y) in the case of any such other amounts that do not relate to a particular Facility, the rate then applicable to ABR Loans under the Revolving Facility plus 2%), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.15. Computation of Interest and Fees. (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to ABR Loans the rate of interest on which is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.15(a).

2.16. Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Facility Lenders in respect of the relevant Facility that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as ABR Loans, (y) any Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as ABR Loans and (z) any outstanding Eurodollar Loans under the relevant Facility shall be converted, on the last day of the then-current Interest Period, to ABR Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans under the relevant Facility shall be made or continued as such, nor shall the Borrower have the right to convert Loans under the relevant Facility to Eurodollar Loans.

2.17. Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee and any reduction of the Revolving Commitments of the Lenders shall be made pro rata according to the respective Tranche B Term Percentages, Tranche C Term Percentages, Tranche D Term Percentages or Revolving Percentages, as the case may be, of the relevant Lenders.

(b) Except for payments made pursuant to Section 2.7, each payment (including each prepayment) by the Borrower on account of principal of and interest on the Term Loans shall be made pro rata according to the respective outstanding principal amounts of the Term Loans then held by the Term Lenders (except as otherwise provided in Section 2.17(c)). The amount of each principal prepayment of the Term Loans shall be applied to reduce the then remaining installments of the Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans, as the case may be, pro rata based upon the then remaining principal amount thereof. Amounts prepaid on account of the Term Loans may not be reborrowed.

(c) [RESERVED].

(d) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Loans shall be made pro rata to the Revolving Lenders according to the respective outstanding principal amounts of the Revolving Loans then held by the Revolving Lenders. Each payment (including each prepayment) by the Borrower to the Tranche D LC Lenders on account of the Tranche D LC Reimbursement Amount and interest thereon and payments of interest or earnings in respect of the Tranche D Credit-Linked Deposit shall be made pro rata to the Tranche D LC Lenders according to their respective Tranche D LC Percentages.

(e) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative

Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(f) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans under the relevant Facility, on demand, from the Borrower.

(g) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment being made hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days of such required date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

2.18. Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the Closing Date:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.19 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans, issuing or participating in Letters of Credit or maintaining a Tranche D Credit-Linked Deposit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify (no more frequently than quarterly) the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the Closing Date shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor (which may be submitted no more frequently than quarterly), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction; provided that the Borrower shall not be required to compensate a Lender pursuant to this paragraph for any amounts incurred more than six months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; and provided further that, if the circumstances giving rise to such claim have a retroactive effect, then such six-month period shall be extended to include the period of such retroactive effect.

(c) In determining any additional amounts payable pursuant to this Section 2.18, each Lender will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, provided that such Lender's determination of compensation owing under this Section 2.18 shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Lender, upon determining that any additional amounts will be payable pursuant to this Section 2.18, shall give prompt written notice of such determination to the Borrower, which notice shall show the basis for calculation of such additional amounts. The obligations of the Borrower pursuant to this Section 2.18 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.19. Taxes. (a) Subject to the last proviso of this paragraph (a), all payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes imposed on the

Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time the Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any state thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form 8-BEN or Form 8-ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit G and a Form 8-BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the request of the Borrower as a result of the obsolescence, inaccuracy or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer qualified to provide or capable of providing any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) If any Lender receives a refund of any Non-Excluded Taxes or Other Taxes paid or indemnified by the Borrower under this Section 2.19, such Lender shall pay the amount of such refund to the Borrower within 15 days of the date it received such refund.

(g) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.20. Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.21. Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.18 or 2.19(a) with respect to such Lender, it will use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.18 or 2.19(a).

2.22. Replacement of Lenders. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.18 or 2.19(a) or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall

have taken no action under Section 2.21 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.18 or 2.19(a), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender (and, if applicable, its Tranche D Credit-Linked Deposit) on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 2.20 if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.18 or 2.19(a), as the case may be, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

SECTION 3. LETTERS OF CREDIT

3.1. LC Commitments. (a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the RC LC Participants or the Tranche D LC Lenders, as the case may be, set forth in this Section 3, agrees to issue, on any Business Day, letters of credit ("Letters of Credit") for the account of the Borrower (including the account of the Borrower acting on behalf of any of its Subsidiaries) and in such form as may be approved from time to time by the Issuing Lender; provided that (i) the Issuing Lender shall have no obligation to issue any RC Letter of Credit if, after giving effect to such issuance, (x) the RC LC Obligations would exceed the RC LC Commitment or (y) the aggregate amount of the Available Revolving Commitments would be less than zero and (ii) the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, the LC Obligations would exceed $150,000,000. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date that is five Business Days prior to (1) in the case of RC Letters of Credit, the Revolving Scheduled Commitment Termination Date, or (2) in the case of Tranche D Letters of Credit, the Tranche D LC Termination Date; provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(c) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any LC Participant to exceed any limits imposed by, any applicable Requirement of Law.

(d) After the Restatement Effective Date, the Borrower and any one or more Tranche D LC Lenders (including New Tranche D LC Lenders) may agree that each such Lender shall make a Tranche D Credit-Linked Deposit or increase the amount of its existing Tranche D Credit-Linked Deposit, as applicable, in each case by executing and delivering to the Administrative Agent an Increased Tranche D LC Facility Activation Notice specifying (i) the amount of such increase and (ii) the Increased Tranche D LC Facility Closing Date. The Tranche D LC Amount shall be correspondingly increased by the amount of any such increase. Notwithstanding the foregoing, without the consent of the Required Lenders, the aggregate amount of incremental Tranche D Credit-Linked Deposits made pursuant to this paragraph shall not exceed $70,000,000. No Lender shall have any obligation to participate in any increase described in this paragraph unless it agrees to do so in its sole discretion.

(e) Any additional bank, financial institution or other entity which, with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld), elects to become a "Tranche D LC Lender" under this Agreement in connection with any transaction described in Section 3.1(d) shall execute a New Tranche D LC Lender Supplement (each, a "New Tranche D LC Lender Supplement"), substantially in the form of Exhibit H-3, whereupon such bank, financial institution or other entity (a "New Tranche D LC Lender") shall become a Tranche D LC Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement.

3.2. Procedure for Issuance of Letter of Credit. The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may request. Upon receipt of any Application, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by the Issuing Lender and the Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance thereof. The Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof).

3.3. Fees and Other Charges. (a) The Borrower will pay a Letter of Credit fee (i) in the case of RC Letters of Credit, calculated at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans under the Revolving Facility and payable on the face amount of all outstanding RC Letters of Credit, or (ii) in the case of Tranche D Letters of Credit, calculated at a per annum rate equal to 2.75% and payable on the Total Tranche D Credit-Linked Deposit, in each case shared ratably among the Lenders under the relevant Facility and payable quarterly in arrears on each LC Fee Payment Date. In addition, the Borrower shall pay to the Issuing Lender for its own account a fronting fee of 0.25% per annum on the undrawn and unexpired amount of each Letter of Credit, payable quarterly in arrears on each LC Fee Payment Date.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4. RC LC Participations. (a) The Issuing Lender irrevocably agrees to grant and hereby grants to each RC LC Participant, and, to induce the Issuing Lender to issue RC Letters of Credit hereunder, each RC LC Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such RC LC Participant's own account and risk an undivided interest equal to such RC LC Participant's Revolving Percentage in the Issuing Lender's obligations and rights under each RC Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each RC LC Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any RC Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such RC LC Participant shall pay to the Issuing Lender upon demand at the

Issuing Lender's address for notices specified herein an amount equal to such RC LC Participant's Revolving Percentage of the amount of such draft, or any part thereof, that is not so reimbursed.

(b) If any amount required to be paid by any RC LC Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any RC Letter of Credit is paid to the Issuing Lender within three Business Days after the date such payment is due, such RC LC Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any RC LC Participant pursuant to Section 3.4(a) is not made available to the Issuing Lender by such RC LC Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such RC LC Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans under the Revolving Facility. A certificate of the Issuing Lender submitted to any RC LC Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has made payment under any RC Letter of Credit and has received from any RC LC Participant its pro rata share of such payment in accordance with Section 3.4(a), the Issuing Lender receives any payment related to such RC Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will distribute to such RC LC Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such RC LC Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

(d) Each RC LC Participant's obligation to purchase participating interests pursuant to Section 3.4(a) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such RC LC Participant or the Borrower may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

3.5. Tranche D LC Participations. (a) The Issuing Lender irrevocably agrees to grant and hereby grants to each Tranche D LC Lender, and each Tranche D LC Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such Tranche D LC Lender's own account and risk an undivided interest equal to its Tranche D LC Percentage in the Issuing Lender's obligations and rights with respect to the Tranche D Letters of Credit (as to each Tranche D LC Lender, its "Tranche D LC Participation"). The purchase price for the Tranche D LC Participation of each Tranche D LC Lender (each, a "Tranche D Credit-Linked Deposit") shall equal the amount paid pursuant to the Existing Credit Agreement or the amount agreed upon pursuant to Section 3.1(d), as applicable. Each Tranche D LC Lender paid, or shall pay, to the Administrative Agent its Tranche D Credit-Linked Deposit in full on the Existing Effective Date or the relevant Increased Tranche D LC Facility Closing Date, as applicable. Each Tranche D LC Lender unconditionally and irrevocably agrees with the Administrative Agent and the Issuing Lender that,

if a draft is paid under any Tranche D Letter of Credit that is not reimbursed in full by the Borrower in cash (the amount of the reimbursement by the Borrower required in respect thereof, the "Tranche D LC Reimbursement Amount"), the Administrative Agent is hereby authorized to reimburse to the Issuing Lender for such draft solely from such Tranche D LC Lender's Tranche D Credit-Linked Deposit. If the Tranche D Credit-Linked Deposit Account is charged by the Administrative Agent to reimburse the Issuing Lender for a draft paid under a Tranche D Letter of Credit that has not been reimbursed by the Borrower in cash, the Borrower shall have the right but not the obligation, prior to the Tranche D LC Termination Date, to pay over to the Administrative Agent an amount equal to the amount so charged for deposit in the Tranche D Credit-Linked Deposit Account (a "Borrower Deposit Payment"), which payment shall, to the extent relating to a Tranche D LC Equivalent Loan, constitute a prepayment of such Loan (subject to the applicable requirements of this Agreement). It is understood that application of the Tranche D Credit-Linked Deposit to reimburse the Issuing Lender shall not reduce the Tranche D LC Reimbursement Amount or satisfy the Borrower's reimbursement obligation under Section 3.6. Each Tranche D LC Lender's obligations under this Section 3.5 shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Tranche D LC Lender or the Borrower may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) The Tranche D Credit-Linked Deposits shall be held by the Administrative Agent in the Tranche D Credit-Linked Deposit Account and invested by the Administrative Agent as set forth in this Section 3.5 and no party other than the Administrative Agent shall have a right of withdrawal from the Tranche D Credit-Linked Deposit Account nor any other right or power with respect to the Tranche D Credit-Linked Deposits, except as expressly provided in Section 2.10 or this Section 3.5. Notwithstanding anything in this Agreement to the contrary, the sole funding obligation of each Tranche D LC Lender in respect of its Tranche D LC Participation shall be satisfied upon funding of its Tranche D Credit-Linked Deposit.

(c) The Borrower hereby acknowledges and agrees that each Tranche D LC Lender is funding its Tranche D Credit-Linked Deposit to the Administrative Agent for application in the manner contemplated by this Section 3.5 and that the Administrative Agent has agreed to invest the Tranche D Credit-Linked Deposits so as to earn a return (until such time as such Tranche D Credit-Linked Deposits are used to cover drawings under any Tranche D Letter of Credit) for the Tranche D LC Lenders at a rate per annum, reset daily on each Business Day for the period until the next following Business Day, equal to (i) the rate for one month LIBOR deposits (the "Benchmark LIBOR Rate") minus (ii) 0.05%. Such interest will be paid to the Tranche D LC Lenders by the Administrative Agent quarterly in arrears on each LC Fee Payment Date. In addition to the foregoing payments by the Administrative Agent, the Borrower agrees to make payments to the Administrative Agent for the account of the Tranche D LC Lenders quarterly in arrears on each LC Fee Payment Date in an amount equal to the difference between the rate of return earned by the Tranche D LC Lenders on the Tranche D Credit-Linked Deposits and the rate of return that would have been earned by the Tranche D LC Lenders thereon had the interest rate applicable thereto been equal to the Benchmark LIBOR Rate. The Administrative Agent shall compute all amounts due under this paragraph (c) and shall notify the Borrower and such Tranche D LC Lender of each such amount due.

(d) The Administrative Agent shall return any remaining Tranche D Credit-Linked Deposits to the Tranche D LC Lenders following the occurrence of the Tranche D LC Termination Date.

3.6. Reimbursement Obligation of the Borrower. Drafts drawn under each Letter of Credit shall be deemed to be drafts drawn under Tranche D Letters of Credit for so long as there are any undrawn Tranche D Letters of Credit and thereafter shall be deemed to be drafts drawn under RC Letters of Credit. The Borrower agrees to reimburse the Issuing Lender in accordance with this Section upon notification of the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by the Issuing Lender for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with such payment. In the case of RC Letters of Credit, if the Borrower is notified as provided in the immediately preceding sentence by 2:00 P.M., New York City time, on any day, then the Borrower shall so reimburse the Issuing Lender by 12:00 Noon, New York City time, on the next succeeding Business Day, and, if so notified after 2:00 P.M., New York City time, on any day, the Borrower shall so reimburse the Issuing Lender by 12:00 Noon, New York City time, on the second succeeding Business Day. In the case of Tranche D Letters of Credit, the Tranche D LC Reimbursement Amount shall be reimbursed by the Borrower no later than the Tranche D LC Termination Date, provided that any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with the relevant draft shall be payable to the Issuing Lender on demand. Each such payment shall be made to the Issuing Lender at its address for notices specified herein in lawful money of the United States and in immediately available funds. Interest shall be payable on any and all amounts remaining unpaid by the Borrower under this Section from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full (i) in the case of RC Letters of Credit, at the rate set forth in (x) until the second Business Day following the date of payment of the applicable drawing, Section 2.14(b) and (y) thereafter, Section 2.14(c), in each case payable on demand, and (ii) in the case of Tranche D Letters of Credit, (x) until the Borrower has given a Loan Equivalent Notice with respect to the relevant portion of the Tranche D LC Reimbursement Amount, the ABR plus 1.75%, payable quarterly in arrears on each LC Fee Payment Date, and (y) thereafter, with respect to any such portion, at the applicable rate set forth in Section 2.14. Payment by the Borrower of any Tranche D LC Reimbursement Amount and interest thereon shall be made (a) directly to the Issuing Lender for its own account to the extent the Tranche D Credit-Linked Deposit has not been applied to reimburse the Issuing Lender for the relevant drawing or (b) ratably to the Tranche D LC Lenders, otherwise.

3.7. Obligations Absolute. The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower may have or have had against the Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.6 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions constituting gross negligence or willful misconduct of the Issuing Lender. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Customs and, to the extent not inconsistent therewith, the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender to the Borrower.

3.8. Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Borrower of the date and amount thereof.

The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are substantially in conformity with such Letter of Credit.

3.9. Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, Holdings and the Borrower hereby jointly and severally represent and warrant to the Administrative Agent and each Lender that:

4.1. Financial Condition. (a) The audited consolidated balance sheet of the Borrower as at December 31, 2001, and the related consolidated statements of operations, stockholder's equity and cash flows for the fiscal year ended on such date, reported on by and accompanied by an unqualified report from Grant Thornton, present fairly the consolidated financial condition of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the fiscal year then ended. Such financial statements have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). The Borrower and its Subsidiaries do not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the financial statements referred to in this paragraph.

4.2. No Change. Since December 31, 2001 there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

4.3. Existence; Compliance with Law. Each of Holdings and its Subsidiaries (a) is duly organized, validly existing and in good standing, if applicable, under the laws of the jurisdiction of its organization, (b) has the power (corporate or otherwise) and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation or other entity and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to be so qualified and in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4. Power; Authorization; Enforceable Obligations. Each Loan Party has the power (corporate or otherwise) and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Loan Party has taken all necessary action (corporate or otherwise) to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing

with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 4.4 (or in the case of the Insurance Subsidiary and the Litigation Subsidiary, as notified to the Administrative Agent prior to the date such representation is made or deemed to be made), which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings referred to in Section 4.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5. No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any material Contractual Obligation of Holdings or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to Holdings or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

4.6. Litigation. Except as set forth on Schedule 4.6, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Holdings, threatened by or against Holdings or any of its Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

4.7. No Default. Neither Holdings nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8. Ownership of Property; Liens. Each of Holdings and its Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material property, and none of such property is subject to any Lien except as permitted by Section 7.3.

4.9. Intellectual Property. Holdings and each of its Subsidiaries owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does Holdings know of any valid basis for any such claim. The use of Intellectual Property by Holdings and its Subsidiaries does not infringe on the rights of any Person in any material respect.

4.10. Taxes. Each of Holdings and each of its Subsidiaries has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority to the extent due and payable (other than any the amount or validity of that are currently being

contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Holdings or its Subsidiaries, as the case may be); no material tax Lien has been filed, and, to the knowledge of Holdings or the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

4.11. Federal Regulations. No part of the proceeds of any Loans will be used for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

4.12. Labor Matters. Except as set forth on Schedule 4.6 and as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against Holdings or any of its Subsidiaries pending or, to the knowledge of Holdings or the Borrower, threatened; (b) hours worked by and payment made to employees of Holdings and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from Holdings or any of its Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of Holdings or the relevant Subsidiary.

4.13. ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien against Holdings or any Commonly Controlled Entity and in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither Holdings nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither Holdings nor any Commonly Controlled Entity would become subject to any material liability under ERISA if Holdings or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

4.14. Investment Company Act; Other Regulations. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

4.15. Subsidiaries. Except as disclosed to the Administrative Agent by the Borrower in writing from time to time, (a) Schedule 4.15 sets forth the name and jurisdiction of incorporation of each Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of Holdings or any Subsidiary, except as created by the Loan Documents.

4.16. Use of Proceeds. The proceeds of the Revolving Loans and the Swingline Loans, and the Letters of Credit, shall be used for general corporate purposes.

4.17. Environmental Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties owned, leased or operated by Holdings or any of its Subsidiaries (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;

(b) neither Holdings nor any of its Subsidiaries has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by Holdings or any of its Subsidiaries (the "Business"), nor does Holdings have knowledge or reason to believe that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of Holdings or the Borrower, threatened, under any Environmental Law to which Holdings or any Subsidiary is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of Holdings or any Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and

(g) neither Holdings nor any of its Subsidiaries has assumed any liability of any other Person under Environmental Laws.

4.18. Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document or any other document, certificate or statement furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or

therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of Holdings and the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

4.19. Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described in paragraphs (a) through (k), inclusive, (m) and (n) of Section 3 thereof and proceeds of such Collateral. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when stock certificates representing such Pledged Stock are delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements and other filings specified on Schedule 4.19(a) (or otherwise notified to the Administrative Agent) in appropriate form are filed in the offices specified on Schedule 4.19(a) (or otherwise notified to the Administrative Agent), the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 7.3).

(b) Each of the Mortgages is effective to create in favor of the Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable Lien on the Mortgaged Properties described therein and proceeds thereof and constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Mortgaged Properties and the proceeds thereof, as security for the Obligations (as defined in the relevant Mortgage), in each case prior and superior in right to any other Person except Liens permitted by Section 7.3.

4.20. Solvency. Each Loan Party is on the Restatement Effective Date (after giving effect to the effectiveness of the Tranche D LC Facility), and will continue to be, Solvent.

4.21. Senior Indebtedness. The Obligations constitute "Senior Indebtedness" of the Borrower under and as defined in the Senior Subordinated Note Indenture. The obligations of each Subsidiary Guarantor under the Guarantee and Collateral Agreement constitute "Guarantor Senior Indebtedness" of such Subsidiary Guarantor under and as defined in the Senior Subordinated Note Indenture.

4.22. Regulation H. No Mortgage encumbers improved real property that is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968.

SECTION 5. CONDITIONS PRECEDENT

5.1. Conditions to Effectiveness. The effectiveness of this Agreement is subject to the satisfaction of the following conditions precedent:

(a) Credit Agreement; Security Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by the Administrative Agent, Holdings and the Borrower, (ii) the Guarantee and Collateral Agreement, executed and delivered by each Loan Party and (iii) a confirmation of the Mortgages, executed and delivered by the Borrower and each Subsidiary Guarantor. It is understood that the Administrative Agent was authorized to enter into this Agreement on behalf of the Lenders pursuant to the Second Amendment, dated as of December 31, 2002, to the Existing Credit Agreement.

(b) Closing Certificate. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of each of Holdings and the Borrower, dated the Restatement Effective Date, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(c) Legal Opinion. The Administrative Agent shall have received the executed legal opinion of Winstead Sechrest & Minick P.C., counsel to Holdings and the Borrower, substantially in the form of Exhibit F.

5.2. Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it on any date (including its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date (unless such representations expressly relate to an earlier date, in which case they shall be true and correct in all material respects on and as of such earlier date).

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by Holdings and the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

SECTION 6. AFFIRMATIVE COVENANTS

Holdings and the Borrower hereby jointly and severally agree that, so long as any Revolving Commitment remains in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, each of Holdings and the Borrower shall and shall cause each of its Subsidiaries to:

6.1. Financial Statements. Furnish to the Administrative Agent with sufficient copies for each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Reporting Entity, a copy of the audited consolidated balance sheet of the Reporting Entity and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Grant Thornton LLP or other independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Reporting Entity, the unaudited consolidated balance sheet of the Reporting Entity and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of notes thereto).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

6.2. Certificates; Other Information. Furnish to the Administrative Agent with sufficient copies for each Lender (or, in the case of clause (g), to the relevant Lender):

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of any financial statements pursuant to Section 6.1, (i) a certificate of a Responsible Officer stating that, to the best of each such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (x) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Reporting Entity and its Subsidiaries with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Reporting Entity, and (y) to the extent not previously disclosed to the Administrative Agent, a report describing each new Subsidiary of any Loan Party, any change in the name or jurisdiction of organization of any Loan Party and any new fee owned real property or material Intellectual Property acquired by any Loan Party since the date of the most recent report delivered pursuant to this clause (y);

(c) as soon as available, and in any event no later than 45 days after the end of each fiscal year of the Reporting Entity, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of Holdings and its Subsidiaries as of the end of the following fiscal year, the related consolidated statements of projected cash flow, projected

changes in financial position and projected income and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(d) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Reporting Entity, a narrative discussion and analysis of the financial condition and results of operations of the Reporting Entity and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the portion of the Projections covering such periods and to the comparable periods of the previous year; provided that delivery of the Report on Form 10-Q filed with the SEC with respect to such fiscal quarter shall be deemed to satisfy the foregoing requirement;

(e) no later than five Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Senior Subordinated Note Indenture if the effectiveness thereof requires the approval of any percentage of the holders of Indebtedness thereunder;

(f) within five Business Days after the same are sent, copies of all financial statements and reports that Holdings or the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five Business Days after the same are filed, copies of all financial statements and reports that Holdings or the Borrower may make to, or file with, the SEC; and

(g) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3. Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of Holdings or its Subsidiaries, as the case may be.

6.4. Maintenance of Existence; Compliance. (a) (i) Preserve, renew and keep in full force and effect its corporate existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5. Maintenance of Property; Insurance. (a) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption expense coverage) as are usually insured against in the same general area by companies engaged in the same or a similar business.

6.6. Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) subject to the provisions of Section 10.14, permit representatives of any Lender, upon reasonable prior notice, to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of Holdings and its Subsidiaries with officers and employees of Holdings and its Subsidiaries and with its independent certified public accountants.

6.7. Notices. Promptly give notice to the Administrative Agent with sufficient copies for each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of Holdings or any of its Subsidiaries or (ii) litigation, investigation or proceeding that may exist at any time between Holdings or any of its Subsidiaries and any Governmental Authority, that in either case, if not cured or if reasonably expected to be adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting Holdings or any of its Subsidiaries in which the amount claimed is $5,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought which could reasonably be expected to be granted and which, if granted, could reasonably be expected to have a Material Adverse Effect;

(d) the following events, as soon as possible and in any event within 30 days after Holdings or the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or Holdings or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Single Employer Plan or Multiemployer Plan; and

(e) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action Holdings or the relevant Subsidiary proposes to take with respect thereto.

6.8. Environmental Laws. Except as could not reasonably be expected to have a Material Adverse Effect:

(a) Comply with, and contractually require compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply with and maintain, and contractually require that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

6.9. Additional Collateral, etc. (a) With respect to any property acquired after the Restatement Effective Date by Holdings or any of its Subsidiaries (other than (w) any vehicles and any immaterial inventory and equipment, (x) any property described in paragraph (b), (c) or (d) below, (y) any property subject to a Lien expressly permitted by Section 7.3(g) or (j) and (z) property acquired by any Specified Subsidiary) as to which the Administrative Agent, for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a security interest in such property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in such property, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent.

(b) With respect to any fee interest in any real property having a value (together with improvements thereof) of at least $750,000 acquired after the Restatement Effective Date by Holdings or any of its Subsidiaries (other than (x) any such real property subject to a Lien expressly permitted by Section 7.3(g) or (j) and (z) real property acquired by any Specified Subsidiary), promptly (i) execute and deliver a first priority Mortgage, in favor of the Administrative Agent, for the benefit of the Lenders, covering such real property, (ii) if requested by the Administrative Agent, provide the Lenders with (x) title and extended coverage insurance covering such real property in an amount at least equal to the purchase price of such real property (or such other amount as shall be reasonably specified by the Administrative Agent) as well as a current ALTA survey thereof, together with a surveyor's certificate and (y) any consents or estoppels reasonably deemed necessary or advisable by the Administrative Agent in connection with such mortgage or deed of trust, each of the foregoing in form and substance reasonably satisfactory to the Administrative Agent and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Restatement Effective Date by Holdings or any of its Subsidiaries (which, for the purposes of this paragraph (c), shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary but shall exclude, for the purposes of clauses (i) and (iii) below only, the Litigation Subsidiary and the Insurance Subsidiary), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by Holdings or any of its Subsidiaries (except Investments permitted under Section 7.8(g) or (j)), (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of Holdings or such Subsidiary, as the case may be, and (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement, (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Lenders a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent and (C) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(d) With respect to any new Excluded Foreign Subsidiary created or acquired after the Restatement Effective Date by Holdings or any of its Subsidiaries, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by Holdings or any of its Subsidiaries (provided that in no event shall more than 65% of the total outstanding Capital Stock of any such new Subsidiary be required to be so pledged), and (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of Holdings or such Subsidiary, as the case may be, and take such other action as may be necessary or, in the opinion of the Administrative Agent, desirable to perfect the Administrative Agent's security interest therein.

6.10. Permitted Acquisitions. (a) Deliver to the Lenders, within ten Business Days following the closing date of any Permitted Acquisition involving a Purchase Price less than $20,000,000 (other than any such acquisition that, together with any related acquisition, involves less than fifteen stores), each of the following: (i) a description of the property, assets and/or equity interest being purchased, in reasonable detail; and (ii) a copy of the purchase agreement pursuant to which such acquisition is to be consummated or a term sheet or other description setting forth the essential terms and the basic structure of such acquisition.

(b) Deliver to the Lenders, (i) within ten Business Days following the closing date of any Permitted Acquisition involving a Purchase Price greater than or equal to $20,000,000 but less than $30,000,000 and (ii) not less than five Business Days prior to the closing date of any Permitted Acquisition involving a Purchase Price greater than or equal to $30,000,000, each of the following: (A) a description of the property, assets and/or equity interest being purchased, in reasonable detail; (B) a copy of the purchase agreement pursuant to which such acquisition is to be consummated or a term sheet or other description setting forth the essential terms and the basic structure of such acquisition; (C) projected statements of income for the entity that is being acquired (or the assets, if an acquisition of assets) for at least a two-year period following such acquisition (including a summary of assumptions or pro forma adjustments for such projections); (D) to the extent made available to the Borrower, historical financial statements for the entity that is being acquired (or the assets, if an acquisition of assets) (including balance sheets and statements of income, retained earnings and cash flows for at least a two-year period prior to such acquisition); and (E) confirmation, supported by detailed calculations, that Holdings and its Subsidiaries would have been in compliance with all the covenants in Section 7.1 for the fiscal quarter ending immediately prior to the consummation of such acquisition, with such compliance determined on a pro forma basis as if such acquisition had been consummated on the first day of the Reference Period ending on the last day of such fiscal quarter.

SECTION 7. NEGATIVE COVENANTS

Holdings and the Borrower hereby jointly and severally agree that, so long as the Revolving Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, Holdings and the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1. Financial Condition Covenants.

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Reporting Entity ending with any fiscal quarter during any period set forth below to exceed the ratio set forth below opposite such period:

Consolidated Leverage Ratio	Period
Fiscal year 2002	3.75 to 1.00
Fiscal year 2003 and thereafter	3.00 to 1.00.

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Reporting Entity ending with any fiscal quarter during any period set forth below to be less than the ratio set forth below opposite such period:

Consolidated Interest Coverage Ratio	Period
Fiscal year 2002	3.00 to 1.00
Fiscal year 2003	3.50 to 1.00
Fiscal year 2004 and thereafter	4.00 to 1.00

(c) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Reporting Entity ending on or after December 31, 2002 to be less than 1.30 to 1.00.

7.2. Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness of the Borrower to any Subsidiary and of any Wholly Owned Subsidiary Guarantor to the Borrower or any other Subsidiary; provided, that such Indebtedness owing by any Loan Party to the Insurance Subsidiary or the Litigation Subsidiary shall be subordinated to the obligations of such Loan Party under the Loan Documents in a manner reasonably satisfactory to the Administrative Agent;

(c) Guarantee Obligations incurred in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of any Wholly Owned Subsidiary Guarantor;

(d) Indebtedness outstanding on the Restatement Effective Date and listed on Schedule 7.2(d) and any refinancings, refundings, renewals or extensions thereof (without increasing, or shortening the maturity of, the principal amount thereof);

(e) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 7.3(g) in an aggregate principal amount not to exceed $15,000,000 at any one time outstanding;

(f) (i) Indebtedness of the Borrower and Holdings in respect of the Senior Subordinated Notes in an aggregate principal amount not to exceed $275,000,000 and (ii) Guarantee Obligations of any Subsidiary Guarantor in respect of such Indebtedness, provided

that such Guarantee Obligations are subordinated to the same extent as the obligations of the Borrower or Holdings in respect of the Senior Subordinated Notes;

(g) Assumed Indebtedness incurred pursuant to Permitted Acquisitions;

(h) Guarantee Obligations of the Borrower in respect of Indebtedness of franchisees not to exceed $75,000,000 at any one time outstanding;

(i) Guarantee Obligations incurred in the ordinary course of business by Holdings of Capital Lease Obligations in respect of real property of the Borrower or any Wholly Owned Subsidiary Guarantor; and

(j) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed $25,000,000 at any one time outstanding.

7.3. Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of Holdings or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the Restatement Effective Date listed on Schedule 7.3(f), securing Indebtedness permitted by Section 7.2(d), provided that no such Lien is spread to cover any additional property after the Restatement Effective Date (other than "products" and "proceeds" thereof, as each such term is defined in the Uniform Commercial Code of the State of New York) and that the amount of Indebtedness secured thereby is not increased;

(g) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 7.2(e) to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness (including the "products" and "proceeds" thereof, as each such

term is defined in the Uniform Commercial Code of the State of New York) and (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens created pursuant to the Security Documents;

(i) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) Liens securing Assumed Indebtedness, provided that such Liens (i) were not incurred in contemplation of the Permitted Acquisition consummated in conjunction with the assumption of such Assumed Indebtedness and (ii) do not encumber any property other than the property acquired pursuant to such acquisition; and

(k) Liens not otherwise permitted by this Section so long as neither (i) the aggregate outstanding principal amount of the obligations secured thereby nor (ii) the aggregate fair market value (determined as of the date such Lien is incurred) of the assets subject thereto exceeds (as to Holdings and all Subsidiaries) $10,000,000 at any one time.

7.4. Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of, all or substantially all of its property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that the Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation);

(b) any Subsidiary of Holdings may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Wholly Owned Subsidiary Guarantor; and

(c) any Permitted Acquisition may be structured as a merger with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that such Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation).

7.5. Disposition of Property. Dispose of any of its property, whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) Dispositions permitted by Section 7.4(b);

(d) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Wholly Owned Subsidiary Guarantor;

(e) the Disposition of other property having a fair market value not to exceed $20,000,000 for any fiscal year of the Reporting Entity; provided, that the requirements of Section 2.11(c) are complied with in connection therewith; and

(f) Dispositions referred to in Sections 7.8(f), (g) and (h);

(g) Dispositions to or by the Litigation Subsidiary or the Insurance Subsidiary of Capital Stock of Holdings;

(h) Dispositions to or by the Litigation Subsidiary or the Insurance Subsidiary of Indebtedness described in Section 7.2(b) to the Borrower or any Wholly Owned Subsidiary Guarantor; and

(i) Dispositions by Borrower to the Litigation Subsidiary of cash in an amount not to exceed the amount necessary to pay litigation claims settled and final judgments settled in the ordinary course of business and fees and expenses incurred in connection therewith.

7.6. Restricted Payments. Declare or pay any dividend (other than dividends payable solely in (i) common stock of the Person making such dividend or (ii) the same class of Capital Stock of the Person making such dividend on which such dividend is being declared or paid) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of Holdings or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of Holdings or any Subsidiary (collectively, "Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to Holdings, the Borrower or any Wholly Owned Subsidiary Guarantor;

(b) so long as no Default or Event of Default shall have occurred and be continuing, Holdings may purchase Holdings' common stock or common stock options, provided, that the aggregate amount of payments under this paragraph (b) after the Restatement Effective Date shall not exceed $1,000,000;

(c) so long as no Default or Event of Default shall have occurred and be continuing, Holdings may declare and pay dividends on the Preferred Stock on and after August 5, 2003; and

(d) in addition, so long as (i) no Default or Event of Default shall have occurred and be continuing and (ii) after giving effect thereto, the Consolidated Leverage Ratio does not exceed 2.50 to 1.0, (x) Holdings may pay dividends on its Capital Stock or repurchase Holdings' Capital Stock or the Insurance Subsidiary may repurchase Holdings' Capital Stock (collectively, "Stock Payments") so long as the aggregate amount so expended pursuant to this clause (x), when added to the aggregate amount expended to repurchase Senior Subordinated Notes pursuant to clause (x) of Section 7.9(a), does not exceed $130,000,000, and (y) in addition, Holdings may make Stock Payments so long as (I) such payments are made after the basket set forth in clause (x) above has been fully utilized and (II) the aggregate amount so expended pursuant to this clause (y), when added to the aggregate amount expended to repurchase Senior Subordinated Notes pursuant to clause (y) of Section 7.9(a), does not exceed 25% of the Consolidated Net Income Amount.

7.7. Capital Expenditures. (a) Make or commit to make any Capital Expenditure (Maintenance), except (i) Capital Expenditures (Maintenance) of the Borrower and its Subsidiaries not exceeding $50,000,000 in the aggregate during each fiscal year; provided, that (A) up to $10,000,000 of any such amount, if not so expended in the fiscal year for which it is permitted, may be carried over for expenditure in the next succeeding fiscal year and (B) Capital Expenditures (Maintenance) made pursuant to this clause (i) during any fiscal year shall be deemed made, first, in respect of amounts permitted for such fiscal year as provided in clauses (x) and (y) above and, second, in respect of amounts carried over from the prior fiscal year pursuant to subclause (A) above and (ii) Capital Expenditures (Maintenance) made with the proceeds of any Reinvestment Deferred Amount.

(b) Make or commit to make any Capital Expenditure (Expansion), except (i) Capital Expenditures (Expansion) of the Borrower and its Subsidiaries not exceeding in the aggregate for any fiscal year $25,000,000; provided, that (A) up to $10,000,000 of such amount, if not so expended in the fiscal year for which it is permitted, may be carried over for expenditure in the next succeeding fiscal year and (B) Capital Expenditures (Expansion) made pursuant to this clause (i) during any fiscal year shall be deemed made, first, in respect of the $25,000,000 initially permitted for such fiscal year as provided above and, second, in respect of amounts carried over from the prior fiscal year pursuant to subclause (A) above and (ii) Capital Expenditures (Expansion) made with the proceeds of any Reinvestment Deferred Amount.

7.8. Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any other Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) investments in Cash Equivalents;

(c) Guarantee Obligations permitted by Section 7.2;

(d) loans and advances to employees of Holdings or any Subsidiary of Holdings in the ordinary course of business (including for travel, entertainment and relocation expenses) in an aggregate amount for Holdings and its Subsidiaries not to exceed $5,000,000 at any one time outstanding;

(e) intercompany Investments in the ordinary course of business by the Borrower or any of its Subsidiaries in the Borrower or any Person that, prior to such investment, is a Wholly Owned Subsidiary Guarantor;

(f) Investments made on or about the Restatement Effective Date in the Insurance Subsidiary in an aggregate amount not to exceed $10,000,000;

(g) Investments in the Insurance Subsidiary or the Litigation Subsidiary consisting of the contribution of Capital Stock of Holdings;

(h) in addition to Investments otherwise expressly permitted by this Section, Investments by the Borrower or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed $10,000,000 (net of the amount of any Net Cash Proceeds received by the Borrower and its Subsidiaries in respect of a Disposition of any such Investment; provided, that such

amount shall be calculated from the Closing Date and not exceed the original amount of such Investment) during the term of this Agreement;

(i) additional Investments constituting Permitted Acquisitions; and

(j) Investments in indebtedness described in Section 7.2(b) and in the Borrower and the Wholly Owned Subsidiary Guarantors by the Insurance Subsidiary or the Litigation Subsidiary; provided, that any intercompany Indebtedness owing by any Loan Party to the Insurance Subsidiary or the Litigation Subsidiary shall be subordinated to the obligations of such Loan Party under the Loan Documents in a manner reasonably satisfactory to the Administrative Agent.

7.9. Payments and Modifications of Certain Debt Instruments and Preferred Stock. (a) Make or offer to make any payment, prepayment, repurchase or redemption of or otherwise defease or segregate funds with respect to the Senior Subordinated Notes, other than interest payments expressly required by the terms thereof, provided, that, so long as (i) no Default or Event of Default shall have occurred and be continuing and (ii) after giving effect thereto, the Consolidated Leverage Ratio does not exceed 2.50 to 1.0, (x) the Borrower may repurchase Senior Subordinated Notes so long as the aggregate amount so expended pursuant to this clause (x), when added to the aggregate amount expended to make Stock Payments pursuant to clause (x) of Section 7.6(d), does not exceed $130,000,000, and (y) in addition, the Borrower may repurchase Senior Subordinated Notes so long as (I) such repurchase is made after the basket set forth in clause (x) above has been fully utilized and (II) the aggregate amount so expended pursuant to this clause (y), when added to the aggregate amount expended to make Stock Payments pursuant to clause (y) of Section 7.6(d), does not exceed 25% of the Consolidated Net Income Amount, (b) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Senior Subordinated Notes (other than any such amendment, modification, waiver or other change that (i) would extend the maturity or reduce the amount of any payment of principal thereof or reduce the rate or extend any date for payment of interest thereon and (ii) does not involve the payment of a consent fee) (it being understood that amendments designed to permit an additional issuance of Senior Subordinated Notes incurred in accordance with Section 7.2(f) shall not be restricted by this clause (b)), (c) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Preferred Stock if the effect thereof is to bring forward the scheduled redemption date or increase the amount of any scheduled redemption payment or increase the rate or bring forward any date for payment of dividends thereon or (d) designate any Indebtedness (other than obligations of the Loan Parties pursuant to the Loan Documents) as "Designated Senior Indebtedness" for the purposes of the Senior Subordinated Note Indenture.

7.10. Transactions with Affiliates. Enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Wholly Owned Subsidiary Guarantor) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of Holdings or such Subsidiary, as the case may be, and (c) upon fair and reasonable terms no less favorable to Holdings or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.

7.11. Sales/Leaseback Transactions. Enter into any Sale/Leaseback Transaction, except for any Sale/Leaseback Transaction with respect to the Acquired Vehicles pursuant to which such Acquired Vehicles are leased under an operating lease.

7.12. Changes in Fiscal Periods. Permit the fiscal year of Holdings to end on a day other than December 31 or change Holdings' method of determining fiscal quarters.

7.13. Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of Holdings or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, other than (a) this Agreement and the other Loan Documents and (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby).

7.14. Clauses Restricting Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of the Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) restrictions in effect on the Restatement Effective Date and listed on Schedule 7.14, (iii) in the case of clause (c) above, customary non-assignment clauses in leases and other contracts entered into in the ordinary course of business and (iv) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

7.15. Lines of Business. (a) In the case of the Borrower and its Subsidiaries (other than the Insurance Subsidiary and the Litigation Subsidiary), enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower and its Subsidiaries are engaged on the Restatement Effective Date or that are reasonably related or incidental thereto.

(b) In the case of the Insurance Subsidiary, enter into any business, except for providing insurance services to Holdings and its Subsidiaries and activities reasonably related thereto.

(c) In the case of the Litigation Subsidiary, enter into any business, except for holding assets to provide for settlement of litigation claims and final judgments in the ordinary course of business and activities reasonably related thereto.

SECTION 8. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any

such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or

(c) any Loan Party shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 6.4(a) (with respect to the Borrower only), Section 6.7(a) or Section 7 of this Agreement or Section 5.7(b) of the Guarantee and Collateral Agreement; or

(d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after notice to the Borrower from the Administrative Agent or the Required Lenders; or

(e) Holdings or any of its Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including any Guarantee Obligation, but excluding the Loans) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $10,000,000; or

(f) (i) Holdings or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Holdings or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Holdings or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against Holdings or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) Holdings or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Holdings or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any Person shall engage in any non-exempt "prohibited transaction" (as defined in Section 406 and 408 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of Holdings or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence under Title IV of ERISA to have a trustee appointed, or a trustee shall be appointed under Title IV of ERISA, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate in a "distress termination" or an "involuntary termination", as such terms are defined in Title IV of ERISA, (v) Holdings or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) one or more judgments or decrees shall be entered against Holdings or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $10,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(j) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason (other than, with respect to the guarantee of a Subsidiary, (i) as a result of a merger of such Subsidiary into the Borrower in accordance with the terms of this Agreement or (ii) as a result of a release pursuant to Section 8.15(b) of the Guarantee and Collateral Agreement), to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding the Permitted Investors, shall at any time become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d) 3 and 13(d) 5 under the Exchange Act), directly or indirectly, of a percentage equal to 33 1/3% or more of the Voting Stock of the Borrower; (ii) the board of directors of the Borrower shall cease to consist of a majority of Continuing Directors; or (iii) a Specified Change of Control shall occur; or

(l) Holdings shall (i) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of the Borrower and the Insurance Subsidiary, (ii) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (v) Guarantee Obligations in respect of (A) obligations described in Section 7.2(i) and (B) workers' compensation obligations of the Borrower and its Subsidiaries, (w) obligations

described in Section 7.2(f)(i), (x) nonconsensual obligations imposed by operation of law, (y) obligations pursuant to the Loan Documents to which it is a party and (z) obligations with respect to its Capital Stock, or (iii) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends made by the Borrower in accordance with Section 7.6 pending application in the manner contemplated by said Section) and cash equivalents) other than the ownership of shares of Capital Stock of the Borrower and the Insurance Subsidiary; provided however, Holdings shall be permitted to engage in any business or operations, incur obligations or liabilities or own assets (including without limitation, maintain director and officer insurance coverage and funds necessary for the payment of taxes and other expenses incurred in the ordinary course of business) to the extent reasonably necessary to operate as a holding company; or

(m) the Senior Subordinated Notes or the guarantees thereof shall cease, for any reason, to be validly subordinated to the Obligations or the obligations of the Subsidiary Guarantors under the Guarantee and Collateral Agreement, as the case may be, as provided in the Senior Subordinated Note Indenture, or any Loan Party, any Affiliate of any Loan Party, the trustee in respect of the Senior Subordinated Notes or the holders of at least 25% in aggregate principal amount of the Senior Subordinated Notes shall so assert;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Revolving Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of LC Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Commitments to be terminated forthwith, whereupon the Revolving Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of LC Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit (except, in the case of Tranche D Letters of Credit, to the extent of the Tranche D Credit-Linked Deposit). Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto). Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind (other than notices expressly required pursuant to this Agreement and any other Loan Document) are hereby expressly waived by the Borrower.

SECTION 9. THE AGENTS

9.1. Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

9.2. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3. Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

9.4. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this

Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender, the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6. Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereinafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its extensions of credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7. Indemnification. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Revolving Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Revolving Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a

final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8. Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent was not an Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

9.9. Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

9.10. Authorization to Release Guarantees and Liens. Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each of the Lenders (without requirement of notice to or consent of any Lender except as expressly required by Section 10.1) to take any action requested by the Borrower having the effect of releasing any Collateral or guarantee obligations to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 10.1.

9.11. Documentation Agent and Syndication Agent. Neither the Documentation Agent nor the Syndication Agent shall have any duties or responsibilities hereunder in its capacity as such.

SECTION 10. MISCELLANEOUS

10.1. Amendments and Waivers. Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written

amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, increase the amount or extend the expiration date of any Lender's Revolving Commitment or increase any Lender's obligation to make a Tranche D Credit-Linked Deposit, in each case without the consent of each Lender directly affected thereby; (ii) amend, modify or waive any provision of this Section 10.1 or reduce any percentage specified in the definition of Required Lenders or Required Prepayment Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Subsidiary Guarantors from their obligations under the Guarantee and Collateral Agreement, in each case without the written consent of all Lenders; (iii) reduce the percentage specified in the definition of Majority Facility Lenders with respect to any Facility without the written consent of all Lenders under such Facility; (iv) amend, modify or waive any provision of Section 9 without the written consent of the Administrative Agent; (v) amend, modify or waive any provision of Section 2.3 or 2.6 without the written consent of the Swingline Lender; or (vi) amend, modify or waive any provision of Section 3 without the written consent of the Issuing Lender. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

10.2. Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of Holdings, the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

Holdings:	Rent-A-Center, Inc. 5700 Tennyson Parkway Third Floor Plano, Texas 75024 Attention: Robert D. Davis Telecopy: (972) 943-0113 Telephone: (972) 801-1200
The Borrower:	Rent-A-Center East, Inc. 5700 Tennyson Parkway Third Floor Plano, Texas 75024 Attention: Robert D. Davis Telecopy: (972) 943-0113 Telephone: (972) 801-1200

with a copy to: Winstead Sechrest & Minick P.C.
1201 Elm Street
5400 Renaissance Tower
Dallas, Texas 75270
Attention: Thomas W. Hughes
Telecopy: (214) 745-5390
Telephone: (214) 745-5201

The Administrative Agent: JPMorgan Chase Bank
One Chase Manhattan Plaza, 8th Floor
New York, New York 10081
Attention: Agency Services,
Janet Belden
Telecopy: (212) 552-5658
Telephone: (212) 552-7277

with copies (in the case of matters relating to Letters of Credit) to:

JPMorgan Chase Bank Delaware
1201 Market Street, 8th Floor
Wilmington, Delaware 19801
Attention: Letter of Credit Department,
Michael Handago
Telecopy: (302) 428-3390 / 984-4904
Telephone: (302) 428-3311

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

10.3. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4. Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5. Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby,

including the reasonable fees and disbursements of counsel to the Administrative Agent and filing and recording fees and expenses, in each case from time to time on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate, (b) to pay or reimburse each Lender and the Administrative Agent (in the case of each Lender, after the occurrence and during the continuance of an Event of Default) for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel (but not both outside and in-house counsel)) to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective officers, directors, trustees, employees, affiliates, agents and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of Holdings or any of its Subsidiaries or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against any Loan Party under any Loan Document (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities arise from the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, each of Holdings and the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to so waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 10.5 shall be payable not later than 10 Business Days after written demand therefor. Statements payable by the Borrower pursuant to this Section 10.5 shall be submitted to Robert D. Davis (Telephone No. 972-801-1204) (Telecopy No. 972-943-0113), at the address of the Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section 10.5 shall survive repayment of the Loans and all other amounts payable hereunder.

10.6. Successors and Assigns; Participations and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of Holdings, the Borrower, the Lenders, the Administrative Agent, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant") participating interests in any Loan owing to such Lender, any Revolving Commitment of such Lender, any Tranche D Credit-Linked Deposit of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties

to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and Holdings, the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Loans or any fees payable hereunder, or postpone the date of the final maturity of the Loans, in each case to the extent subject to such participation. The Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.18, 2.19 and 2.20 with respect to its participation in the Revolving Commitments and the Loans outstanding from time to time as if it was a Lender; provided that, in the case of Section 2.19, such Participant shall have complied with the requirements of said Section and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "Assignor") may, in accordance with applicable law, at any time and from time to time assign to any Lender, any affiliate thereof or an Approved Fund or, with the consent of the Borrower and the Administrative Agent (which, in each case, shall not be unreasonably withheld or delayed), to an additional bank, financial institution or other entity (an "Assignee") all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Acceptance, executed by such Assignee, such Assignor and any other Person whose consent is required pursuant to this paragraph, and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that no such assignment to an Assignee (other than any Lender, any affiliate thereof or an Approved Fund) shall be in an aggregate principal amount of less than $5,000,000 (or, in the case of the Term Loans, any unreimbursed Tranche D LC Reimbursement Amount or the Tranche D Credit-Linked Deposit, $1,000,000), in each case other than in the case of an assignment of all of a Lender's interests under this Agreement, unless otherwise agreed by the Borrower and the Administrative Agent. Any such assignment need not be ratable as among the Facilities. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto, provided that such Assignor shall continue to be entitled to the benefits of the indemnity provisions hereunder for the period prior to the assignment). Notwithstanding any provision of this Section 10.6, the consent of the Borrower shall not be required for any assignment that occurs when an Event of Default pursuant to Section 8(f) shall have occurred and be continuing with respect to the Borrower. Unless otherwise agreed by the Administrative Agent, the Tranche D Credit-Linked Deposit funded by any Tranche D LC Lender shall not be released in connection with any assignment of its Tranche D Credit-Linked Deposit, but shall instead be purchased by the relevant

Assignee and continue to be held for application pursuant to Section 3.5 in respect of such Assignee's obligations under the Tranche D Credit-Linked Deposit assigned to it.

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Revolving Commitment of, the principal amount of the Loans owing to, and the Tranche D Credit-Linked Deposit of, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, each other Loan Party, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing the Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide).

(e) Upon its receipt of an Assignment and Acceptance executed by an Assignor, an Assignee and any other Person whose consent is required by Section 10.6(c), together with payment to the Administrative Agent of a registration and processing fee of $3,500 (with only one such fee payable in connection with simultaneous assignments to or by two or more Approved Funds), the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) record the information contained therein in the Register on the effective date determined pursuant thereto; provided, however, that no such fee shall be payable in the case of an assignment by a Lender to an affiliate of such Lender or an Approved Fund with respect to such Lender; and provided, further, that, in the case of contemporaneous assignments by a Lender to more than one fund managed by the same investment advisor (which funds are not then Lenders hereunder), only a single such fee shall be payable for all such contemporaneous assignments.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section 10.6 concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(g) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (f) above.

10.7. Adjustments; Setoff. (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders under a particular Facility, if any Lender (a "Benefitted Lender") shall, at any time after the Loans and other amounts payable hereunder shall immediately become due and payable pursuant to Section 8, receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by setoff, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.8. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10. Integration. This Agreement and the other Loan Documents represent the agreement of Holdings, the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12. Submission To Jurisdiction; Waivers. Each of Holdings and the Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13. Acknowledgements. Each of Holdings and the Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to Holdings or the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and Holdings and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among Holdings and the Borrower and the Lenders.

10.14. Confidentiality. Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it by any Loan Party pursuant to this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate or Approved Fund of any Lender, (b) to any Transferee or prospective Transferee that agrees to comply with the provisions of this Section, (c) to its employees, directors, trustees, agents, attorneys, accountants, investment advisors and other professional advisors or those of any of its affiliates, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, provided that in the case of any such request or requirement, the Administrative Agent or Lender (as applicable) so requested or required to make such disclosure shall as soon as practicable notify the Borrower thereof, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

10.15. WAIVERS OF JURY TRIAL. HOLDINGS, THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

RENT-A-CENTER, INC.

By: /s/ Mark E. Speese

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

RENT-A-CENTER EAST, INC.

By: /s/ Mark E. Speese

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

JPMORGAN CHASE BANK, as Administrative Agent

By: /s/ Allen K. King

Name: Allen K. King
Title: Vice President

EXHIBIT 10.3

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GUARANTEE AND COLLATERAL AGREEMENT

made by

RENT-A-CENTER, INC.

RENT-A-CENTER EAST, INC.

and certain of its Subsidiaries

in favor of

JPMORGAN CHASE BANK,
as Administrative Agent

Dated as of August 5, 1998,

As Amended and Restated as of December 31, 2002

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SCHEDULES

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GUARANTEE AND COLLATERAL AGREEMENT, dated as of August 5, 1998, as amended and restated as of December 31, 2002, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in favor of JPMORGAN CHASE BANK, as Administrative Agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions (the "Lenders") from time to time parties to the Credit Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002 (as amended, waived, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Rent-A-Center, Inc. ("Holdings"), Rent-A-Center East, Inc., Inc. (the "Borrower"), the Lenders, the Documentation Agent and Syndication Agent named therein and the Administrative Agent.

WITNESSETH:

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower is a member of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrower to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Administrative Agent for the ratable benefit of the Lenders;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of the Lenders, as follows:

SECTION 1. DEFINED TERMS

1.1. Definitions. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, and the following terms are used herein as defined in the New York UCC: Accounts, Certificated Security, Chattel Paper, Documents, Equipment, Farm Products, General Intangibles, Instruments and Inventory.

(b) The following terms shall have the following meanings:

"Agreement": this Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrower Obligations": the collective reference to the unpaid principal of and interest on the Loans and Reimbursement Obligations and all other obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in

the Credit Agreement after the maturity of the Loans and Reimbursement Obligations and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender (or, in the case of any Lender Hedge Agreement, any Affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, this Agreement, the other Loan Documents, any Letter of Credit, any Lender Hedge Agreement or any other document made, delivered or given in connection with any of the foregoing, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Collateral": as defined in Section 3.

"Collateral Account": any collateral account established by the Administrative Agent as provided in Section 6.1 or 6.4.

"Contracts": the contracts and agreements listed in Schedule 7, as the same may be amended, supplemented or otherwise modified from time to time, including, without limitation, (i) all rights of any Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of any Grantor to damages arising thereunder and (iii) all rights of any Grantor to perform and to exercise all remedies thereunder.

"Copyrights": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed in Schedule 6), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"Copyright Licenses": any written agreement naming any Grantor as licensor or licensee (including, without limitation, those listed in Schedule 6), granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"Deposit Account": as defined in the Uniform Commercial Code of any applicable jurisdiction and, in any event, including, without limitation, any demand, time, savings, passbook or like account maintained with a depositary institution.

"Foreign Subsidiary": any Subsidiary organized under the laws of any jurisdiction outside the United States of America.

"Foreign Subsidiary Voting Stock": the voting Capital Stock of any Foreign Subsidiary.

"Guarantor Obligations": with respect to any Guarantor, all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement (including, without limitation, Section 2) or any other Loan Document to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities,

costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Loan Document).

"Guarantors": the collective reference to each Grantor other than the Borrower.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Intercompany Note": any promissory note evidencing loans made by any Grantor to Holdings or any of its Subsidiaries.

"Investment Property": the collective reference to (i) all "investment property" as such term is defined in Section 9-115 of the New York UCC (other than any Foreign Subsidiary Voting Stock excluded from the definition of "Pledged Stock") and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Stock.

"Issuers": the collective reference to each issuer of any Investment Property.

"Lender Hedge Agreements": all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrower with any Lender (or any Affiliate of any Lender) providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies, for the purposes set forth in Section 6.9 of the Credit Agreement.

"New York UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Obligations": (i) in the case of the Borrower, the Borrower Obligations, and (ii) in the case of each Guarantor, its Guarantor Obligations.

"Patents": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith, including, without limitation, any of the foregoing referred to in Schedule 6, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule 6, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"Patent License": all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule 6.

"Pledged Notes": all promissory notes listed on Schedule 2, all Intercompany Notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor (other than promissory notes issued in connection with extensions of trade credit by any Grantor in the ordinary course of business).

"Pledged Stock": the shares of Capital Stock listed on Schedule 2, together with any other shares, stock certificates, options, interests or rights of any nature whatsoever in respect of the Capital Stock of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect; provided that in no event shall more than 66% of the total outstanding Foreign Subsidiary Voting Stock of any Foreign Subsidiary be required to be pledged hereunder.

"Proceeds": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"Receivable": any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"Securities Act": the Securities Act of 1933, as amended.

"Specified Collateral": all Collateral other than Collateral referred to in Section 3(l) and the Proceeds and products thereof.

"Trademarks": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule 6, and (ii) the right to obtain all renewals thereof.

"Trademark License": any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule 6.

1.2. Other Definitional Provisions. (a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

SECTION 2. GUARANTEE

2.1. Guarantee. (a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Administrative Agent, for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by payment in full, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Borrower Obligations.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated.

2.2. Right of Contribution. Each Subsidiary Guarantor hereby agrees that to the extent that a Subsidiary Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against any other Subsidiary Guarantor hereunder which has not paid its proportionate share of such payment. Each Subsidiary Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Subsidiary Guarantor to the Administrative Agent and the Lenders, and each Subsidiary Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Subsidiary Guarantor hereunder.

2.3. No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the

Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4. Amendments, etc. with respect to the Borrower Obligations. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5. Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge

of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6. Reinstatement. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7. Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in Dollars at the office of the Administrative Agent located at 270 Park Avenue, New York, New York 10017.

SECTION 3. GRANT OF SECURITY INTEREST

Each Grantor hereby collaterally assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Lenders, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations:

(a) all Accounts;

(b) all Chattel Paper;

(c) all Contracts;

(d) all Deposit Accounts;

(e) all Documents;

(f) all Equipment;

(g) all General Intangibles;

(h) all Instruments;

(i) all Intellectual Property;

(j) all Inventory;

(k) all Investment Property;

(l) all other property not otherwise described above;

(m) all books and records pertaining to the Collateral; and

(n) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each Lender that:

4.1. Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Lenders pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Credit Agreement, such Grantor owns each item of the Specified Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Specified Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Lenders, pursuant to this Agreement or as are permitted by the Credit Agreement.

4.2. Perfected First Priority Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 3 (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Administrative Agent in completed and duly executed form) will constitute valid perfected security interests in all of the Specified Collateral (other than Deposit Accounts and the Proceeds thereof) in favor of the Administrative Agent, for the ratable benefit of the Lenders, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Specified Collateral (other than Deposit Accounts and the Proceeds thereof) from such Grantor and (b) are prior to all other Liens on the Specified Collateral (other than Deposit Accounts and the Proceeds thereof) in existence on the date hereof except for unrecorded Liens permitted by the Credit Agreement which have priority over the Liens on such Specified Collateral by operation of law.

4.3. Chief Executive Office. On the date hereof, such Grantor's jurisdiction of organization and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4.

4.4. Inventory and Equipment. On the date hereof, the Inventory and the Equipment (other than mobile goods) are kept at the locations listed on Schedule 5.

4.5. Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

4.6. Investment Property. (a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer owned by such Grantor or, in the case of Foreign Subsidiary Voting Stock, if less, 66% of the outstanding Foreign Subsidiary Voting Stock of each relevant Issuer.

(b) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(d) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement and any Liens in favor of a "securities intermediary" pursuant to and as defined in Article 8 of the New York UCC.

4.7. Receivables. (a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent.

(b) None of the obligors on any Receivables is a Governmental Authority.

(c) The amounts represented by such Grantor to the Lenders from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate.

4.8. Contracts. (a) No consent of any party (other than such Grantor) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Agreement.

(b) Each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(c) No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or

enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature.

(d) Neither such Grantor nor (to the best of such Grantor's knowledge) any of the other parties to the Contracts is in default in the performance or observance of any of the terms thereof in any manner that, in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(e) The right, title and interest of such Grantor in, to and under the Contracts are not subject to any defenses, offsets, counterclaims or claims that, in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(f) Such Grantor has delivered to the Administrative Agent a complete and correct copy of each Contract, including all amendments, supplements and other modifications thereto.

(g) No amount payable to such Grantor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent.

(h) None of the parties to any Contract is a Governmental Authority.

4.9. Intellectual Property. (a) Schedule 6 lists all Intellectual Property owned by such Grantor in its own name on the date hereof.

(b) On the date hereof, all material Intellectual Property is valid, subsisting, unexpired and enforceable, has not been abandoned and does not materially infringe the intellectual property rights of any other Person.

(c) Except as set forth in Schedule 6, on the date hereof, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or such Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a Material Adverse Effect.

(e) No action or proceeding is pending, or, to the knowledge of such Grantor, threatened, on the date hereof (i) seeking to limit, cancel or question the validity of any material Intellectual Property or such Grantor's ownership interest therein, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Intellectual Property.

SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the Lenders that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit shall be outstanding and the Commitments shall have terminated:

5.1. Delivery of Instruments, Certificated Securities and Chattel Paper. If any material amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be immediately delivered to the Administrative

Agent, duly indorsed in a manner satisfactory to the Administrative Agent, to be held as Collateral pursuant to this Agreement.

5.2. Maintenance of Insurance. (a) Such Grantor will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory and Equipment against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Administrative Agent and (ii) insuring such Grantor and, to the extent requested by the Administrative Agent, the Administrative Agent and the Lenders, against liability for personal injury and property damage relating to such Inventory and Equipment, such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the Administrative Agent and the Lenders.

(b) All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Administrative Agent of written notice thereof, (ii) name the Administrative Agent as insured party or loss payee and (iii) be reasonably satisfactory in all other respects to the Administrative Agent.

(c) The Borrower shall deliver annually to the Administrative Agent and the Lenders a certificate of a reputable insurance broker with respect to such insurance as promptly as practicable upon receipt thereof from such insurance broker and such supplemental reports with respect thereto as the Administrative Agent may from time to time reasonably request.

5.3. Payment of Obligations. Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all material taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all material claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any material interest in the Collateral.

5.4. Maintenance of Perfected Security Interest; Further Documentation. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.2 and shall defend such security interest against the claims and demands of all Persons whomsoever.

(b) Such Grantor will furnish to the Administrative Agent from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect

in any jurisdiction with respect to the security interests created hereby, (ii) in the case of Investment Property (other than the Investment Property purchased with the amounts referred to in clause (b) of the definition of "Funded Debt" contained in Section 1.1 of the Credit Agreement) and any other relevant Collateral, taking any actions necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto and (iii) in the case of Deposit Accounts, taking any actions necessary to enable the Administrative Agent to obtain a perfected security interest in Deposit Accounts.

5.5. Changes in Locations, Name, etc.. Such Grantor will not, except upon 15 days' prior written notice to the Administrative Agent and delivery to the Administrative Agent of (a) all additional executed financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule 5 showing any additional location at which Inventory or Equipment shall be kept:

(i) change its jurisdiction of organization or the location of its chief executive office or sole place of business or principal residence from that referred to in Section 4.3; or

(ii) change its name.

5.6. Notices. Such Grantor will advise the Administrative Agent promptly, in reasonable detail, of:

(a) any Lien (other than security interests created hereby or Liens permitted under the Credit Agreement) on any material portion of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder; and

(b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.7. Investment Property. (a) If such Grantor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Administrative Agent and the Lenders, hold the same in trust for the Administrative Agent and the Lenders and deliver the same forthwith to the Administrative Agent in the exact form received, duly indorsed by such Grantor to the Administrative Agent, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the Administrative Agent so requests, signature guaranteed, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall be paid over to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Investment Property or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or

pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Administrative Agent, be delivered to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Investment Property shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Administrative Agent, hold such money or property in trust for the Lenders, segregated from other funds of such Grantor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Administrative Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer of Pledged Stock to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of any Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for the security interests created or permitted by this Agreement or the Credit Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Administrative Agent to sell, assign or transfer any of the Investment Property or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Investment Property issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.7(a) with respect to the Investment Property issued by it and (iii) the terms of Sections 6.3(c) and 6.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Investment Property issued by it.

5.8. Receivables. (a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof.

(b) Such Grantor will deliver to the Administrative Agent a copy of each demand, notice or document received by it that questions or calls into doubt the validity or enforceability of any outstanding Receivables constituting a material portion of the Collateral.

5.9. Contracts. (a) Such Grantor will perform and comply in all material respects with all its obligations under the Contracts.

(b) Such Grantor will not amend, modify, terminate or waive any provision of any Contract in any manner which could reasonably be expected to materially adversely affect the value of such Contract as Collateral.

(c) Such Grantor will exercise promptly and diligently each and every material right which it may have under each Contract (other than any right of termination).

(d) Such Grantor will deliver to the Administrative Agent a copy of each material demand, notice or document received by it relating in any way to any Contract that questions the validity or enforceability of such Contract.

5.10. Intellectual Property. (a) Such Grantor (either itself or through licensees) will (i) continue to use each material Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Administrative Agent, for the ratable benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (i) will employ each material Copyright and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the Administrative Agent as promptly as practicable if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Administrative Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Administrative Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the Administrative Agent after it learns thereof and take such actions as are reasonably appropriate under the circumstances, including, as appropriate, to sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

SECTION 6. REMEDIAL PROVISIONS

6.1. Certain Matters Relating to Receivables. (a) The Administrative Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Administrative Agent may require in connection with such test verifications. After an Event of Default shall have occurred and be continuing, at any time and from time to time, upon the Administrative Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables.

(b) At any time after the occurrence and during the continuance of an Event of Default, the Administrative Agent may curtail or terminate the authority of each Grantor to collect such Grantor's Receivables. If required by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Administrative Agent if required, in a Collateral Account maintained under the sole dominion and control of the Administrative Agent, subject to withdrawal by the Administrative Agent for the account of the Lenders only as provided in Section 6.5, and (ii) until so turned over, shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At the Administrative Agent's request, at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Administrative Agent (to the extent such Grantor has possession thereof) all documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including, without limitation, all original orders, invoices and shipping receipts.

6.2. Communications with Obligors; Grantors Remain Liable. (a) The Administrative Agent in its own name or in the name of others may at any time during reasonable business hours after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with

them to the Administrative Agent's satisfaction the existence, amount and terms of any Receivables or Contracts.

(b) Upon the request of the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts have been collaterally assigned to the Administrative Agent for the ratable benefit of the Lenders and that payments in respect thereof shall be made directly to the Administrative Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Administrative Agent nor any Lender shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Administrative Agent or any Lender of any payment relating thereto, nor shall the Administrative Agent or any Lender be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

6.3. Pledged Stock. (a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock and all payments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Credit Agreement, and to exercise all voting and corporate rights with respect to the Investment Property; provided, however, that no vote shall be cast or corporate right exercised or other action taken which, in the Administrative Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the Administrative Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Investment Property and make application thereof to the Obligations in such order as the Administrative Agent may determine, and (ii) any or all of the Investment Property shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Investment Property at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Investment Property, and in connection therewith, the right to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability

except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Investment Property pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Administrative Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Investment Property directly to the Administrative Agent.

6.4. Proceeds to be Turned Over To Administrative Agent. In addition to the rights of the Administrative Agent and the Lenders specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Lenders) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5. Application of Proceeds. At such intervals as may be agreed upon by the Borrower and the Administrative Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent may apply all or any part of Proceeds held in any Collateral Account in payment of the then due and owing Obligations in such order as the Administrative Agent may elect, and any part of such funds which the Administrative Agent elects not so to apply and deems not required as collateral security for the Obligations shall be paid over from time to time by the Administrative Agent to the Borrower or to whomsoever may be lawfully entitled to receive the same. Any balance of such Proceeds remaining after the Obligations shall have been paid in full, no Letters of Credit shall be outstanding and the Commitments shall have terminated shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same.

6.6. Code and Other Remedies. If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice expressly required by this Agreement or the other Loan Documents or by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate

and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the then due and owing Obligations, in such order as the Administrative Agent may elect, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.7. Registration Rights. (a) If the Administrative Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 6.6, and if in the opinion of the Administrative Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Administrative Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, provided, that the Administrative Agent shall furnish to the relevant Grantor such information regarding the Administrative Agent as shall be required in connection with such registration and requested by such Grantor in writing, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Administrative Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Administrative Agent shall designate and to make available to its security holders, as soon as

practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 6.7 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to the Administrative Agent and the Lenders, that the Administrative Agent and the Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing under the Credit Agreement.

6.8. Waiver; Deficiency. Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the New York UCC. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1. Administrative Agent's Appointment as Attorney-in-Fact, etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral

and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.6 or 6.7, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (i) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (ii) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (iii) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (iv) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (v) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (vi) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; (vii) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Administrative Agent shall in its sole discretion determine; and (viii) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Lenders' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due ABR Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2. Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Lenders hereunder are solely to protect the Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Lender to exercise any such powers. The Administrative Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7.3. Execution of Financing Statements. Pursuant to Section 9-402 of the New York UCC and any other applicable law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

7.4. Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1. Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 10.1 of the Credit Agreement.

8.2. Notices. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 10.2 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

8.3. No Waiver by Course of Conduct; Cumulative Remedies. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4. Enforcement Expenses; Indemnification. (a) Each Guarantor agrees to pay or reimburse each Lender and the Administrative Agent (in the case of each Lender, after the occurrence and during the continuance of an Event of Default) for all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Guarantor is a party, including, without limitation, the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel (but not both outside and in-house counsel)) to each Lender and of counsel to the Administrative Agent.

(b) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 10.5 of the Credit Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5. Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6. Set-Off. Each Grantor hereby irrevocably authorizes the Administrative Agent and each Lender at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent or such Lender to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Administrative Agent or such Lender may elect, against and on account of the obligations and liabilities of such Grantor to the Administrative Agent or such Lender hereunder and claims of every nature and description of the Administrative Agent or such Lender against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement, any other Loan Document or otherwise, as the Administrative Agent or such Lender may elect, whether or not the Administrative Agent or any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Administrative Agent and each Lender shall notify such Grantor promptly of any such set-off and the application made by the Administrative Agent or such Lender of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Administrative Agent and each Lender under this Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Administrative Agent or such Lender may have.

8.7. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9. Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10. Integration. This Agreement and the other Loan Documents represent the agreement of the Grantors, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

8.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12. Submission To Jurisdiction; Waivers. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13. Acknowledgements. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Grantors and the Lenders.

8.14. Additional Grantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 6.10 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.15. Releases. (a) At such time as the Loans, the Reimbursement Obligations and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of the Borrower, a Subsidiary Guarantor shall be released from its obligations hereunder in the event that all the Capital Stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the Borrower shall have delivered to the Administrative Agent, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant Subsidiary Guarantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

8.16 WAIVER OF JURY TRIAL. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

RENT-A-CENTER, INC.

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: Chairman of the Board and Chief Executive Officer

RENT-A-CENTER EAST, INC.

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: Chairman of the Board and Chief Executive Officer

COLORTYME, INC.

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: Vice President

RENT-A-CENTER WEST, INC.

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: President

REMCO AMERICA, INC.

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: President

GET IT NOW, LLC

By: /s/ Mark E. Speese
Name: Mark E. Speese
Title: President

RENT-A-CENTER TEXAS, L.P.

By: /s/ Mark E. Speese

Name: Mark E. Speese

Title: Chairman of the Board and

Chief Executive Officer

RENT-A-CENTER TEXAS, L.L.C.

By: /s/ James Ashworth

Name: James Ashworth

Title: President

THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT OF RENT-A-CENTER, INC.

THIS THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (the "AGREEMENT"), is effective as of the 31st day of December, 2002, and is entered into by and among (i) each of Apollo Investment Fund IV, L.P., a Delaware limited partnership, and Apollo Overseas Partners IV, L.P., an exempted limited partnership registered in the Cayman Islands acting through its general partner (individually and collectively with their Permitted Transferees (defined below), "APOLLO"), (ii) Mark E. Speese, an individual ("SPEESE"), (iii) Rent-A-Center, Inc., a Delaware corporation (formerly known as Rent-A-Center Holdings, Inc., the "COMPANY"), (iv) each Person (defined below) named in Exhibit A attached hereto (the "SPEESE OTHER PARTIES" and together with Speese, the "SPEESE GROUP"), and (v) each other Person who becomes a party to the Agreement in accordance with the terms hereof (all of the foregoing, collectively, the "PARTIES"). Terms with initial capital letters used but not otherwise defined herein shall have the meanings given in Section 1.1.

WITNESSETH

WHEREAS, the Parties (other than the Company) and Rent-A-Center East, Inc., a Delaware corporation (formerly known as Rent-A-Center, Inc., the "ORIGINAL COMPANY") are parties to that certain Second Amended and Restated Stockholders Agreement dated as of August 5, 2002 (the "2002 AGREEMENT"), that amended and restated that certain Amended and Restated Stockholders Agreement, dated as of October 8, 2001 (the "2001 AGREEMENT"), that amended and restated that certain Stockholders Agreement dated as of August 5, 1998 (the "ORIGINAL AGREEMENT");

WHEREAS, as a result of the merger of the Original Company into a wholly-owned subsidiary of the Company (the "MERGER"), the shares of stock held by the stockholders of the Original Company have been converted into shares of stock of the Company (the "CONVERSION");

WHEREAS, the Parties and the Original Company desire to amend and restate the 2002 Agreement to reflect the agreement of the Parties and the Original Company to, among other things, reflect the removal of the Original Company as a party and the addition of the Company as a party as a result of and in connection with the Merger and the Conversion;

WHEREAS, the authorized capital stock of the Company consists of 125,000,000 shares of common stock, $.01 par value (the "COMMON STOCK") and 5,000,000 shares of preferred stock, $.01 par value (the "PREFERRED STOCK"), of which 400,000 shares are designated Series A Preferred Stock, $.01 par value (the "SERIES A PREFERRED STOCK"), and (ii) as of December 27, 2002, the issued and outstanding capital stock of the Company consists of approximately 34,927,718 shares of Common Stock and two shares of Series A Preferred Stock, with as of December 31, 2002, approximately 5,317,616 shares of Common Stock reserved for issuance upon the exercise of certain stock options and upon conversion of the Series A Preferred Stock;

WHEREAS, as of December 31, 2002 (i) Apollo beneficially owns two shares of Series A Preferred Stock and 7,001,903 shares of Common Stock, and (ii) the Speese Group collectively owns 1,176,832 shares of Common Stock;

WHEREAS, the Parties desire to restrict the Transfer of the Shares, including both issued and outstanding Shares as well as Shares that may be issued or otherwise acquired hereafter, to

provide for certain rights and obligations in respect to the Shares and the Company as hereinafter provided; and

WHEREAS, the Parties desire that this Agreement become effective immediately.

NOW THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"AFFILIATE" as applied to any specified Person, shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and, in the case of a Person who is an individual, shall include (i) members of such specified Person's immediate family (as defined in Instruction 2 of Item 404(a) of Regulation S-K under the Securities Act) and (ii) trusts, the trustee and all beneficiaries of which are such specified Person or members of such Person's immediate family as determined in accordance with the foregoing clause (i). For the purposes of this definition, control when used with respect to any Person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing. Notwithstanding the foregoing, Apollo and its Affiliates shall not be deemed Affiliates of the Company for purposes of this Agreement.

"APOLLO NOMINEES" shall have the meaning set forth in Section 4.1(a).

"BENEFICIAL OWNER" of a security shall mean any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has (i) the power to vote, or to direct the voting of, such security or (ii) the power to dispose, or to direct the disposition of, such security.

"BOARD OF DIRECTORS" shall mean the Board of Directors of the Company.

"BUSINESS DAY" shall mean each day other than Saturdays, Sundays and days when commercial banks are authorized to be closed for business in New York, New York.

"CERTIFICATE OF DESIGNATION" shall mean the Certificate of Designation of the Series A Preferred Stock in the form attached as an exhibit hereto.

"CHARTER DOCUMENTS" shall mean the Certificate of Incorporation and By-Laws of the Company, in the forms attached as exhibits hereto.

"COMMISSION" shall mean the United States Securities and Exchange Commission.

"COMMON STOCK" shall have the meaning set forth in the recitals.

"COMPANY" shall have the meaning set forth in the preamble.

"EFFECTIVE DATE" shall mean as of December 31, 2002.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GROUP MEMBER" shall mean a member of the Speese Group.

"INDEBTEDNESS" shall mean with respect to any person, without duplication, all liabilities of such person (a) for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), (b) evidenced by bonds, notes, debentures or similar instruments or representing the balance deferred and unpaid of the purchase price of any property (other than any such balance that represents an account payable or any other monetary obligation to a trade creditor (whether or not an Affiliate)), or (c) for the payment of money relating to a capitalized lease obligation.

"IRR" shall have the meaning set forth in Section 4.2(b).

"MD&A" shall mean a management's discussion and analysis of the Company's financial condition and results of operation comparable to the discussion that is required to be included in periodic reports filed under the Exchange Act.

"NOTICES" shall have the meaning set forth in Section 6.5.

"ORIGINAL AGREEMENT" shall have the meaning set forth in the recitals.

"PIK SHARES" means any Shares issued in lieu of cash dividends pursuant to the Certificate of Designation.

"PECUNIARY INTEREST" in any security shall mean the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in such security, and shall include securities owned by an individual's spouse or issue or any trust solely for the benefit of such individual, spouse or issue.

"PERMITTED TRANSFEREE" shall mean:

(a) in the case of Apollo (i) any officer, director or partner of, or Person controlling, Apollo, (ii) any other Person that is (x) an Affiliate of the general partners, investment managers or investment advisors of Apollo, (y) an Affiliate of Apollo or a Permitted Transferee of an Affiliate or (z) an investment fund, investment account or investment entity whose investment manager, investment advisor or general partner thereof is Apollo or a Permitted Transferee of Apollo or (iii) if a Permitted Transferee of a Person set forth in the foregoing clauses (i) and (ii) is an individual, (x) any spouse or issue of such individual, or any trust solely for the benefit of such individual, spouse or issue, and (y) upon such individual's death, any Person to whom Shares are transferred in accordance with the laws of descent and/or testamentary distribution, in each case in a bona fide distribution or other transaction not intended to avoid the provisions of this Agreement;

(b) in the case of a Group Member, (i) any Person that is solely controlled by such Group Member, (ii) upon a bona fide liquidation of, or a bona fide withdrawal from,

such Group Member, in each case, not intended to avoid the provisions of this Agreement, the shareholders, partners or principals, as the case may be, of such Group Member, or (iii) if such Group Member is an individual, (x) any spouse or issue of such individual, or any trust or limited partnership solely for the benefit of such individual, spouse or issue, and (y) upon such individual's death, any Person to whom Shares are transferred in accordance with the laws of descent and/or testamentary distribution; and

(c) any Person who is a party to this Agreement.

"PERSON" shall mean an individual or a corporation, limited liability company, partnership, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PREFERRED STOCK" shall have the meaning set forth in the recitals.

"REGISTRATION RIGHTS AGREEMENT" shall mean the Series A Registration Rights Agreement, dated as of August 5, 1998, by and between the Original Company and Apollo, as amended from time to time.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"SERIES A PREFERRED STOCK" shall have the meaning set forth in the recitals.

"SHARES" shall mean, collectively, the Common Stock and the Preferred Stock, whether now owned or acquired after the date hereof. Whenever this Agreement refers to a number or percentage of Shares, such number or percentage shall be calculated as if each of the Shares (including, in the case of Apollo, any PIK Shares) had been exchanged or converted into shares of Common Stock immediately prior to such calculation regardless of the existence of any restrictions on such exchange or conversion.

"SPEESE GROUP" shall have the meaning set forth in the preamble.

"SPEESE INCLUDED SHARES" shall mean those 1,176,832 shares of Common Stock owned by the Speese Group as of October 8, 2001.

"SPEESE OTHER PARTIES" shall have the meaning set forth in the preamble.

"STOCK PURCHASE AGREEMENT" shall mean the Stock Purchase Agreement, dated as of August 5, 1998, between the Original Company and Apollo.

"SUBSIDIARY" shall mean, with respect to any Person, (a) a corporation a majority of whose capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by a Subsidiary of such Person, or by such Person and one or more Subsidiaries of such Person, (b) a partnership in which such Person or a Subsidiary of such Person is, at the date of determination, a general partner of such partnership, or (c) any other Person (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of the directors or other governing body of such Person.

"2001 AGREEMENT" shall have the meaning set forth in the recitals.

"2002 AGREEMENT" shall have the meaning set forth in the recitals.

"TRANSFER" shall mean (i) when used as a noun: any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition and (ii) when used as a verb: to directly or indirectly transfer, sell, assign, pledge, hypothecate, encumber, or otherwise dispose of; provided, however, Transfer shall not include a pledge in connection with a recourse, bona fide loan transaction that is not intended to avoid the provisions of this Agreement.

"TRANSFEREE" shall mean any Person to whom Shares have been Transferred in compliance with the terms of this Agreement.

ARTICLE II

RESTRICTIONS ON TRANSFERS

Section 2.1 Transfers in Accordance with this Agreement. Any attempt to Transfer, or purported Transfer of, any of the Speese Included Shares in violation of the terms of this Agreement shall be null and void and the Company shall not register upon its books, and shall direct its transfer agent not to register on its books any such Transfer. A copy of this Agreement shall be filed with the Secretary of the Company and the Company's transfer agent and kept with the records of the Company.

Section 2.2 Agreement to be Bound.

(a) No party hereto (other than the Company, Apollo and their Permitted Transferees) shall Transfer any Shares except (i) to a Permitted Transferee, or (ii) as specifically provided herein.

(b) No member of the Speese Group or its Permitted Transferees shall Transfer its respective pecuniary interests in any of the Speese Included Shares to any party other than a Permitted Transferee of the Speese Group, except that during any twelve-month period the Speese Group and its Permitted Transferees shall be entitled to Transfer up to 300,000 Shares in aggregate through sales pursuant to Rule 144 under the Securities Act, or otherwise. Notwithstanding the foregoing, in no case shall the Speese Group or its Permitted Transferees (i) Transfer more than 50% of the Speese Included Shares during the one year period commencing on August 5, 2002, or (ii) Transfer any Shares if such Transfer would trigger default or change-in-control provisions under any material debt instrument of the Company.

(c) No Transfer to a Permitted Transferee of Apollo or of any party as provided in the foregoing clauses (a) and (b) of this Section 2.2 shall be permitted unless (i) the certificates representing such Shares issued to the Transferee bear the legend provided in Section 2.3, and (ii) the Transferee (if not already a party hereto) has executed and delivered to each other party hereto, as a condition precedent to such Transfer, an instrument or instruments, reasonably satisfactory to the Company, confirming that the Transferee agrees to be bound by the terms of this Agreement in the same manner as such Transferee's transferor, except as otherwise specifically provided in this Agreement.

Section 2.3 Legend. Apollo and each Group Member hereby agree that each outstanding certificate representing Shares issued to any of them (i) on or after the date of the Original Agreement and prior to the date of the 2001 Agreement shall bear the legend as set forth in Section 2.3 of the Original Agreement, (ii) on or after the date of the 2001 Agreement and prior to the date of the 2002 Agreement shall bear the legend as set forth in Section 2.3 of the 2001 Agreement, (iii) on and after the date of the 2002 Agreement and prior to the Effective Date shall bear the legend as set forth in Section 2.3 therein, and (iv) on or after the Effective Date, or any certificate issued after the Effective Date in exchange for or upon conversion of any similarly legended certificate, shall bear a legend reading substantially as follows:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS, AND MAY BE OFFERED AND SOLD ONLY IF SO REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THE HOLDER OF THESE SHARES MAY BE REQUIRED TO DELIVER TO THE COMPANY, IF THE COMPANY SO REQUESTS, AN OPINION OF COUNSEL (REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY) TO THE EFFECT THAT AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (OR FROM REGISTRATION OR QUALIFICATION UNDER STATE SECURITIES LAWS) IS AVAILABLE WITH RESPECT TO ANY TRANSFER OF THESE SHARES THAT HAS NOT BEEN SO REGISTERED (OR QUALIFIED).
>
> THE SHARES REPRESENTED BY THIS CERTIFICATE ALSO ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AND OBLIGATIONS, TO WHICH ANY TRANSFEREE AGREES BY HIS ACCEPTANCE HEREOF, AS SET FORTH IN THE THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, AS AMENDED FROM TIME TO TIME, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. NO TRANSFER OF SUCH SHARES WILL BE MADE ON THE BOOKS OF THE COMPANY UNLESS ACCOMPANIED BY EVIDENCE OF COMPLIANCE WITH THE TERMS OF SUCH AGREEMENT AND BY AN AGREEMENT OF THE TRANSFEREE TO BE BOUND BY THE RESTRICTIONS SET FORTH IN THE THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, AS AMENDED FROM TIME TO TIME.

ARTICLE III

ADDITIONAL RIGHTS AND OBLIGATIONS OF APOLLO AND THE COMPANY

Section 3.1 Access to Information; Confidentiality. Upon the request of Apollo, the Company shall afford Apollo and its accountants, counsel and other representatives reasonable access to all of the properties, books, contracts, commitments and records (including, but not limited to, tax returns) of the Company and its Subsidiaries that are reasonably requested. Apollo will, and will cause its agents to, conduct any such investigations on reasonable advance notice, during normal business hours, with reasonable numbers of persons and in such a manner as not to interfere unreasonably with the normal operations of the Company and its Subsidiaries.

Except as otherwise required by applicable law, neither the Company nor any of its Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of any customer or other Person, would jeopardize the attorney-client privilege of the Person in possession or control of such information, or would contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date hereof. The Parties will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

Apollo shall, and shall use its best efforts to cause their representatives to, keep confidential all such information to the same extent such information is treated as confidential by the Company, and shall not directly or indirectly use such information for any competitive or other commercial purpose. The obligation to keep such information confidential shall not apply to (i) any information that (x) was already in Apollo's possession prior to the disclosure thereof by the Company (other than through disclosure by any other Person known by Apollo to be subject to a duty of confidentiality), (y) was then generally known to the public, or (z) was disclosed to Apollo by a third party not known by Apollo to be bound by an obligation of confidentiality or (ii) disclosures made as required by law or legal process or to any person exercising regulatory authority over such Apollo or its Affiliates. If in the absence of a protective order or the receipt of a waiver hereunder, Apollo is nonetheless, in the opinion of their counsel, compelled to disclose information concerning the Company to any tribunal or governmental body or agency or else stand liable for contempt or suffer other censure or penalty, Apollo may disclose such information to such tribunal or governmental body or agency without liability hereunder. In addition, in the event that any information disclosed by the Company to Apollo is material nonpublic information, Apollo agrees to comply with its obligations under the applicable Federal and state securities laws with respect thereto, including but not limited to, the laws pertaining to the possession, dissemination and utilization of such material nonpublic information.

Section 3.2 Furnishing of Information. (a) The Company shall deliver to Apollo, as long as Apollo shall own any Shares:

(i) As promptly as practical, but in no event later than 30 days after the end of each calendar month, a copy of the monthly financial reporting package for such month customarily prepared for the Company's Chief Executive Officer.

(ii) As promptly as practical, but in no event later than 60 days after the close of each of its first three quarterly accounting periods during any fiscal year of the Company, the consolidated balance sheet of the Company as at the end of such quarterly period, and the related consolidated statements of operations, stockholders' equity and cash flows for such quarterly period, and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and in each case setting forth comparative figures for the related periods in the prior fiscal year (if such comparative figures are available without unreasonable expense), all of which shall be certified by the chief financial officer of the Company, to have been prepared in accordance with generally accepted accounting principles, subject to year-end audit adjustments, together with an MD&A;

(iii) As promptly as practical, but in no event later than 105 days after the close of each fiscal year of the Company, the consolidated balance sheet of the Company as of the end of such fiscal year and the related consolidated statements of operations, stockholders' equity and cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, and certified by independent certified public accountants of recognized national standing, together with an MD&A; and

(iv) All reports, if any, filed by the Company or any Subsidiary of the Company with the Commission under the Exchange Act, as promptly as practical, but in no event later than 15 days after filing any such reports with the Commission.

(b) The provisions of Sections 3.2(a)(ii) and (iii) above shall be deemed to have been satisfied if the Company delivers the reports timely filed by the Company with the Commission on Form 10-Q or 10-K, as applicable, for such periods promptly, but in no event later than 15 days after filing any such Form with the Commission.

ARTICLE IV

CORPORATE GOVERNANCE AND VOTING

Section 4.1 Board of Directors of the Company.

(a) As of the Effective Date, the number of directors constituting the entire Board of Directors of the Company is seven, but the Board of Directors may increase its size to eight (8). Apollo (or any representative thereof designated by Apollo) shall be entitled, but not required, to nominate up to three (3) members to the Board of Directors (collectively, the "APOLLO NOMINEES") and the Company shall be entitled, but not required, to nominate the remaining members to the Board of Directors. One Apollo Nominee shall be classified as a Class I Director of the Company, one Apollo Nominee shall be classified as a Class II Director of the Company, and one Apollo Nominee shall be classified as a Class III Director of the Company.

(b) The Speese Group shall vote all of the Shares owned or held of record by them at all regular and special meetings of the stockholders of the Company called or held for the purpose of filling positions on the Board of Directors, and in each written consent executed in lieu of such a meeting of stockholders, and, to the extent entitled to vote thereon, each party hereto shall take all actions otherwise necessary to ensure (to the extent within the Parties' collective control) that the Apollo Nominees are elected to the Board of Directors.

(c) The Company and the Speese Group shall use their respective best efforts to call, or cause the appropriate officers and directors of the Company to call, a special meeting of stockholders of the Company, as applicable, and the Speese Group shall vote all of the Shares owned or held of record by them for, or to take all actions by written consent in lieu of any such meeting necessary to cause, the removal (with or without cause) of any Apollo Nominee if Apollo requests such director's removal in writing for any reason. Apollo shall have the right to designate a new nominee in the event any

Apollo Nominee shall be so removed under this Section 4.1(c) or shall vacate his directorship for any reason.

Except as provided in this Section 4.1(c), each Group Member hereto agrees that, at any time that it is then entitled to vote for the election or removal of directors, it will not vote in favor of the removal of Apollo Nominee unless (i) such removal shall be at the request of Apollo or (ii) the right of Apollo to designate such director has terminated in accordance with clause (e) below.

(d) The Company shall not, and shall not permit any of its Subsidiaries to, without the consent of holders of a majority of the Shares held by Apollo, take any action under Section 4.2(b) of this Agreement that requires the approval of the Apollo Nominees, if any of the Apollo Nominees are Persons whose removal from the Board of Directors has been requested at or prior to the time of such action by Apollo. Each party hereto shall use reasonable efforts to prevent any action from being taken by the Board of Directors, during the pendency of any vacancy due to death, resignation or removal of a director, unless the Person entitled to have a person nominated by it elected to fill such vacancy shall have failed, for a period of ten (10) days after notice of such vacancy, to nominate a replacement.

(e) At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in the aggregate 4,474,673 Shares, Apollo shall be entitled, but not required, to nominate only two Apollo Nominees in accordance with this Article IV. At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in the aggregate 2,982,817 Shares, Apollo shall be entitled, but not required, to nominate only one Apollo Nominees in accordance with this Article IV. At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in the aggregate 894,934 Shares, Apollo shall no longer be entitled to nominate any Apollo Nominees in accordance with this Article IV.

(f) In the event the Company establishes an Executive Committee of the Board of Directors, it shall be comprised of such persons as a majority of the Board of Directors shall approve, provided, however, such committee shall also include at least one Apollo Nominee. The Executive Committee shall have authority, subject to applicable law, to take all actions that (A) are ancillary to or arise in the normal course of the businesses of the Company, or (B) implement and are consistent with resolutions of the Board of Directors provided, however, that such Executive Committee shall not be authorized to take any action which, if proposed to be taken by the full Board of Directors would require the affirmative vote of the Apollo Nominees in accordance with Section 4.2.

(g) Unless otherwise approved in advance in writing by all the Apollo Nominees, each and every committee of the Board of Directors shall be comprised of three directors, one of whom shall be an Apollo Nominee and at least one of whom is selected by the Board of Directors but who is not also a member of management of the Company.

(h) Each committee of the Board of Directors, to which authority has been delegated, shall keep complete and accurate minutes and records of all actions taken by

such committee, prepare such minutes and records in a timely fashion and promptly distribute such minutes and records to each member of the Board of Directors.

(i) The Parties agree that upon the request of Apollo, the Company shall cause the Board of Directors of any wholly-owned subsidiary of the Company to include such number of individuals designated by Apollo (or any representative thereof designated by Apollo) in the same proportion of the total number of members of the Board of Directors of such subsidiary as the proportion of the Company's Board of Directors to which Apollo is entitled pursuant to Section 4.1(a), and shall cause each and every committee of such Board of Directors of such subsidiaries to include at least one of the individuals designated by Apollo and included as a member of such Board of Directors pursuant to the foregoing.

Section 4.2 Action by the Board of Directors.

(a) Except as provided below, all decisions of the Board of Directors shall require the affirmative vote of a majority of the directors of the Company then in office, or a majority of the members of an Executive Committee of the Board of Directors, to the extent such decisions may be lawfully delegated to an Executive Committee pursuant to Section 4.1(f).

(b) The Company shall not, and it shall cause each of its Subsidiaries not to, take (or agree to take) any action regarding the following matters, directly or indirectly, including through a merger or consolidation with any other corporation or otherwise, without the affirmative vote of the Apollo Nominees: (i) increase the number of authorized shares of Preferred Stock or authorize the issuance or issue of any shares of Preferred Stock other than to existing holders of Preferred Stock; (ii) issue any new class or series of equity security; (iii) amend, alter or repeal, in any manner whatsoever, the designations, preferences and relative rights and limitations and restrictions of the Series A Preferred Stock; (iv) amend, alter or repeal any of the provisions of the Charter Documents or the Certificate of Designation in a manner that would negatively impact the holders of the Series A Preferred Stock, including (but not limited to) any amendment that is in conflict with the approval rights set forth in this Section 4.2; (v) directly or indirectly, redeem, purchase or otherwise acquire for value (including through an exchange), or set apart money or other property for any mandatory purchase or other analogous fund for the redemption, purchase or acquisition of any shares of Common Stock or Junior Stock (as defined in the Certificate of Designation), or declare or pay any dividend or make any distribution (whether in cash, shares of capital stock of the Company, or other property) on shares of Common Stock or Junior Stock; (vi) cause the number of directors of the Company to be greater than eight (8); (vii) enter into any agreement or arrangement with or for the benefit of any Person who is an Affiliate of the Company with a value in excess of $5 million in a single transaction or series of related transactions; (viii) effect a voluntary liquidation, dissolution or winding up of the Company; (ix) sell or agree to sell all or substantially all of the assets of the Company, unless such transaction (1) occurs after August 5, 2002, (2) is a sale for cash and (3) results in an internal rate of return ("IRR") to Apollo of 30% compounded quarterly or greater with respect to each Share issued to Apollo on August 5, 1998; or (x) enter into any merger or consolidation or other business combination involving the Company (except a merger of a wholly-owned subsidiary of the Company into the Company in

which the Company's capitalization is unchanged as a result of such merger) unless such transaction (1) occurs after August 5, 2002, (2) is for cash and (3) results in an IRR to Apollo of 30% compounded quarterly or greater with respect to each Share issued to Apollo on August 5, 1998.

(c) Notwithstanding the foregoing Section 4.2(b), if Apollo owns less than 2,982,817 Shares, the provisions of Section 4.2(b) shall cease to exist and shall be of no further force or effect.

(d) While any shares of Series A Preferred Stock are outstanding, the Company shall not and it shall cause each of its Subsidiaries not to, issue any debt securities of the Company with a value in excess of $10 million (including any refinancing of existing indebtedness) without the majority affirmative vote of the Finance Committee.

(e) While any shares of Series A Preferred Stock are outstanding, the Company shall not, and it shall cause each of its Subsidiaries not to, issue any equity securities of the Company with a value in excess of $10 million (including any refinancing of existing indebtedness) without the unanimous affirmative vote of the Finance Committee; provided, however, that the following equity issuances shall require only a majority affirmative vote of the Finance Committee: (A) an offering of Common Stock in which the selling price is equal to or greater than the price that would imply a 25% or greater IRR compounded quarterly on the Conversion Price (as defined in the Certificate of Designation) and (B) an issuance of equity in connection with an acquisition if the issuance is equal to or less than 10% of the outstanding Common Stock (calculated post-issuance of such shares of Common Stock).

Section 4.3 Charter Documents. (a) The Charter Documents attached as exhibits hereto are the Charter Documents as in effect on the Effective Date.

(b) The Company covenants that it will act, and each Group Member and Apollo agrees to use its best efforts to cause the Company to act, in accordance with its Charter Documents and Certificate of Designation in all material respects and to cause compliance with all provisions contained herein. Each Group Member and Apollo shall vote all the Shares owned or held of record by it at any regular or special meeting of stockholders of the Company or in any written consent executed in lieu of such a meeting of stockholders, and shall take all action necessary, to ensure (to the extent within the Parties' collective control) that (i) the Charter Documents and Certificate of Designation of the Company do not, at any time, conflict with the provisions of this Agreement, and (ii) unless an amendment is approved by the Board of Directors in accordance with Section 4.2, the Charter Documents of the Company and the Certificate of Designation continue to be in effect in the forms attached as exhibits hereto.

ARTICLE V

TERMINATION

Section 5.1 Termination. Except as otherwise provided herein with respect to certain specific provisions, this Agreement shall terminate upon the earlier to occur of:

(a) the mutual agreement of the Parties,

(b) with respect to any party hereto other than the Company, such party ceasing to own, beneficially or otherwise, any Shares,

(c) such time as less than 1,737,104 Shares continue to be subject to the provisions of this Agreement, or

(d) on August 5, 2009.

ARTICLE VI

MISCELLANEOUS

Section 6.1 No Inconsistent Agreements. Each party hereto hereby consents to the termination of any prior written or oral agreement or understanding, including without limitation the 2002 Agreement, restricting, conditioning or limiting the ability of any party to transfer or vote Shares.

Each of the Company and the Group Members represents and agrees that, as of the Effective Date, there is no (and from and after the Effective Date they will not, and will cause their respective Subsidiaries and Affiliates not to, enter into any) agreement with respect to any securities of the Company or any of its Subsidiaries (and from and after the Effective Date neither the Company nor any Group Members shall take, or permit any of their Subsidiaries or Affiliates to take, any action) that is inconsistent in any material respect with the rights granted to Apollo in this Agreement.

Without limiting the foregoing and other than the 2002 Agreement and the Registration Rights Agreement, the Company represents that there are no existing agreements relating to the voting or registration of any equity securities of the Company or any of its Subsidiaries, and there are no other existing agreements between the Company and any other holder of Shares relating to the transfer of any equity securities of the Company or any of its Subsidiaries.

Section 6.2 Recapitalization, Exchanges, etc.

(a) If any capital stock or other securities are issued in respect of, in exchange for, or in substitution of, any Shares by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up, sale of assets, distribution to stockholders or combination of the Shares or any other change in capital structure of the Company, appropriate adjustments shall be made with respect to the relevant provisions of this Agreement so as to fairly and equitably preserve, as far as practicable, the original rights and obligations of the Parties under this Agreement and the terms "Common Stock," "Preferred Stock" and "Shares," each as used herein, shall be deemed to include shares of such capital stock or other securities, as appropriate. Without limiting the foregoing, whenever a particular number of Shares is specified herein, such number shall be adjusted to reflect stock dividends, stock-splits, combinations or other reclassifications of stock or any similar transactions.

(b) The Parties agree that for the purposes of the Certificate of Designation, the "Initial Issue Date" and the "Initial Issuance Date" as defined therein shall mean the

date that the Original Company first issued shares of its Series A preferred stock, par value $.01, to the Initial Holders (as defined in the Certificate of Designation).

Section 6.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties, and their respective successors and permitted assigns; provided that (i) neither this Agreement nor any rights or obligations hereunder may be transferred or assigned by the Company (except by operation of law in any permitted merger); (ii) neither this Agreement nor any rights or obligations hereunder may be transferred or assigned by the Group Members or Apollo except to any Person to whom it has Transferred Shares in compliance with this Agreement and who has become bound by this Agreement pursuant to Section 2.2 hereof; and (iii) the rights of the Parties under Article IV hereof may not be assigned to any Person except as explicitly provided therein.

Section 6.4 No Waivers: Amendments. (a) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

(b) This Agreement may not be amended or modified, nor may any provision hereof be waived, other than by a written instrument signed by the Parties.

Section 6.5 Notices. All notices, demands, requests, consents or approvals (collectively, "NOTICES") required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally delivered or mailed, registered or certified, return receipt requested, postage prepaid (or by a substantially similar method), or delivered by a reputable overnight courier service with charges prepaid, or transmitted by hand delivery or facsimile, addressed as set forth below, or such other address (and with such other copy) as such party shall have specified most recently by written notice. Notice shall be deemed given or delivered on the date of service or transmission if personally served or transmitted by facsimile. Notice otherwise sent as provided herein shall be deemed given or delivered on the third business day following the date mailed or on the next business day following delivery of such notice to a reputable overnight courier service.

To the Company or the Speese Group:

Rent-A-Center, Inc.
5700 Tennyson Parkway
Third Floor
Plano, Texas 75024
Attn: Mark E. Speese
Fax: (972) 801-1200

with a copy (which shall not constitute notice) to:

Winstead Sechrest & Minick P.C.
5400 Renaissance Tower
1201 Elm Street
Attn: Thomas W. Hughes, Esq.
Fax: (214) 745-5390

To Apollo:

Apollo Investment Fund IV, L.P. and/or
Apollo Overseas Partners IV, L.P.
c/o Apollo Management IV, L.P.
1999 Avenue of the Stars, Suite 1900
Los Angeles, California 90067
Attn: Michael D. Weiner
Facsimile: (310) 201-4166

with a copy (which shall not constitute notice) to:

Morgan, Lewis & Bockius LLP
300 South Grand Avenue, Suite 2200
Los Angeles, California 90071
Attn: John F. Hartigan, Esq.
Fax: (213) 612-2554

Section 6.6 Inspection. So long as this Agreement shall be in effect, this Agreement and any amendments hereto and waivers hereof shall be distributed to all Parties after becoming effective and shall be made available for inspection at the principal office of the Company by Apollo.

Section 6.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS, EXCEPT AS TO MATTERS OF CORPORATE GOVERNANCE, WHICH SHALL BE INTERPRETED IN ACCORDANCE WITH THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE. EACH PARTY HERETO CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS WITHIN THE STATE OF NEW YORK.

Section 6.8 Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 6.9 Entire Agreement. This Agreement, together with the Stock Purchase Agreement, the Certificate of Designation and the Registration Rights Agreement, constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and thereof and supersedes the 2002 Agreement and any and all prior agreements and understandings, written or oral, relating to the subject matter hereof.

Section 6.10 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdictions, it being intended that all rights and obligations of the Parties hereunder shall be enforceable to the fullest extent permitted by law.

Section 6.11 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which together shall constitute one and the same agreement.

Section 6.12 Required Approvals. If approval of this Agreement or any of the transactions contemplated hereby shall be required by any governmental or supra-governmental agency or instrumentality or is considered to be necessary or advisable to all the Parties, all Parties shall use their best efforts to obtain such approval.

Section 6.13 Public Disclosure. The Company shall not, and shall not permit any of its Subsidiaries to, make any public announcements or disclosures relating or referring to Apollo, any of its affiliates, or any of their respective directors, officers, partners, employees or agents (including, without limitation, any Person designated as a director of the Company pursuant to the terms hereof) unless Apollo has consented to the form and substance thereof, which consent shall not be unreasonably withheld except to the extent such disclosure is, in the opinion of counsel, required by law or by stock exchange regulation, provided that (i) any such required disclosure shall only be made, to the extent consistent with the law, after consultation with Apollo and (ii) no such announcement or disclosure (except as required by law or by stock exchange regulation) shall identify any such Person without Apollo's prior consent.

Section 6.14 Payment of Costs and Expenses. The Company shall pay Apollo's reasonable and documented costs and expenses (including attorneys' fees) associated with negotiation, documentation and completion of this Agreement and the transactions contemplated herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties and the Original Company have executed this Third Amended and Restated Stockholders Agreement as of the date first written above.

RENT-A-CENTER, INC. (FORMERLY KNOWN AS RENT-A-CENTER HOLDINGS, INC.)
a Delaware corporation

By: /s/ Mitchell E. Fadel
Name: Mitchell E. Fadel
Title: President

RENT-A-CENTER EAST, INC. (FORMERLY KNOWN AS RENT-A-CENTER, INC.) a Delaware corporation (SOLELY FOR PURPOSES OF CONSENTING TO THE AMENDMENT OF THE 2002 AGREEMENT AND NOT AS A CONTINUING PARTY TO THIS AGREEMENT)

By: /s/ Mitchell E. Fadel
Name: Mitchell E. Fadel
Title: President

APOLLO INVESTMENT FUND IV, L.P.
a Delaware limited partnership

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its General Partner

By: /s/ Michael D. Weiner
Name: Michael D. Weiner
Title: Vice President

APOLLO OVERSEAS PARTNERS IV, L.P.
an exempted limited partnership registered in the Cayman Islands

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its Managing General Partner

By: /s/ Michael D. Weiner
Name: Michael D. Weiner
Title: Vice President

/s/ Mark E. Speese
Mark E. Speese

/s/ Carolyn Speese
Carolyn Speese

MARK SPEESE 2000 GRANTOR RETAINED ANNUITY TRUST

By: /s/ Mark E. Speese
Mark E. Speese, as Trustee

CAROLYN SPEESE 2000 GRANTOR RETAINED ANNUITY TRUST

By: /s/ Mark E. Speese
Mark E. Speese, as Trustee

ALLISON REBECCA SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken
Stephen Elken, as Trustee

JESSICA ELIZABETH SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

ANDREW MICHAEL SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

[Signature Page to Third Amended and Restated Stockholders Agreement]

EXHIBIT 10.9

THIRD AMENDMENT TO REGISTRATION RIGHTS AGREEMENT

THIS THIRD AMENDMENT TO REGISTRATION RIGHTS AGREEMENT (as amended and/or modified from time to time, this "THIRD AMENDMENT") is made and entered into this 31st day of December, 2002, by and among Rent-A-Center, Inc., a Delaware corporation (formerly known as Rent-A-Center Holdings, Inc., the "COMPANY") and each of Apollo Investment Fund IV, L.P., a Delaware limited partnership, and Apollo Overseas Partners IV, L.P., an exempted limited partnership registered in the Cayman Islands (collectively, the "INVESTORS").

WITNESSETH:

WHEREAS, the Investors are holders of shares of Series A Preferred Stock, par value $.01, of the Company (the "SERIES A PREFERRED STOCK") and of shares of common stock, par value $.01, of the Company (the "COMMON STOCK");

WHEREAS, Rent-A-Center East, Inc. (formerly known as Rent-A-Center, Inc., the "ORIGINAL COMPANY") and the Investors entered into that certain Registration Rights Agreement, dated August 5, 1998, as amended by that certain First Amendment to Registration Rights Agreement, dated as of August 18, 1998, as amended by that certain Second Amendment to Registration Rights Agreement, dated as of August 5, 2002 (together, the "REGISTRATION RIGHTS AGREEMENT"), the terms of which, among other things, grant the Investors the right to require the Original Company to effect two (2) Demand Registrations (as defined therein);

WHEREAS, as a result of the merger of the Original Company into a wholly-owned subsidiary of the Company (the "MERGER"), the shares of stock held by the Investor in the Original Company have been converted into shares of stock of the Company (the "CONVERSION");

WHEREAS, the Company and the Investors are entering into this Third Amendment to amend and restate the Registration Rights Agreement to reflect the agreement of the Investors, the Company and the Original Company to remove the Original Company as a party and to add the Company as a party as a result of and in connection with the Merger and the Conversion;

NOW, THEREFORE, in consideration of the premises, covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Investors hereby agree as follows:

1. Amendment to Registration Rights Agreement.

The Registration Rights Agreement is hereby amended to delete the Original Company as a party and to add the Company as a party. All references to "the Company" in the Registration Rights Agreement shall as of the date hereof be deemed to be a reference to the Company and not the Original Company.

2. Reaffirmation of Registration Rights Agreement.

Except as expressly amended and modified by this Third Amendment, the Registration Rights Agreement is hereby reaffirmed, ratified and confirmed and continues in full force and effect unaffected hereby.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

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

RENT-A-CENTER, INC. (FORMERLY KNOWN AS RENT-A-CENTER HOLDINGS, INC.)
a Delaware corporation

By: /s/ Mitchell E. Fadel
Name: Mitchell E. Fadel
Title: President

RENT-A-CENTER EAST, INC. (FORMERLY KNOWN AS RENT-A-CENTER, INC.)
a Delaware corporation (SOLELY FOR PURPOSES OF CONSENTING TO THE AMENDMENT OF THE REGISTRATION RIGHTS AGREEMENT AND NOT AS A CONTINUING PARTY TO SUCH AGREEMENT OR THIS THIRD AMENDMENT)

By: /s/ Mitchell E. Fadel
Name: Mitchell E. Fadel
Title: President

APOLLO INVESTMENT FUND IV, L.P.
a Delaware limited partnership

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its General Partner

By: /s/ Michael D. Weiner
Name: Michael D. Weiner
Title: Vice President

APOLLO OVERSEAS PARTNERS IV, L.P.
an exempted limited partnership registered
in the Cayman Islands

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its Managing General Partner

By: /s/ Michael D. Weiner

Name: Michael D. Weiner

Title: Vice President

[Signature Page to Third Amended and Restated Stockholders Agreement]

THIRD AMENDMENT TO FRANCHISEE FINANCING AGREEMENT

This Third Amendment to Franchisee Financing Agreement ("Amendment") is made and entered into by and among Textron Financial Corporation, a Delaware corporation ("TFC"), ColorTyme, Inc., a Texas corporation ("ColorTyme"), and Rent-A-Center East, Inc., a Delaware corporation formerly known as Rent-A-Center, Inc. ("RAC").

RECITALS

A. TFC, ColorTyme and RAC are parties to that certain Amended and Restated Franchisee Financing Agreement dated March 27, 2002, which was amended by that certain First Amendment to Franchisee Financing Agreement dated July 23, 2002, and that certain Second Amendment to Franchisee Financing Agreement dated September 30, 2002 (as previously amended, the "Agreement"). Capitalized terms used in this Amendment that are not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

B. TFC, ColorTyme and RAC desire to amend the Agreement on the terms set forth in this Amendment.

AGREEMENT

In consideration of the premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, TFC, ColorTyme and RAC agree as follows:

1. The Guarantor. RAC recently changed its corporate name, effective December 31, 2002, from "Rent-A-Center, Inc." to "Rent-A-Center East, Inc." From and after the effective date of such name change, all references in the Agreement to "RAC" shall mean Rent-A-Center East, Inc., a Delaware corporation formerly known as Rent-A-Center, Inc. RAC hereby reaffirms all of its obligations under the Agreement, including specifically but without limitation its obligations under the guaranty set forth in Section 5.1 of the Agreement, all of which shall continue in full force and effect. RAC, as the guarantor of all debts, liabilities and obligations of ColorTyme to TFC under the Agreement, hereby consents to the amendment of the Agreement as provided herein.

2. Interest Rates. Section 1.3 of the Agreement is hereby amended by deleting the existing Section 1.3 in its entirety and substituting in place thereof the following:

> 1.3 Interest Rates. The interest rate on each Receivable shall be determined in accordance with this Section 1.3.
>
> (a) Unless otherwise agreed by TFC and ColorTyme and except as otherwise provided in paragraphs (b) or (c) of this Section 1.3, the interest rate on each Receivable shall be the rate established by the following schedule: (i) for each Line of Credit with a Credit Limit (as that term is hereinafter defined) of $1,000,000 or less, the rate will be Prime plus 4.75%; (ii) for each Line of Credit with a Credit Limit of more than $1,000,000, the rate will be Prime plus 3.75%; and (iii) for

each Term Loan, the rate will be the same as the rate applicable to the Franchisee's Line of Credit on the date of such Term Loan. For purposes of this section, "Prime" shall mean the "prime rate" of interest as published in the "Money Rates" section of the Wall Street Journal, as such rate may change from time to time. The applicable interest rate will be a floating rate; changes in such interest rate will be established monthly, effective as of the last business day of the preceding month. Interest will be calculated on the basis of a 360-day year.

(b) Beginning with the calendar quarter ended June 30, 2003, the interest rate on Receivables may be adjusted from time to time in accordance with this paragraph (b) of this Section 1.3. On a quarterly basis, as of the end of each calendar quarter, TFC shall determine the average spread ("the LIBOR Spread") above the one (1) month London InterBank Offered Rate paid on commercial paper by commercial finance companies rated A2/P2, as reported by Bloomberg Professional, during such calendar quarter. In the event the LIBOR Spread declines by at least twenty-five basis points (25bp) from the rate determined at the end of the previous calendar quarter, the interest rate on Receivables shall thereafter be reduced by twenty-five basis points (25bp) for each twenty-five basis points (25bp) reduction in the LIBOR Spread for the calendar quarter. For the calendar quarter ended March 31, 2003, the LIBOR Spread shall be deemed to be 1.60. In the event the LIBOR Spread subsequently increases by at least twenty-five basis points (25bp) from the rate determined at the end of the previous calendar quarter, the interest rate on Receivables shall thereafter be increased by twenty-five basis points (25bp) for each twenty-five basis points (25bp) increase in the LIBOR Spread for the calendar quarter, but not above the rates set forth in paragraph (a) of this Section 1.3. All adjustments to the interest rates on Receivables effected pursuant to this paragraph (b) of this Section 1.3 shall be in increments of twenty-five basis points (25bp); each such incremental adjustment shall require a change in the LIBOR Spread of at least twenty-five basis points (25bp). Notwithstanding anything in this paragraph (b) of this Section 1.3 to the contrary, in no event shall the interest rate on Receivables be reduced below the following rates: (i) for each Line of Credit with a Credit Limit of $1,000,000 or less, Prime plus 3.75%; (ii) for each Line of Credit with a Credit Limit of more than $1,000,000, Prime plus 2.75%; and (iii) for each Term Loan, the rate applicable to the Franchisee's Line of Credit on the date of such Term Loan.

(c) In the event TFC's credit rating is hereafter increased to A1/P1, the interest rate on each Receivable shall thereafter be the rate established by the following schedule: (i) for each Line of Credit with a Credit Limit of $1,000,000 or less, the rate will be Prime plus 3.75%; (ii) for each Line of Credit with a Credit Limit of more than $1,000,000, the rate will be Prime plus 2.75%; and (iii) for each Term Loan, the rate will be the same as the rate applicable to the Franchisee's Line of Credit on the date of such Term Loan.

The interest rates specified in Section 1.3 of the Agreement, as amended by this Section 2 of this Amendment, shall apply to all new Receivables originated on or after March 31, 2003, and to all Receivables outstanding on March 31, 2003, for which the Franchisees obligated to TFC thereunder consent to the change in the interest rates on such Receivables to those established by this Section 2; the interest rates on all Receivables outstanding on March 31, 2003, for which the Franchisees obligated to TFC thereunder do not consent to the change in the interest rates on such Receivables to those established by this Section 2 will continue at the existing rates, subject to the provisions of Section 5 of this Amendment.

3. Use of Proceeds. Section 1.6 of the Agreement is hereby amended by deleting the existing Section 1.6 in its entirety and substituting in place thereof the following:

> 1.6 Use of Proceeds. TFC will advance funds pursuant to a Franchisee's Line of Credit or Term Loan only for the following purposes: (i) the Franchisee's acquisition of Inventory; (ii) the Franchisee's acquisition or conversion of a Store; (iii) the buyout of an ownership interest in the Franchisee; and/or (iv) the Franchisee's working capital.
>
> (a) Inventory. Advances for Inventory will be limited to the lesser of (i) the cost of the Inventory acquired by the Franchisee; (ii) the amount of the Franchisee's Credit Limit; or (iii) the amount of the Franchisee's Advance Limit.
>
> (b) Store Acquisitions and Conversions. Advances for Store acquisitions and/or conversions (i.e., the acquisition of existing ColorTyme Stores and/or the acquisition of other "rent-to-own" stores for conversion to ColorTyme Stores) will be limited to the lesser of (i) in the case of a Store that has been open for business (either as a ColorTyme Store or as another "rent-to-own" store) for one (1) year or more, the product of the Average Monthly Revenue of the individual Store multiplied by nine (9); (ii) the amount that would cause the Debt-to-Revenue Ratio for the Franchisee to equal or exceed 5:1; (iii) except in the case of advances pursuant to a Term Loan, the amount of the Franchisee's Credit Limit; and (iv) the amount of the Franchisee's Advance Limit. For purposes of this paragraph, "Debt-to-Revenue Ratio" shall mean the ratio of (x) Funded Debt to (y) the Average Monthly Revenue of the Franchisee (calculated on an aggregate basis for all Stores owned and/or operated by such Franchisee and any and all affiliates of such Franchisee); and "Funded Debt" shall mean, as of any date, the total amount of liabilities (including the advance contemplated by this paragraph) that would be reflected on the consolidated balance sheet of Franchisee and its parent and any and all subsidiaries and affiliates, if any, in accordance with generally accepted accounting principles applied on a consistent basis. All Advances for Store acquisitions and/or conversions will be subject to the approval of ColorTyme, but shall otherwise be at the discretion of TFC.
>
> (c) Franchisee Owner Buyouts. Advances for the buyout of an ownership interest in a Franchisee, either by the Franchisee or by one (1) or more other owners of interests in the Franchisee, will be limited to the lesser of (i) four hundred thousand dollars ($400,000.00); (ii) except

in the case of Advances pursuant to a Term Loan, the amount of the Franchisee's Credit Limit; or (iii) the amount of the Franchisee's Advance Limit. Advances for Franchisee owner buyouts will be limited to an aggregate balance outstanding at any time of two million dollars ($2,000,000.00); such amount is included in and is not in addition to the credit limit established pursuant to Section 1.1. All Advances for Franchisee owner buyouts will be subject to the approval of ColorTyme, but shall otherwise be at the discretion of TFC.

(d) Working Capital. Advances for working capital will be limited to the lesser of (i) the amount by which ColorTyme's minimum working capital requirement exceeds the Franchisee's working capital available from other sources; (ii) sixty thousand dollars ($60,000.00); (iii) except in the case of advances pursuant to a Term Loan, the amount of the Franchisee's Credit Limit; or (iv) the amount of the Franchisee's Advance Limit. Financing for working capital will be made available only to Franchisees designated by ColorTyme as having prior "rent-to-own" experience and approved by ColorTyme for such financing in connection with the opening of a Store, but shall otherwise be at the discretion of TFC.

For purposes of this section, TFC may rely fully on the representations and/or agreements of the Franchisee with respect to the use of funds, with no obligation to independently verify such information. The use of any such funds by a Franchisee for any purpose not permitted by this section will not affect the obligations of ColorTyme or RAC under this Agreement.

4. Governing Law. Section 6.15 of the Agreement is hereby amended by deleting the existing Section 6.15 in its entirety and substituting in place thereof the following:

6.15 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF RHODE ISLAND (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW).

5. Termination of Certain Franchisee Lines of Credit. The parties hereto recognize that the consent of the Franchisees that are presently obligated to TFC pursuant to outstanding Receivables is necessary to effect the change in interest rates contemplated by Section 2 of this Amendment. The parties further recognize that in the event any Franchisee does not consent to such change in writing, in a form that is reasonably required by TFC and approved by ColorTyme, TFC may terminate the Franchisee's Line of Credit in accordance with the terms of the instruments, documents and/or agreements evidencing and governing such Line of Credit.

6. Change of TFC's Address. The address of TFC for notices or other communications given pursuant to Section 6.5 of the Agreement is hereby changed to the following: Textron Financial Corporation, P.O. Box 2299, Little Rock, Arkansas 72203.

7. Effect of this Amendment. In the event of a conflict between the terms of this Amendment and the terms of the Agreement, the provisions of this Amendment shall prevail. Except as expressly set forth in this Amendment, however, all provisions of the Agreement shall

remain unchanged and shall continue in full force and effect. This Amendment is hereby incorporated into the Agreement for all purposes.

8. Effective Date. Except as otherwise provided herein, this Amendment shall be effective as of December 31, 2002.

IN WITNESS WHEREOF, TFC, ColorTyme and RAC have executed this Amendment on this 24th day of March, 2003.

COLORTYME, INC.
5700 Tennyson Parkway, Suite 180
Plano, Texas 75024

By: /s/ Steven M. Arendt

Name: Steven M. Arendt

Title: President and Chief Executive Officer

RENT-A-CENTER EAST, INC.
5700 Tennyson Parkway, 3rd Floor
Plano, Texas 75024

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel

Title: President and Chief Operating Officer

TEXTRON FINANCIAL CORPORATION
112 West 3rd Street, 2nd Floor
Little Rock, Arkansas 72201

By: /s/ Douglas K. Bland

Name: Douglas K. Bland

Title: Division President

EXHIBIT 21.1

SUBSIDIARIES

ColorTyme, Inc., a Texas corporation

Get It Now, LLC, a Delaware limited liability company

Remco America, Inc., a Delaware corporation

Rent-A-Center East, Inc., a Delaware corporation (f/k/a Rent-A-Center, Inc.)

Rent-A-Center Texas, L.P., a Texas limited partnership

Rent-A-Center Texas, L.L.C., a Nevada limited liability company

Rent-A-Center West, Inc., a Delaware corporation (f/k/a Advantage Companies, Inc.)

EXHIBIT 23.1

Consent of Independent Certified Public Accountants

We have issued our report, dated February 10, 2003, accompanying the consolidated financial statements and included in the Annual Report of Rent-A-Center, Inc. and Subsidiaries on Form 10-K for the year ended December 31, 2002. We hereby consent to the incorporation by reference of said report in the Registration Statements of Rent-A-Center, Inc. and Subsidiaries on Form S-3 (File No.333-77985), and on Forms S-8 (File No.333-62582), (File No.33-98800), (File No. 333-53471), (File No. 333-66645), (File No. 333-40958) and (File No. 333-32296).

Dallas, Texas
March 26, 2003

EXHIBIT 99.1

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

In connection with the Annual Report of Rent-A-Center, Inc. (the "COMPANY") on Form 10-K for the fiscal year ended December 31, 2002 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: March 26, 2003

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

EXHIBIT 99.2

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

In connection with the Annual Report of Rent-A-Center, Inc. (the "COMPANY") on Form 10-K for the fiscal year ended December 31, 2002 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: March 26, 2003

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.