

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended June 30, 2003

Commission File Number 0-25370

RENT-A-CENTER, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

45-0491516

(I.R.S. Employer  
Identification No.)

5700 Tennyson Parkway, Third Floor  
Plano, Texas 75024  
(972) 801-1100

(Address, including zip code, and telephone  
number, including area code, of registrant's  
principal executive offices)

NONE

(Former name, former address and former  
fiscal year, if changed since last report)

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

YES  NO

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

YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 1, 2003:

Class
Outstanding
- - - - -
- - - - -
- - - - -
- - - - -
- - - - -
- - - - -
Common
stock,
\$.01 par
value per
share
32,851,721

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, DECEMBER 31, 2003		2002		(IN THOUSANDS OF DOLLARS, EXCEPT SHARE DATA) UNAUDITED ASSETS	
Cash and cash equivalents					
248,250	\$ 85,723				\$
		Accounts receivable - trade	9,864	5,922	
		Prepaid expenses and other assets	34,726	42,882	
		Rental merchandise, net	530,985	510,184	
		Held for rent	145,345	121,540	
		Property assets, net		111,674	
		Intangible assets, net		789,433	
743,852			\$ 1,870,277	\$ 1,616,052	=====
===== LIABILITIES					
		Accounts payable - trade		\$ 58,222	\$
		Accrued liabilities		128,230	
		Deferred income tax liability		86,433	86,142
		Senior debt	400,000	249,500	
		Subordinated notes payable, net of discount		384,455	271,830
		COMMITMENTS AND CONTINGENCIES	1,057,340	773,650	
PREFERRED STOCK Redeemable convertible voting preferred stock, net of placement costs, \$.01 par value; 5,000,000 shares authorized; 2 shares issued and outstanding in 2003 and 2002, respectively					
				2	2
STOCKHOLDERS' EQUITY Common stock, \$.01 par value; 125,000,000 shares authorized; 40,112,332 and 39,538,042 shares issued in 2003 and 2002, respectively					
				401	
		Additional paid-in capital		555,896	532,675
		Accumulated comprehensive loss		--	(3,726)
		Retained earnings	514,848	428,621	
		Treasury stock, 6,645,229 and 4,599,269 shares at cost in 2003 and 2002, respectively		(258,210)	(115,565)
			812,935	842,400	\$
			1,870,277	\$ 1,616,052	=====

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

SIX MONTHS ENDED JUNE 30, -----	2003	2002
----- (IN THOUSANDS, EXCEPT PER SHARE DATA) UNAUDITED Revenues Store Rentals and fees		
..... \$ 997,771		
\$ 899,854 Merchandise sales		
..... 85,192		
63,599 Installment sales		
..... 10,790 --		
Other		
.....		
1,527 1,181 Franchise Merchandise sales		
21,333 25,739 Royalty income and fees		
..... 3,053 2,897 ----		
----- 1,119,666 993,270		
Operating expenses Direct store expenses Depreciation of rental merchandise	216,001	186,577
Cost of merchandise sold	60,783	44,479
Cost of installment sales	5,321	--
Salaries and other expenses	584,222	527,097
Franchise cost of merchandise sold	20,497	
24,537 ----- 886,824		
782,690 General and administrative expenses	33,144	32,402
Amortization of intangibles	6,169	1,642
..... 6,169 1,642 ----		
----- Total operating expenses	926,137	
816,734 Operating profit		
..... 193,529		
176,536 Non-recurring finance charge		
..... 27,748 2,909		
Interest expense		
.....		
26,593 31,355 Interest income		
.....		
(1,979) (1,428) -----		
- Earnings before income taxes		
..... 141,167 143,700		
Income tax expense		
..... 54,908		
58,194 ----- NET EARNINGS		
86,259 85,506 Preferred dividends		
..... --		
8,890 ----- Net earnings allocable to common stockholders	\$ 86,259	\$ 76,616
===== Basic earnings per common share	\$	
2.47 \$ 3.05 =====		
Diluted earnings per common share		
..... \$ 2.39 \$ 2.34		
=====		

See accompanying notes to consolidated financial statements

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

THREE MONTHS ENDED JUNE 30, -----	
-----	2003 2002 -----
(IN THOUSANDS, EXCEPT PER SHARE DATA) UNAUDITED	
Revenues Store Rentals and fees	
.....	\$ 504,352
\$ 456,149 Merchandise sales	
.....	32,528
23,994 Installment sales	
.....	4,745 --
Other	
.....	
812 567 Franchise Merchandise sales	
.....	9,261
12,486 Royalty income and fees	
.....	1,562 1,464 ----
.....	553,260 494,660
Operating expenses Direct store expenses Depreciation of rental merchandise	
.....	109,341 94,354
Cost of merchandise sold	
.....	24,235 17,497
Cost of installment sales	
.....	2,090 --
Salaries and other expenses	
.....	291,726 264,478
Franchise cost of merchandise sold	
.....	8,946
11,884 -----	436,338
388,213 General and administrative expenses	
.....	16,388 17,285
Amortization of intangibles	
.....	3,296 922 -----
-- ----- Total operating expenses	
.....	456,022 406,420
Operating profit	
.....	97,238
88,240 Non-recurring finance charge	
.....	27,748 2,909
Interest expense	
.....	
13,070 15,557 Interest income	
.....	
(1,208) (705) -----	
Earnings before income taxes	
.....	57,628 70,479
Income tax expense	
.....	22,328
28,536 -----	NET
EARNINGS	
.....	
35,300 41,943 Preferred dividends	
.....	--
3,898 -----	Net earnings
allocable to common stockholders ....	
\$ 35,300 \$ 38,045 =====	
Basic earnings per common share	
.....	\$ 1.01 \$ 1.48
=====	Diluted earnings
per common share .....	\$
0.97 \$ 1.14 =====	

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, -----	
----- (IN THOUSANDS OF DOLLARS) 2003 2002 -----	
----- UNAUDITED Cash flows from	
operating activities	Net earnings \$ 86,259 \$ 85,506
Adjustments to reconcile net earnings to net cash provided by operating activities	
Depreciation of rental merchandise	..... 216,001 186,577
Depreciation of property assets	..... 20,953 18,878
Amortization of intangibles	..... 6,169
Amortization of financing fees	..... 1,642 4,289
Deferred income taxes	..... 291
Non-recurring financing charges	..... 15,159 17,931
Changes in operating assets and liabilities, net of effects of acquisitions	
Rental merchandise	..... (208,349) (174,455)
Accounts receivable - trade	..... (3,942)
Prepaid expenses and other assets	..... 17,865 (900)
Accounts payable - trade	..... 14,761
Accrued liabilities	..... (1,971)
Net cash provided by operating activities	..... 15,045 38,381
Cash flows from investing activities	
Purchase of property assets	..... (22,923) (16,791)
Proceeds from sale of property assets	..... 410 581
Acquisitions of businesses, net of cash acquired	..... (106,240) (27,179)
Net cash used in investing activities	..... (43,389) (128,753)
Cash flows from financing activities	
Purchase of treasury stock	..... (142,645) (34,724)
Exercise of stock options	..... 17,841 19,098
Issuance of subordinated notes	..... 300,000
Payment of refinancing charges	..... (15,963)
Proceeds from debt	..... 400,000
Repurchase of subordinated notes, including premium paid	..... (201,856)
Repayments of debt	..... (249,500) (128,000)
Net cash provided by (used in) financing activities	..... 107,877 (143,626)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	..... 162,527 (14,134)
Cash and cash equivalents at beginning of period	..... 85,723 107,958
Cash and cash equivalents at end of period	..... \$ 248,250 \$ 93,824
	=====

See accompanying notes to consolidated financial statements.

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

Supplemental cash flow information Cash paid during the year for:

Interest .....	\$ 32,773	\$ 26,345
Income taxes .....	\$ 41,141	\$ 17,609

Supplemental schedule of non-cash investing and financing activities

Fair value of assets acquired .....	\$106,240	\$ 27,179
Cash paid .....	\$106,240	\$ 27,179
Liabilities assumed .....	\$ --	\$ --

During the first six months of 2003, the Company paid dividends on its Series A preferred stock of approximately \$39.00 in cash. During the first six months of 2002, the Company paid dividends on its Series A preferred stock of approximately \$5.5 million by issuing 5,494 shares of Series A preferred stock.

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Commission's rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. We suggest that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2002, and our Quarterly Report on Form 10-Q for the three months ended March 31, 2003. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

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

At June 30, 2003, we operated 2,567 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." Rent-A-Center's primary operating segment consists of leasing household durable goods to customers on a rent-to-own basis. Get It Now offers merchandise on an installment sales basis in Wisconsin.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At June 30, 2003, ColorTyme had 321 franchised stores operating in 40 states. ColorTyme's primary source of revenues is the sale of rental merchandise to its franchisees, who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenues is generated primarily from royalties based on franchisees' monthly gross revenues.

3. Reconciliation of Rental Merchandise.

SIX MONTHS ENDED	SIX MONTHS ENDED
JUNE 30, 2003	JUNE 30, 2002
-----	-----
Beginning merchandise value	
..... \$ 631,724	\$
653,701 Inventory additions	
through acquisitions .... 52,258	
7,626 Purchases	
.....	
305,130	252,320
Depreciation of	
rental merchandise .....	
(216,001)	(186,577)
Cost of goods	
sold .....	
(66,104)	(44,479)
Skips and	
stolens	
.....	
(22,303)	(23,379)
Other inventory	
deletions(1) .....	
(8,374)	(10,007)
-----	-----
-- Ending merchandise value	
..... \$ 676,330	\$
649,205	=====

THREE MONTHS ENDED	THREE MONTHS
ENDED JUNE 30, 2003	ENDED JUNE 30, 2002
-----	-----
--- Beginning merchandise value	
..... \$ 693,324	\$
656,544 Inventory additions	



through acquisitions . . . .	1,894	
6,386 Purchases		
.....		
132,630	114,427	Depreciation of
		rental merchandise .....
(109,341)	(94,354)	Cost of goods
		sold .....
(26,325)	(17,497)	Skips and
		stolens
.....		
(11,834)	(11,272)	Other inventory
		deletions(1) .....
(4,018)	(5,029)	-----
		- Ending merchandise value
		..... \$ 676,330 \$
649,205	=====	=====

- - - - -

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

4. Intangibles.

Amortization of intangibles consists primarily of the amortization of customer relationships and non-compete agreements. Effective January 1, 2002, under SFAS 142 all goodwill and intangible assets with indefinite lives are no longer subject to amortization. We conducted the required transition test, which showed no impairment of our goodwill.

Intangibles consist of the following (in thousands):

JUNE 30, 2003	DECEMBER 31, 2002	----	----
-----			
		GROSS	GROSS AVG.
LIFE CARRYING	ACCUMULATED	CARRYING	
ACCUMULATED (YEARS)	AMOUNT		
AMORTIZATION AMOUNT	AMORTIZATION	---	---
-----			
		Amortizable	
intangible assets	Franchise network		
10 \$ 3,000	\$ 2,100	\$ 3,000	\$ 1,950
	Non-compete		
agreements.....	5	5,260	
	1,222	1,510	1,444
relationships.....	1.5		
19,509	9,934	12,706	6,365
assets not subject to amortization			
Goodwill.....			
874,082	99,162	835,557	99,162
-----			
-- Total intangibles	\$ 901,851	\$	
	112,418	\$ 852,773	\$ 108,921
=====			
=====			

The 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.....	\$ 12,394
2004.....	5,492
2005.....	1,427
2006.....	1,275
2007.....	94
Total.....	\$ 20,682
=====	

Changes in the carrying amount of goodwill for the six months ended June 30, 2003 are as follows (in thousands):

Balance as of January 1, 2003	\$	736,395
Additions during first six months		38,525
		-----
Balance as of June 30, 2003	\$	774,920
		=====

5. Stock Based Compensation.

Rent-A-Center's Amended and Restated 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 our employees under the Plan generally become exercisable over a period of one to four years from the date of grant and may be exercised up to a maximum of 10 years from 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 June 30, 2003, there were 4,623,775 shares available for issuance under the Plan, of which 2,974,586 shares were allocated to options currently outstanding. However, pursuant to the terms of the Plan, when an optionee leaves our employ, unvested options granted to that employee terminate and become available for re-issuance under the Plan. Vested options not exercised within 90 days from the date the optionee leaves the Company's employ terminate and become available for re-issuance under the Plan.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

SIX MONTHS ENDED JUNE 30, -----		2003
2002	-----	(IN THOUSANDS, EXCEPT PER SHARE DATA)
Net earnings allocable to common stockholders As reported		
.....		
\$ 86,259	\$ 76,616	Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related tax expense .....
		7,618 5,779 -----
		--- Pro forma
.....		
\$ 78,641	\$ 70,837	===== Basic earnings per common share As reported
.....		
	\$ 2.47	\$ 3.05 Pro forma
.....		
\$ 2.25	\$ 2.82	Diluted earnings per common share As reported
.....		
	\$ 2.39	\$ 2.34 Pro forma
.....		
	\$ 2.18	\$ 2.18

THREE MONTHS ENDED JUNE 30, -----		2003
2002	-----	(IN THOUSANDS, EXCEPT PER SHARE DATA)
Net earnings allocable to common stockholders As reported		
.....		
\$ 35,300	\$ 38,045	Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related tax expense ...
		3,914 2,956 -----
		--- Pro forma
.....		
\$ 31,386	\$ 35,089	===== Basic earnings per common share As reported
.....		
	\$ 1.01	\$ 1.48 Pro forma
.....		
\$ 0.90	\$ 1.36	Diluted earnings per common share As reported
.....		
	\$ 0.97	\$ 1.14 Pro forma
.....		
	\$ 0.86	\$ 1.06

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 54.6% to 55.2% and 55.8% to 57.3% and risk-free interest rates of 3.3% to 3.7% and 3.5% to 5.5% in 2003 and 2002, respectively, no dividend yield and expected lives of seven years.

RENT-A-CENTER, INC. AND SUBSIDIARIES

6. Earnings Per Share.

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

SIX MONTHS ENDED JUNE  
30, 2003 -----

-----  
--- (IN THOUSANDS,  
EXCEPT PER SHARE DATA)  
NET EARNINGS SHARES  
PER SHARE -----

----- Basic  
earnings per common  
share ..... \$86,259  
34,948 \$2.47 Effect of  
dilutive stock options  
..... -- 1,173  
Assumed conversion of  
convertible preferred  
stock

.....  
-----  
Diluted earnings per  
common share .....  
\$86,259 36,121 \$2.39  
=====

SIX MONTHS ENDED JUNE  
30, 2002 -----

-----  
--- NET EARNINGS  
SHARES PER SHARE -----

-----  
-- Basic earnings per  
common share .....  
\$76,616 25,111 \$3.05  
Effect of dilutive  
stock options .....  
-- 1,443 Assumed  
conversion of  
convertible preferred  
stock

.....  
8,890 9,964 -----  
---- Diluted earnings  
per common share  
..... \$85,506 36,518  
\$2.34 =====  
=====

THREE MONTHS ENDED  
JUNE 30, 2003 -----

-----  
----- (IN  
THOUSANDS, EXCEPT PER  
SHARE DATA) NET  
EARNINGS SHARES PER  
SHARE -----

----- Basic  
earnings per common  
share ..... \$35,300  
34,999 \$1.01 Effect of  
dilutive stock options  
..... -- 1,308  
Assumed conversion of  
convertible preferred  
stock

.....  
-----  
Diluted earnings per  
common share .....  
\$35,300 36,307 \$0.97  
=====

THREE MONTHS ENDED

JUNE 30, 2002 -----  
 -----  
 ----- NET EARNINGS  
 SHARES PER SHARE -----  
 -----  
 -- Basic earnings per  
 common share .....  
 \$38,045 25,708 \$1.48  
 Effect of dilutive  
 stock options .....  
 -- 1,641 Assumed  
 conversion of  
 convertible preferred  
 stock  
 .....  
 3,898 9,366 ----- --  
 ---- Diluted earnings  
 per common share  
 ..... \$41,943 36,715  
 \$1.14 =====  
 =====  
 =====

For the six months ended June 30, 2003 and 2002, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 5,000 and 276,500, respectively. For the three months ended June 30, 2003 and 2002, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 0 and 5,000, respectively.

Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We accounted for shares of preferred stock distributed as dividends in-kind in 2002 at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. In 2003, we began paying dividends on our Series A preferred stock in cash and paid approximately \$19.00 in the second quarter of 2003.

7. Subsidiary Guarantors.

11% Notes. At June 30, 2003, Rent-A-Center East, Inc., one of our subsidiaries, had \$84.5 million, net of discount, of 11% senior subordinated notes outstanding, maturing on August 15, 2008. The notes require semi-annual interest-only payments at 11%, and are guaranteed by Rent-A-Center and certain of Rent-A-Center East's direct and indirect 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 "2001 Subsidiary 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 11% notes contain restrictive covenants, as defined therein, including a consolidated interest coverage ratio and limitations on incurring additional indebtedness, selling assets of the 2001 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.

Rent-A-Center and the 2001 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 Rent-A-Center 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.

On May 6, 2003, Rent-A-Center East repurchased approximately \$183.0 million of its outstanding 11% senior subordinated notes pursuant to a tender offer announced in April 2003. On June 17, 2003, we announced that, in accordance with the 2001 indenture, we intended to optionally redeem on August 15, 2003 all of the 11% notes then outstanding at the applicable redemption price. See "Recent Developments" discussed later in this report.

7 1/2% Notes. On May 6, 2003, Rent-A-Center issued \$300.0 million aggregate principal amount of 7 1/2% senior subordinated notes, maturing on May 1, 2010. The notes require semi-annual interest-only payments at 7 1/2%, and are guaranteed by certain of Rent-A-Center's direct and indirect wholly-owned subsidiaries, consisting of ColorTyme, Rent-A-Center East, Get It Now, Rent-A-Center Texas, L.L.C., Rent-A-Center Texas, L.P. and Rent-A-Center West, Inc. (collectively, the "2003 Subsidiary Guarantors" and together with the 2001 Subsidiary Guarantors, the "Subsidiary Guarantors"). The notes are redeemable at Rent-A-Center's option, at any time on or after May 1, 2006, 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 7 1/2% subordinated notes have the right to require Rent-A-Center to redeem the notes.

The notes contain restrictive covenants, as defined therein, including a consolidated coverage ratio and limitations on incurring additional indebtedness, selling assets of the 2003 Subsidiary Guarantors, granting liens to third parties, making restricted payments and engaging in a merger or selling substantially all of Rent-A-Center's assets.

The 2003 Subsidiary Guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to these notes. The only direct or indirect subsidiaries of Rent-A-Center that are not 2003 Subsidiary Guarantors are minor subsidiaries.

Set forth below is certain condensed consolidating financial information as of June 30, 2003 and December 31, 2002, and for the six months ended June 30, 2003 and 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.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS

PARENT RENT-A-CENTER  
 SUBSIDIARY CONSOLIDATING  
 COMPANY EAST GUARANTORS  
 ADJUSTMENTS TOTALS -----

----- (IN		
THOUSANDS) JUNE 30, 2003		
(UNAUDITED) Rental		
merchandise, net		
.....	\$ --	\$
491,285	\$ 185,045	\$ --
676,330	Intangible assets,	
net	.....	--
357,838	431,595	-- 789,433
Other assets		
.....	997,401	94,853 82,379
(770,119)	404,514	-----
-----		
Total assets		
.....	\$ 997,401	
\$ 943,976	\$ 699,019	\$
(770,119)	\$1,870,277	
=====	=====	
=====	=====	
=====	Senior debt	
.....	\$ 400,000	\$ -- \$ -- \$ -- \$
400,000	Other liabilities	
.....	300,000	564,897 220,820
(428,377)	657,340	Preferred
stock		
.....	2	
-- -- --	2	Stockholders'
equity	.....	
297,399	379,079	478,199
(341,742)	812,935	-----
-----		
Total		
liabilities and equity ... \$		
997,401	\$ 943,976	\$ 699,019 \$
(770,119)	\$1,870,277	
=====	=====	
=====	=====	
=====	DECEMBER 31, 2002	
Rental merchandise, 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	Stockholders'
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  
 =====  
 =====  
 =====

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

PARENT RENT-A-CENTER SUBSIDIARY  
 COMPANY EAST GUARANTORS TOTAL -----

----- (IN THOUSANDS) SIX MONTHS  
 ENDED JUNE 30, 2003 (UNAUDITED)

Total revenues

.....  
 \$ -- \$ 792,540 \$ 327,126  
 \$1,119,666 Direct store expenses  
 ..... --  
 590,816 275,511 866,327 Other  
 expenses

..... -  
 - 114,784 52,296 167,080 -----

Net earnings (loss)

..... \$ --  
 \$ 86,940 \$ (681) \$ 86,259

=====  
 ===== SIX MONTHS ENDED JUNE  
 30, 2002 (UNAUDITED) Total  
 revenues

.....  
 \$ 964,634 \$ -- \$ 28,636 \$ 993,270  
 Direct store expenses  
 ..... 758,153  
 -- -- 758,153 Other expenses

.....  
 125,074 -- 24,537 149,611 -----

- Net earnings

.....  
 \$ 81,407 \$ -- \$ 4,099 \$ 85,506

PARENT RENT-A-CENTER SUBSIDIARY  
 COMPANY EAST GUARANTORS TOTAL -----

----- (IN THOUSANDS) THREE MONTHS ENDED  
 JUNE 30, 2003 (UNAUDITED) Total  
 revenues

.....  
 \$ -- \$392,277 \$160,983 \$553,260  
 Direct store expenses  
 ..... --  
 293,350 134,042 427,392 Other  
 expenses

.....  
 -- 64,510 26,058 90,568 -----  
 ----- Net earnings

.....  
 \$ -- \$ 34,417 \$ 883 \$ 35,300

=====  
 ===== THREE MONTHS ENDED JUNE 30, 2002  
 (UNAUDITED) Total revenues

.....  
 \$480,710 \$ -- \$ 13,950 \$494,660  
 Direct store expenses  
 ..... 376,329  
 -- -- 376,329 Other expenses

.....  
 64,504 -- 11,884 76,388 -----  
 ----- Net earnings

.....  
 \$ 39,877 \$ -- \$ 2,066 \$ 41,943

=====  
 =====

RENT-A-CENTER, INC. AND SUBSIDIARIES

7. Subsidiary Guarantors - (continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

PARENT RENT-A-CENTER SUBSIDIARY COMPANY EAST GUARANTORS									
TOTAL	-----	SIX	-----						
MONTHS ENDED JUNE 30, 2003 (UNAUDITED) Net cash provided									
by operating activities	.....	\$ --	\$						
112,254	\$ 71,149	\$ 183,403	-----						
Cash flows from investing activities									
Purchase of property assets	.....	-							
(16,550)	(6,373)	(22,923)	Acquisitions of businesses,						
net of cash acquired	.....	--	(71,372)	(34,868)					
(106,240)	Other								
-----									
-- 296	114	410	-----						
Net cash used in investing activities									
(128,753)	Cash flows from financing activities								
Purchase of treasury stock	.....	--	(87,626)	(41,127)					
(142,645)	--	--	(142,645)	Exercise of stock options					
17,841	-----								
17,841	Issuance of subordinated notes								
300,000	-----	--	300,000						
300,000	Payment of refinancing charges								
--	-----	--	(15,963)	--	(15,963)				
Proceeds from debt									
400,000	-----	--	400,000						
400,000	Repurchase of subordinated notes, including								
premium paid	.....	--	(201,856)	--	(201,856)	Repayments			
of debt	-----	--	(249,500)	--	(249,500)	Intercompany advances			
(367,573)									
379,783	(12,210)	-----							
Net cash provided by (used in) financing activities									
207,623	(87,536)	(12,210)	107,877	-----					
Net increase in cash and									
cash equivalents	.....	207,623							
(62,908)	17,812	162,527	-----						
Cash and cash equivalents at beginning of period									
85,723	-----	--	85,723	-----					
Cash and cash equivalents at end of									
period	.....	\$ 207,623	\$ 22,815	\$					
17,812	\$ 248,250	=====	=====	=====					
SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED) Net cash									
provided by operating activities	.....								
\$ 171,519	\$ --	\$ 1,362	\$ 172,881	-----					
Cash flows from investing activities									
Purchase of property assets	.....	(17,502)	--	711					
(16,791)	Acquisitions of businesses, net of cash								
acquired	.....	(27,179)	--	--	(27,179)	Other			
581	-----								
581	Net cash provided by (used in) investing activities								
(44,100)	--	711	(43,389)	Cash flows from					
financing activities									
Purchase of treasury stock	.....	(34,724)	--	--					
(34,724)	Exercise of stock options								
19,098	-----	--	--						
19,098	Repayments of debt								
(128,000)	-----								
(128,000)	Intercompany advances								
2,073	-----	--	--						
(2,073)	Net								
cash used in financing activities									
(141,553)	-----	--	--						
(2,073)	Net								
(143,626)	decrease in cash and cash equivalents								
(14,134)	-----	--	--						
(14,134)	Cash and cash								
equivalents at beginning of period	.....								
107,958	-----	--	--						
107,958	Cash and cash equivalents at end of period								
\$ 93,824	-----	\$ --	\$ --	\$ 93,824					
=====	=====	=====	=====	=====					



RENT-A-CENTER, INC. AND SUBSIDIARIES

8. Comprehensive Income.

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

SIX MONTHS ENDED JUNE 30, 2003		THREE MONTHS ENDED JUNE 30, 2002		
(IN THOUSANDS)		(IN THOUSANDS)		2003 2002
2003	2002	2003	2002	Net earnings
\$ 86,259	\$ 85,506	\$ 35,300	\$ 41,943	Other comprehensive (loss) income: Unrealized gain on derivatives held as cash flow hedges: Change in unrealized gain during period
4,480	5,216	1,869	1,206	Reclassification adjustment for (loss) included in net earnings
(1,869)	(2,322)	(4,480)	(4,552)	Other comprehensive (loss) income
		664	(1,116)	Comprehensive income
\$ 86,259	\$ 86,170	\$ 35,300	\$ 40,827	

9. Common and Preferred Stock Transactions.

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.

On April 25, 2003, we announced that we entered into an agreement with Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. which provided for the repurchase of a number of shares of our common stock sufficient to reduce Apollo's aggregate record ownership to 19.00% after consummation of our planned tender offer at the price per share paid in the tender offer. On April 28, 2003, we commenced a tender offer to purchase up to 2.2 million shares of our common stock pursuant to a modified "Dutch Auction." On June 25, 2003, we closed the tender offer and purchased 1,769,690 shares of our common stock at \$73 per share for approximately \$129.2 million. On July 11, 2003, we closed the Apollo transaction and purchased 774,457 shares of our common stock at \$73 per share for approximately \$56.5 million. As contemplated by the Apollo agreement, Apollo exchanged their shares of Series A preferred stock for shares of Series C preferred stock. The terms of the Series A preferred stock and Series C preferred stock are substantially similar, except the Series C preferred stock does not have the right to directly elect any members of our Board of Directors.

In April 2000, we announced that our Board of Directors had authorized a program to repurchase in the open market and in privately negotiated transactions up to an aggregate of \$25.0 million of our common stock. In October 2002, our Board of Directors increased the amount of repurchases authorized under our common stock repurchase program from \$25.0 million to \$50.0 million. In March 2003, our Board of Directors again increased such amount from \$50.0 million to \$100.0 million. Through June 30, 2003, we have repurchased approximately 937,000 shares of our common stock under this program for approximately \$44.3 million. On August 1, 2003, we agreed to repurchase under this program an aggregate of 440,000 shares of our common stock at \$73 per share, 200,000 of which will be repurchased from Mark E. Speese, our Chairman

of the Board and Chief Executive Officer, 200,000 of which will be repurchased from Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P., and 40,000 of which will be repurchased from Mitchell E. Fadel, our President and Chief Operating Officer. We have purchased an additional 99,000 shares of our common stock under this program for approximately \$7.0 million during the third quarter of 2003. Following such repurchases, approximately \$16.6 million will be available for additional repurchases under this program.

10. Rent-Way Acquisition.

On February 8, 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, of which \$5.0 million was remitted in the second quarter of 2003. We funded the acquisition entirely from cash on hand. Of the 295 stores, 176 were subsequently merged with our existing store locations. We entered into this transaction seeing it as an opportunistic acquisition that would allow us to expand our store base in conjunction with our 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. We utilized a third party to review the valuation of certain intangible assets, which resulted in a \$4.0 million decrease in the value assigned to customer relationships and a \$4.0 increase in the value placed on the non-compete agreement as compared to our original estimates as disclosed in our 2002 annual report on Form 10-K. The table below summarizes the allocation of the purchase price based on the fair values of the assets acquired:

FAIR VALUES (IN THOUSANDS) -----	
Inventory.....	\$ 50,100
assets.....	Property 4,300
relationships.....	Customer 7,900
agreement.....	Non-compete 4,500
Goodwill.....	33,600
acquired.....	----- Total assets \$ 100,400
	=====

Customer relationships are 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.

11. Guarantees.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Guarantees of Indebtedness of Others." FIN 45 requires a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued. We have applied the recognition provisions of FIN 45 prospectively to guarantees issued after December 31, 2002, and have adopted the quarterly disclosure provisions of FIN 45 for the quarter ended June 30, 2003. The adoption of FIN 45 did not have a material impact on our results of operations, financial condition or cash flows.

We provide assurance to our insurance providers that if they are not able to draw funds from us for claims paid, they have the ability to draw against our letters of credit. One of our letters of credit is renewed automatically every year unless we notify the institution not to renew. The other letter of credit expires in August 2004.

At June 30, 2003, we had \$85.9 million to support our outstanding letters of credit. Of the \$85.9 million, \$80.0 million is supported by our additional term loan facility. Under this additional term loan facility, in the event that a letter of credit is drawn upon, we have the right to either repay the additional term loan facility lenders the amount withdrawn or request a loan in that amount. Interest on any requested additional term loan facility accrues at an adjusted prime rate plus 1.75% or, at our option, at the Eurodollar Rate plus 2.80%, with the entire amount of the additional term loan facility due on December 31, 2007. The remaining \$5.9 million reduces the amount available under our \$120.0 million revolving facility.

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 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 \$12.0 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 \$52.0 million, of which \$30.4 million was outstanding as of June 30, 2003. 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.

12. Recapitalization.

Commencing in April 2003, we recapitalized a portion of our financial structure in a series of transactions. The recapitalization consisted of the tender offer for all of our \$272.25 million principal amount of 11% notes, the notice of optional redemption of the remaining 11% notes, the issuance of \$300.0 million principal amount of 7 1/2% notes, the refinancing of our senior debt and the repurchase of shares of our common stock.

On April 23, 2003, we announced a tender offer for all of our \$272.25 million principal amount of 11% notes. On May 6, 2003, we repurchased approximately \$183 million principal amount of 11% notes pursuant to the tender offer. This tender offer expired at 12:00 midnight, New York City time, on Tuesday, May 20, 2003. On June 17, 2003, we announced that, in accordance with the terms of the underlying indenture, we intended to optionally redeem on August 15, 2003 all of the 11% notes then outstanding at the applicable redemption price. On June 17, 2003, the trustee provided formal notice to the holders of the 11% notes that the 11% notes would be redeemed at 105.5% of the principal amount, plus accrued and unpaid interest on August 15, 2003. Under the terms of our senior credit facilities, we are required to redeem our 11% notes no later than August 15, 2003.

On April 25, 2003, we announced that we entered into an agreement with Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. which provided for the repurchase of a number of shares of our common stock sufficient to reduce Apollo's aggregate record ownership to 19.00% after consummation of our planned tender offer at the price per share paid in the tender offer. On April 28, 2003, we commenced a tender offer to purchase up to 2.20 million shares of our common stock pursuant to a modified "Dutch Auction." On June 25, 2003, we closed the tender offer and purchased 1,769,960 shares of our common stock at \$73 per share. On July 11, 2003, we closed the Apollo transaction and purchased 774,547 shares of our common stock at \$73 per share. As contemplated by the Apollo agreement, Apollo exchanged their shares of Series A preferred stock for shares of Series C preferred stock. The terms of the Series A preferred stock and Series C preferred stock are substantially similar, except the Series C preferred stock does not have the right to directly elect any members of our Board of Directors.

On May 6, 2003, we issued \$300.0 million in senior subordinated notes due 2010, bearing interest at 7 1/2%, the proceeds of which were used, in part, to fund the repurchase and redemption of the 11% notes.

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

During the second quarter of 2003, we recorded \$27.7 million in non-recurring financing charges in connection with the foregoing recapitalization.

13. Subsequent Events.

Repurchase of Common Stock. On July 11, 2003, we repurchased a total of 774,547 shares of our common stock at \$73 per share pursuant to the previously announced agreement with Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. We funded this transaction with the proceeds of our recently completed senior credit financing. On August 1, 2003, we agreed to repurchase an aggregate of 440,000 shares of our common stock at \$73 per share, 200,000 of which will be repurchased from Mark E. Speese, our Chairman of the Board and Chief Executive Officer, 200,000 of which will be repurchased from Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P., and 40,000 of which will be repurchased from Mitchell E. Fadel, our President and Chief Operating Officer. We have repurchased an additional 99,000 shares of our common stock under this program for approximately \$7.0 million during the third quarter of 2003. Following such repurchases, approximately \$16.6 million will be available for additional repurchases under our stock repurchase program.

Stock Split. On July 28, 2003, we announced that our Board of Directors had approved a 5 for 2 stock split on our common stock to be paid in the form of a stock dividend. Each common stockholder of record on August 15, 2003 will receive 1.5 additional shares of common stock for



each share of common stock held on that date. No fractional shares will be issued in connection with the stock dividend. Each stockholder who would otherwise receive a fractional share will receive an additional share of common stock. The distribution date for the stock dividend will be August 29, 2003.

RENT-A-CENTER, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

- o uncertainties regarding the ability to open new stores;
- o our ability to acquire additional rent-to-own stores on favorable terms;
- o our ability to enhance the performance of these acquired stores, including the stores acquired in the Rent-Way acquisition;
- o our ability to control store level costs;
- o our ability to realize benefits from our margin enhancement initiatives;
- o the results of our litigation;
- o the passage of legislation adversely affecting the rent-to-own industry;
- o interest rates;
- o our ability to collect on our rental purchase agreements;
- o changes in our effective tax rate;
- o factors that may restrict our ability to redeem our outstanding 11% senior subordinated notes on August 15, 2003, including our financial situation at that time;
- o changes in our stock price and the number of shares of common stock that we may or may not repurchase; and
- o the other risks detailed from time to time in our SEC reports.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under Risk Factors in our Annual Report on Form 10-K for our fiscal year ended December 31, 2002. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

OUR BUSINESS

We are the largest rent-to-own operator in the United States with an approximate 31% market share based on store count. At June 30, 2003, we operated 2,567 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 June 30, 2003, ColorTyme had 321 franchised stores in 40 states, 309 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

## RENT-A-CENTER, INC. AND SUBSIDIARIES

significant growth since our formation our historical results of operations and period-to-period comparisons of such results and other financial data, including the rate of earnings growth, may not be meaningful or indicative of future results.

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

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

### RECENT DEVELOPMENTS

**Store Growth.** We are actively seeking to increase our store base and annual revenues and profits through opportunistic acquisitions and new store openings. On February 8, 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. Furthermore, during the first six months of 2003, we acquired 11 additional stores, accounts from 14 additional locations, opened 38 new stores, and closed eight stores. All of the closed stores were merged with existing store locations. The additional stores and acquired accounts were the result of 18 separate transactions for an aggregate price of approximately \$5.8 million in cash. As of August 4, 2003, we have acquired two additional stores, accounts from four additional locations, opened 10 new stores and closed two stores, merging them both with existing locations during the third quarter of 2003. It is our intention to increase the number of stores we operate by an average of approximately 5 to 10% per year over the next several years.

**Recapitalization.** Commencing in April 2003, we recapitalized a portion of our financial structure in a series of transactions. The recapitalization consisted of the tender offer for all of our \$272.25 million principal amount of 11% notes, the notice of optional redemption of the remaining 11% notes, the issuance of \$300.0 million principal amount of 7 1/2% notes, the refinancing of our senior debt and the repurchase of shares of our common stock.

On April 23, 2003, we announced a tender offer for all of our \$272.25 million principal amount of 11% notes. On May 6, 2003, we repurchased approximately \$183 million principal amount of 11% notes pursuant to the tender offer. This tender offer expired at 12:00 midnight, New York City time, on Tuesday, May 20, 2003. On June 17, 2003, we announced that, in accordance with the terms of the underlying indenture, we intended to optionally redeem on August 15, 2003 all of the 11% notes then outstanding at the applicable redemption price. On June 17, 2003, the trustee provided formal notice to the holders of the 11% notes that the 11% notes would be redeemed at 105.5% of the principal amount, plus accrued and unpaid interest on August 15, 2003. Under the terms of our senior credit facilities, we are required to redeem our 11% notes no later than August 15, 2003.

On April 25, 2003, we announced that we entered into an agreement with Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. which provided for the repurchase of a number of shares of our common stock sufficient to reduce Apollo's aggregate record ownership to 19.00% after consummation of our planned tender offer at the price per share paid in the tender offer. On April 28, 2003, we commenced a tender offer to purchase up to 2.20 million shares of our common stock pursuant to a modified "Dutch Auction." On June 25, 2003, we closed the tender offer and purchased 1,769,960 shares of our common stock at \$73 per share. On July 11, 2003, we closed the Apollo transaction and purchased 774,547 shares of our common stock at \$73 per share. As contemplated by the Apollo agreement, Apollo exchanged their shares of Series A preferred stock for

shares of Series C preferred stock. The terms of the Series A preferred stock and Series C preferred stock are substantially similar, except the Series C preferred stock does not have the right to directly elect any members of our Board of Directors.

## RENT-A-CENTER, INC. AND SUBSIDIARIES

On May 6, 2003, we issued \$300.0 million in senior subordinated notes due 2010, bearing interest at 7 1/2%, the proceeds of which were used, in part, to fund the repurchase and redemption of the 11% notes.

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

During the second quarter of 2003, we recorded \$27.7 million in non-recurring financing charges in connection with the forgoing recapitalization.

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

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

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

In preparing our financial statements at any point in time, we are also periodically faced with uncertainties, the outcomes of which are not within our control and will not be known for prolonged periods of time. As discussed in Part II, Item 1 "Legal Proceedings" and the notes to our consolidated financial statements included in our Annual Report on Form 10-K, 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 provide a meaningful and fair perspective of our company. However, we do not suggest that other general risk factors, such as those discussed in our Annual Report on Form 10-K as well as changes in our growth objectives or performance of new or acquired stores, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.



OTHER SIGNIFICANT ACCOUNTING POLICIES

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

**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.

**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 customer relationships and non-compete agreements resulting from acquisitions. Effective January 1, 2002, under SFAS 142 all goodwill and intangible assets with indefinite lives are no longer subject to amortization.



## RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO SIX MONTHS ENDED JUNE 30, 2002

Store Revenue. Total store revenue increased by \$130.7 million, or 13.5%, to \$1,095.3 million for the six months ended June 30, 2003 from \$964.6 million for the six months ended June 30, 2002. The increase in total store revenue is primarily attributable to growth in same store revenues, an increase in cash sales and early purchase options, new stores, incremental revenues related to all acquisitions, including the 295 Rent-Way stores acquired in February 2003, as well as installment sales in our Get It Now stores.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire six month periods ending June 30, 2003 and 2002. Same store revenues increased by \$34.9 million, or 4.2%, to \$857.3 million for the six months ended June 30, 2003 from \$822.4 million in 2002. The increase in same store revenues was primarily attributable to an increase in the total revenue earned per customer including all rentals, fees and cash sales (approximately \$1,109 per customer for the six months ending June 30, 2003 versus approximately \$1,063 per customer for the six months ending June 30, 2002). Merchandise sales for all stores increased \$21.6 million, or 34.0%, to \$85.2 million for 2003 from \$63.6 million in 2002. The increase in merchandise sales was primarily attributable to an increase in the number of items sold in the first six months of 2003 (approximately 570,000) from the number of items sold in 2002 (approximately 446,000). This increase in the number of items sold in 2003 versus the same period in 2002 was primarily the result of an increase in the amount of customers exercising early purchase options.

Franchise Revenue. Total franchise revenue decreased by \$4.2 million, or 14.8%, to \$24.4 million for the six months ended June 30, 2003 from \$28.6 million in 2002. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of fewer franchised locations, many of which were acquired by us, during the first six months of 2003 as compared to the first six months of 2002.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by \$29.4 million, or 15.8%, to \$216.0 million for the six months ended June 30, 2003 from \$186.6 million in 2002. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue increased to 21.6% in 2003 from 20.7% for the same period in 2002. These increases were primarily attributable to an increase in rental and fee revenue, a different pricing mix in 2003 versus 2002 and higher depreciation associated with the Rent-Way inventory acquired in February 2003.

Cost of Merchandise Sold. Cost of merchandise sold increased by \$16.3 million, or 36.7%, to \$60.8 million for the six months ended June 30, 2003 from \$44.5 million in 2002. This increase was primarily a result of an increase in the number of items sold during the first six months of 2003 as compared to the first six months of 2002, as well as the additional sales of inventory gained through the acquisition of 295 Rent-Way stores. The gross margin percent on merchandise sales decreased to 28.6% in 2003 from 30.1% in 2002. This percentage decrease was primarily attributable to the sale of merchandise acquired from Rent-Way in February 2003.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue decreased to 53.3% for the six months ended June 30, 2003 from 54.6% for the six months ended June 30, 2002. This decrease was primarily attributable to an increase in store revenues in the first six months of 2003 as compared to 2002 coupled with the continued realization of our margin enhancement initiatives and reductions in store level costs.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by \$4.0 million, or 16.5%, to \$20.5 million for the six months ended June 30, 2003 from \$24.5 million in 2002. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of fewer franchised locations, many of which were acquired by us, during the first six months of 2003 as compared to the first six months of 2002.

General and Administrative Expenses. General and administrative expenses expressed as a percentage of total revenue decreased to 3.0% for the six months ending June 30, 2003 as compared to 3.3% for the six months ending June 30, 2002. This decrease is primarily attributable to the effect of a \$2.0 million legal charge associated with the settlement of class action gender discrimination lawsuits in the second quarter of 2002.

Amortization of Intangibles. Amortization of intangibles increased by \$4.6 million, or 275.7%, to \$6.2 million for the six months ended June 30, 2003 from \$1.6 for the six months ended June 30, 2002. This increase was primarily attributable to the Rent-Way acquisition and the number of acquisitions made

during the later part of 2002 versus 2001. As a result of these acquisitions, amortization of intangibles is higher in the first six months of 2003 versus 2002.

Operating Profit. Operating profit increased by \$17.0 million, or 9.6%, to \$193.5 million for the six months ended June 30, 2003 from \$176.5 million in 2002. Operating profit as a percentage of total revenue decreased to 17.3% for the six months ended June 30, 2003, from 17.8% in 2002. This percentage decrease was primarily attributable to the increase in amortization of intangibles during the first six months of 2003 versus 2002, as well as the effect of the Rent-Way acquisition.

## RENT-A-CENTER, INC. AND SUBSIDIARIES

Net Earnings. Net earnings increased by \$753,000, or 0.9%, to \$86.3 million for the six months ended June 30, 2003 from \$85.5 million in 2002. Before the after-tax effect of the \$27.7 million non-recurring recapitalization charges recorded in the second quarter of 2003, the \$2.0 million non-recurring charge associated with the settlement of class action gender discrimination lawsuits and \$2.9 million associated with the early retirement of debt in the second quarter of 2002, net earnings increased by \$14.8 million, or 16.8%, to \$103.2 million for the six months ended June 30, 2003 from \$88.4 million in 2002. This increase is primarily attributable to growth in total revenues, a decrease in interest expense, a lower tax rate and the improvements in salaries and other expenses under our cost control programs offset by an increase in amortization of intangibles.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. Preferred dividends decreased by \$8.9 million, or nearly 100%, for the six months ended June 30, 2003, due to the conversion of all but two shares of outstanding Series A preferred stock in August 2002.

### THREE MONTHS ENDED JUNE 30, 2003 COMPARED TO THREE MONTHS ENDED JUNE 30, 2002

Store Revenue. Total store revenue increased by \$61.7 million, or 12.8%, to \$542.4 million for the three months ended June 30, 2003 from \$480.7 million for the three months ended June 30, 2002. The increase in total store revenue is primarily attributable to growth in same store revenues, an increase in cash sales and early purchase options, new stores, incremental revenues related to all acquisitions, including the 295 Rent-Way stores acquired in February 2003, as well as installment sales in our Get It Now stores.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending June 30, 2003 and 2002. Same store revenues increased by \$11.3 million, or 2.7%, to \$427.4 million for the three months ended June 30, 2003 from \$416.1 million in 2002. The increase in same store revenues was primarily attributable to an increase in the total revenue earned per customer including all rentals, fees and cash sales (approximately \$546 per customer for the quarter ending June 30, 2003 versus approximately \$530 per customer for the quarter ending June 30, 2002). Merchandise sales for all stores increased \$8.5 million, or 35.6%, to \$32.5 million for 2003 from \$24.0 million in 2002. The increase in merchandise sales was primarily attributable to an increase in the number of items sold in the second quarter of 2003 (approximately 252,000) from the number of items sold in 2002 (approximately 188,000). This increase in the number of items sold in 2003 versus the same period in 2002 was primarily the result of an increase in the amount of customers exercising early purchase options.

Franchise Revenue. Total franchise revenue decreased by \$3.1 million, or 22.4%, to \$10.8 million for the three months ended June 30, 2003 from \$13.9 million in 2002. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of a decrease in the number of franchised locations, many of which were acquired by us, in the second quarter of 2003 as compared to the second quarter of 2002.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by \$15.0 million, or 15.9%, to \$109.3 million for the three months ended June 30, 2003 from \$94.3 million in 2002. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue increased to 21.7% in 2003 from 20.7% for the same period in 2002. These increases were primarily attributable to an increase in rental and fee revenue, a different pricing mix in 2003 versus 2002 and higher depreciation associated with the Rent-Way inventory acquired in February 2003.

Cost of Merchandise Sold. Cost of merchandise sold increased by \$6.7 million, or 38.5%, to \$24.2 million for the three months ended June 30, 2003 from \$17.5 million in 2002. This increase was primarily a result of an increase in the number of items sold during the second quarter of 2003 as compared to the second quarter 2002, as well as the additional sales of inventory gained through the acquisition of 295 Rent-Way stores. The gross margin percent on merchandise sales decreased to 25.5% in 2003 from 27.1% in 2002. This percentage decrease was primarily attributable to the sale of merchandise acquired from Rent-Way in February 2003.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue decreased to 53.8% for the three months ended June 30, 2003 from 55.0% for the three months ended June 30, 2002. This decrease was primarily attributable to an increase in store revenues in the second quarter of 2003 as compared to 2002 coupled with the continued realization of our margin enhancement initiatives and reductions in store level costs.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by \$2.9 million, or 24.7%, to \$9.0 million for the three months ended June 30, 2003 from \$11.9 million in 2002. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of fewer franchised locations, many of which were acquired by us, in the second quarter of 2003 as compared to the second quarter of 2002.

General and Administrative Expenses. General and administrative expenses expressed as a percentage of total revenue decreased to 3.0% for the three months ending June 30, 2003 as compared to 3.5% for the three months ending June 30, 2002. This decrease is primarily attributable to the effect of a \$2.0 million legal charge associated with the settlement of class action gender discrimination lawsuits in the second quarter of 2002.

## RENT-A-CENTER, INC. AND SUBSIDIARIES

Amortization of Intangibles. Amortization of intangibles increased by \$2.4 million, or 257.5%, to \$3.3 million for the three months ended June 30, 2003 from \$900,000 for the three months ended June 30, 2002. This increase was primarily attributable to the Rent-Way acquisition.

Operating Profit. Operating profit increased by \$9.0 million, or 10.2%, to \$97.2 million for the three months ended June 30, 2003 from \$88.2 million in 2002. Operating profit as a percentage of total revenue decreased to 17.6% for the three months ended June 30, 2003, from 17.8% in 2002. This percentage decrease was primarily attributable to the increase in amortization of intangibles during the second quarter of 2003 versus 2002, as well as the effect of the Rent-Way acquisition.

Net Earnings. Net earnings decreased by \$6.6 million, or 15.8%, to \$35.3 million for the three months ended June 30, 2003 from \$41.9 million in 2002. Before the after-tax effect of the \$27.7 million non-recurring recapitalization charges recorded in the second quarter of 2003, the \$2.0 million non-recurring charge associated with the settlement of class action gender discrimination lawsuits and \$2.9 million associated with the early retirement of debt in the second quarter of 2002, net earnings increased by \$7.4 million, or 16.6%, to \$52.3 million for the six months ended June 30, 2003 from \$44.9 million in 2002. This increase is primarily attributable to growth in total revenues, a decrease in interest expense, a lower tax rate and the improvements seen in salaries and other expenses under our cost control programs offset by an increase in amortization of intangibles.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. Preferred dividends decreased by \$3.9 million, or nearly 100%, for the three months ended June 30, 2003, due to the conversion of all but two shares of outstanding Series A preferred stock in August 2002.

### LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities increased by \$10.5 million to \$183.4 million for the six months ending June 30, 2003 from \$172.9 million in 2002. This increase resulted primarily from an increase in depreciation as well as a decrease in prepaid expenses during the first six months of 2003 as compared to 2002 and the non-recurring finance charges in the second quarter of 2003 offset by a decrease in accrued liabilities and increased inventory purchases during the first six months of 2003 as compared to 2002.

Cash used in investing activities increased by \$85.4 million to \$128.8 million during the six month period ending June 30, 2003 from \$43.4 million in 2002. This increase is primarily attributable to the acquisition of 295 stores from Rent-Way in February 2003.

Cash provided by financing activities increased by \$251.5 million to \$107.9 million during the six month period ending June 30, 2003 from \$143.6 million used in financing activities in 2002. This increase is a result of the \$300.0 million received from our issuance of the 7 1/2% notes as well as the new \$400.0 million term loan under our senior credit facilities entered into in May 2003, offset by our repurchase of \$187.8 million of our 11% notes, the repayment of our old senior credit facilities and repurchase of \$142.6 million of our common stock.

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 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 existing revolving credit facilities provide us with revolving loans in an aggregate principal amount not exceeding \$130.0 million, of which \$124.1 million was available at August 4, 2003. At August 1, 2003, we had in excess of \$210.0 million in cash, \$93.7 million of which will be used for the redemption of our 11% notes and approximately \$39.1 million of which will be used for the repurchase of 539,000 shares of our common stock. To the extent we have available cash that is not

necessary for store openings or acquisitions, we intend to repurchase additional shares of our common stock as well as make payments to service our existing debt. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Deferred Taxes. On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30 percent of the basis of qualifying property is deductible in the year the property is placed in service, with the remaining 70 percent of the basis depreciated under the normal tax depreciation rules. For assets placed in service between May 6, 2003 and December 31, 2004, the Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the percent of the basis of qualifying property deductible in the year the property is placed in service from 30% to 50%. Accordingly, our cash flow will benefit from having a lower current cash tax obligation, which in turn will provide additional cash flows from operations until the deferred tax liabilities begin to reverse. We estimate that our operating cash flow will have increased by approximately \$105.6 million through 2004 before the deferred tax liabilities begin to reverse over a three year period beginning in 2005.

Rental Merchandise Purchases. We purchased \$305.1 million and \$252.3 million of rental merchandise during the six month periods ending June 30, 2003 and 2002, 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 \$22.9 million and \$16.8 million on capital expenditures during the six month periods ending June 30, 2003 and 2002, respectively, and expect to spend approximately \$25.0 million for the remainder of 2003.

Acquisitions and New Store Openings. For the first six months of 2003, we spent approximately \$106.2 million on acquiring stores and accounts, of which \$100.4 million was for the Rent-Way acquisition. For the entire year ending December 31, 2003, we intend to add approximately 10% to our store base by opening approximately 80 new store locations as well as continuing to pursue opportunistic acquisitions.

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

Borrowings. The table below shows the scheduled maturity dates of our senior debt outstanding at June 30, 2003.

PERIOD (YEAR) ENDING DECEMBER 31, (IN THOUSANDS) - - - - -	
----- ---	
2003.....	\$ 2,000
2004.....	4,000
2005.....	4,000
2006.....	4,000
2007.....	4,000
Thereafter.....	382,000 ----- \$
	400,000 =====

Senior Credit Facilities. On May 28, 2003, we entered into a new senior credit

facility provided by a syndicate of banks and other financial institutions led by Lehman Commercial Paper, Inc., as administrative agent. At June 30, 2003, we had a total of \$400.0 million outstanding under our senior credit facilities related to our term loans and \$114.1 million of availability under the revolving credit line portion of our senior credit facilities.

Under our \$80.0 million additional term loan facility, in the event that a letter of credit is drawn upon, we have the right to either repay the additional term loan facility lenders the amount withdrawn or request a loan in that amount. Interest on any requested additional term loan facility loan accrues at an adjusted prime rate plus 1.25% or, at our option, at the Eurodollar base rate plus 2.25%, with the entire amount of the additional term loan facility due on May 28, 2008.



RENT-A-CENTER, INC. AND SUBSIDIARIES

Borrowings under our senior credit facilities bear interest at varying rates equal to 2.25% over the Eurodollar rate, which was 1.12% at June 30, 2003. We also have a prime rate option under the facilities, but have not exercised it to date. We have not entered into any interest rate protection agreements with respect to term loans under our senior credit facilities.

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

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

- o incur additional debt (including subordinated debt) in excess of \$35 million at any one time outstanding;
- o repurchase our capital stock and senior subordinated notes;
- o incur liens or other encumbrances;
- o merge, consolidate or sell substantially all our property or business;
- o sell assets, other than inventory in the ordinary course of business;
- o make investments or acquisitions unless we meet financial tests and other requirements;
- o make capital expenditures; or
- o enter into a new line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio and a minimum fixed charge coverage ratio. At June 30, 2003, the maximum consolidated leverage ratio was 2.75:1, the minimum consolidated interest coverage ratio was 3.50:1, and the minimum fixed charge coverage ratio was 1.50:1. On that date, our actual ratios were 1.76:1, 5.78:1 and 2.53:1, respectively. In addition, we are required to use 25% of the net proceeds from any equity offering to repay our term loans.

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

11% Senior Subordinated Notes. At June 30, 2003, Rent-A-Center East had outstanding \$84.5 million in 11% senior subordinated notes pursuant to an indenture dated as of December 19, 2001 among Rent-A-Center East, its subsidiary guarantors and The Bank of New York, as trustee.

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

- o incur additional debt;
- o sell assets or our subsidiaries;
- o grant liens to third parties;
- o pay dividends or repurchase stock; and
- o 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 \$25.0 million.

The 11% 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 11% notes also require that upon the occurrence of a change of control (as defined in the 2001 indenture), the holders of the 11% notes have the right to require Rent-A-Center East to repurchase the 11% 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.

## RENT-A-CENTER, INC. AND SUBSIDIARIES

On May 6, 2003, we repurchased approximately \$183 million principal amount of 11% notes pursuant to a tender offer that expired at 12:00 midnight, New York City time, on Tuesday, May 20, 2003. On June 17, 2003, we announced that, in accordance with the 2001 indenture, we intended to optionally redeem on August 15, 2003 all of the 11% notes then outstanding at the applicable redemption price. On June 17, 2003, the trustee provided formal notice to the holders of the 11% notes that the 11% notes would be redeemed at 105.5% of the principal amount, plus accrued and unpaid interest on August 15, 2003. Under the terms of our senior credit facilities, we are required to redeem our 11% notes no later than August 15, 2003. We have set aside \$93.7 million of cash for the redemption of our 11% notes.

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

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

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

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding \$50.0 million. It is also an event of default under the 2003 indenture if we fail to purchase or redeem all of the 11% senior subordinated notes by August 30, 2003.

The 7 1/2% notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The 7 1/2% subordinated notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. If we do not comply with this repurchase obligation, this would trigger an event of default under our senior credit facilities.

Store Leases. We lease space for all of our stores as well as our corporate and regional offices under operating leases expiring at various times through 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 \$12.0 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 \$52.0 million, of which \$30.4 million was outstanding as of June 30, 2003. 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 June 30, 2003, 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, 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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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 end of fiscal 2003. 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.

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 in our Annual Report on Form 10-K.

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 3.75%, or \$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.

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 June 30, 2003:

PAYMENTS DUE BY YEAR					
END Contractual Cash					
Obligations TOTAL					
2003	2004	2005	2006		
	2007	2008	AND		
THEREAFTER - -----					
-----					
-----					
-----					
-----					
-----					
-----					
----- (IN					
THOUSANDS) Senior					
Credit Facilities					
(including current					
portion) ... \$					
400,000	\$ 2,000	\$			
4,000	\$ 4,000	\$ 4,000			

\$ 4,000	\$ 382,000	11%	
Senior Subordinated Notes (1)			
.....			
93,745	93,745	-- -- -	
- -- -		7.5% Senior	
Subordinated Notes(2)			
.....			
457,500	11,250	22,500	
22,500	22,500	22,500	
356,250	Operating Leases		
.....			
417,312	130,556		
114,679	88,176	51,802	
25,371	6,728	- - - - -	
-----			
-----			
-----			
-----			
-----			
-----			
-----			
	----- Total		
\$1,368,557	\$ 237,551		
\$ 141,179	\$ 114,676	\$	
78,302	\$ 51,871	\$	
	744,978		

- - - - -
- (1) Includes interest payments of \$4.65 million, bond premium of \$4.65 million and principal payments of \$84.45 million, representing amounts necessary to redeem the 11% notes on August 15, 2003.
- (2) Includes interest payments of \$11.25 million on each of May 1 and November 1 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

## RENT-A-CENTER, INC. AND SUBSIDIARIES

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.

On April 25, 2003, we announced that we entered into an agreement with Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. which provided for the repurchase of a number of shares of our common stock sufficient to reduce Apollo's aggregate record ownership to 19.00% after consummation of our planned tender offer at the price per share paid in the tender offer. On April 28, 2003, we commenced a tender offer to purchase up to 2.20 million shares of our common stock pursuant to a modified "Dutch Auction." On June 25, 2003, we closed the tender offer and purchased approximately 1.77 million shares of our common stock at \$73 per share. On July 11, 2003 we closed the Apollo transaction and purchased approximately 775,000 shares of our common stock at \$73 per share. As contemplated by the Apollo agreement, Apollo exchanged their shares of Series A preferred stock for shares of Series C preferred stock. The terms of the Series A preferred stock and Series C preferred stock are substantially similar, except the Series C preferred stock does not have the right to directly elect any members of our Board of Directors.

In April 2000, we announced that our Board of Directors had authorized a program to repurchase in the open market and in privately negotiated transactions up to an aggregate of \$25.0 million of our common stock. In October 2002, our Board of Directors increased the amount of repurchases authorized under our common stock repurchase program from \$25.0 million to \$50.0 million. In March 2003, our Board of Directors again increased such amount from \$50.0 million to \$100.0 million. Through June 30, 2003, we have repurchased approximately 937,000 shares of our common stock under this program for approximately \$44.3 million. On August 1, 2003, we agreed to repurchase under this program an aggregate of 440,000 shares of our common stock at \$73 per share, 200,000 of which will be repurchased from Mark E. Speese, our Chairman of the Board and Chief Executive Officer, 200,000 of which will be repurchased from Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P., and 40,000 of which will be repurchased from Mitchell E. Fadel, our President and Chief Operating Officer. We have repurchased an additional 99,000 shares of our common stock under this program for approximately \$7.0 million during the third quarter of 2003. Following such repurchases, approximately \$16.6 million will be available for additional repurchases under this program.

**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.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

#### INTEREST RATE SENSITIVITY

As of June 30, 2003, we had \$84.5 million in subordinated notes outstanding at a fixed interest rate of 11.0%, \$300.0 million in subordinated notes outstanding at a fixed interest rate of 7 1/2% and \$400.0 million in term loans outstanding at interest rates indexed to the LIBOR rate. The 11% 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 11% and 7 1/2% subordinated notes at June 30, 2003 was \$90.2 million and \$313.5 million, respectively, which is \$18.2 million above their carrying value. Unlike the subordinated notes, the \$400.0 million in term loans have variable interest rates indexed to current LIBOR rates. As of June 30, 2003, we have not entered into any interest rate swap agreements with respect to term loans under our senior credit facilities.

## RENT-A-CENTER, INC. AND SUBSIDIARIES

### 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.

### ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, our internal controls.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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

Colon v. Thorn Americas, Inc. The plaintiff filed this class action in November 1997 in New York state court. This matter was assumed by us in connection with the Thorn Americas acquisition, and appropriate purchase accounting adjustments were made for such contingent liabilities. The plaintiff acknowledges that rent-to-own transactions in New York are subject to the provisions of New York's Rental Purchase Statute but contends the Rental Purchase Statute does not provide Thorn Americas immunity from suit for other statutory violations. The plaintiff alleges Thorn Americas has a duty to disclose effective interest under New York consumer protection laws, and 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 our rent-to-own contracts from November 26, 1994. In November 2000, following interlocutory appeal by both parties from the denial of cross-motions for summary judgment, we obtained a favorable ruling from the Appellate Division of the State of New York, dismissing the plaintiff's claims based on the alleged failure to disclose an effective interest rate. The plaintiff's other claims were not dismissed. The plaintiff moved to certify a state-wide class in December 2000. The plaintiff's class certification motion was heard by the court on November 7, 2001 and, on September 12, 2002, the court issued an opinion denying in part and granting in part the plaintiff's requested certification. The opinion grants certification as to all of the plaintiff's claims except the plaintiff's pricing claims pursuant to the Rental Purchase Statute, as to which certification was denied. The parties have differing views as to the effect of the court's opinion, and accordingly, the court granted the parties permission to submit competing orders as to the effect of the opinion on the plaintiff's specific claims. Both proposed orders were submitted to the court on March 27, 2003, and on May 30, 2003, the court held a hearing regarding such orders. No order has yet been entered by the court. Regardless of the determination of the final certification order by the court, we intend to pursue an interlocutory appeal of the court's certification order.



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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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 end of fiscal 2003. 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 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 as a result of alleged misrepresentations and omissions in connection with an offering in May 2001 and also added the managing underwriters in that offering as defendants.

On February 7, 2003, we, along with certain officer and director defendants, filed a motion to dismiss the matter as well as a motion to transfer venue. In addition, our outside directors named in the matter separately filed a motion to dismiss the Securities Act claims on statute of limitations grounds. On February 19, 2003, the underwriter defendants also filed a motion to dismiss the matter. The plaintiffs filed response briefs to these motions, and our response to these response briefs was filed on May 21, 2003. A hearing was held by the Court on June 26, 2003 to hear each of these motions. No decision has yet been entered by the Court.

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

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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. The plaintiffs' appeal brief was filed on May 9, 2003 and we subsequently filed our response brief. Oral argument on the appeal was held on July 30, 2003 in the Superior Court of Pennsylvania. No decision has yet been entered by the Court. 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 June 30, 2003, we operated 20 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. Our request for interlocutory appeal is currently pending before the Court. The plaintiffs filed a motion for summary judgment seeking to resolve certain factual issues related to the purported class, which was denied on July 1, 2003. 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 June 30, 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. On March 24, 2003, the Burdusis court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On April 25, 2003, the plaintiffs in Burdusis filed a notice of appeal of that ruling, and on May 8, 2003, the Burdusis court, at our request, stayed further proceedings in Burdusis and French pending the resolution on appeal of the court's denial of class certification in Burdusis. The Burdusis and French proceedings are pending before the same judge in California. On May 14, 2003, the Rose court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On June 3, 2003, the plaintiffs in Rose filed a notice of appeal. 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.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

At our Annual Meeting of Stockholders held on May 21, 2003, the nominees for our Class III directors were elected. Both Class III directors were elected by all of our stockholders.

The voting was as follows for the directors elected by all of our stockholders:

NOMINEE	
FOR	
WITHHELD	
J. V.	
Lentell	
30,423,927	
1,552,902	
Andrew S.	
Jhawar	
31,443,849	
532,980	

In addition to the directors elected at our Annual Meeting of Stockholders, the following directors' terms of office as a director continued after the Annual Meeting of Stockholders:

Mitchell E. Fadel  
Peter P. Copses  
Mary Elizabeth Burton  
Mark E. Speese  
Laurence M. Berg

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

CURRENT REPORTS ON FORM 8-K

Current Report on Form 8-K filed April 23, 2003

Current Report on Form 8-K filed April 29, 2003

Current Report on Form 8-K filed April 29, 2003

Current Report on Form 8-K filed May 2, 2003

EXHIBITS

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

By: /s/ Robert D. Davis

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

Date: August 5, 2003

RENT-A-CENTER, INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

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(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(3) -- Letter Agreement, dated December 31, 2002
2.4(4) - - Letter Agreement, dated January 7, 2003
2.5(5) -- Letter Agreement, dated February 7,

2003 2.6(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(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(8) --

Certificate  
of  
Incorporation  
of Rent-A-  
Center, Inc.,  
as amended

3.2(9) --

Amended and  
Restated  
Bylaws of  
Rent-A-  
Center, Inc.

4.1(10) --

Form of  
Certificate  
evidencing  
Common Stock

4.2(11) --

Certificate  
of  
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(12)

-- Form of

Certificate  
evidencing  
Series A  
Preferred  
Stock 4.4(13)

--

Certificate



of  
Designations,  
Preferences  
and relative  
Rights and  
Limitations  
of Series C  
Preferred  
Stock of  
Rent-A-  
Center, Inc.  
4.5(14) --  
Form of  
Certificate  
evidencing  
Series C  
Preferred  
Stock 4.6(15)  
-- 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  
4.7(16) --  
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  
4.8(17) --  
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  
4.9(18) --  
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  
4.10(19) --  
Indenture,  
dated as of  
May 6, 2003,  
by and among  
Rent-A-  
Center, Inc.,  
as Issuer,  
Rent-A-Center  
East, Inc.,  
ColorTyme,  
Inc., Rent-A-  
Center West,  
Inc., Get It  
Now, LLC,  
Rent-A-Center  
Texas, L.P.  
and Rent-A-  
Center Texas,  
L.L.C., as  
Guarantors,  
and The Bank  
of New York,  
as Trustee  
4.11(20) --  
Form of 2003  
Exchange Note  
10.1(21)+ --  
Amended and  
Restated  
Rent-A-  
Center, Inc.  
Long-Term  
Incentive  
Plan 10.2(22)  
-- 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

RENT-A-CENTER, INC. AND SUBSIDIARIES

EXHIBIT  
NUMBER  
EXHIBIT  
DESCRIPTION -  
-----  
-----  
-----  
-----  
-----  
-----  
- 10.3(23) --  
First  
Amendment,  
dated as of  
April 22,  
2003, to the  
Amended and  
Restated  
Credit  
Agreement,  
dated as of  
August 5,  
1998, as  
amended and  
restated as  
of December  
31, 2002,  
among Rent-A-  
Center, Inc.,  
Rent-A-Center  
East, Inc.,  
Comerica  
Bank, as  
Documentation  
Agent, Bank  
of America  
NA, as  
Syndication  
Agent, and JP  
Morgan Chase  
Bank  
(formerly  
known as The  
Chase  
Manhattan  
Bank), as  
Administrative  
Agent  
10.4(24) --  
Credit  
Agreement,  
dated as of  
May 28, 2003,  
among Rent-A-  
Center, Inc.,  
Morgan  
Stanley  
Senior  
Funding Inc.,  
as  
Documentation  
Agent,  
JPMorgan  
Chase Bank  
and Bear,  
Stearns & Co.  
Inc., each as  
Syndication  
Agent, and  
Lehman  
Commercial  
Paper Inc.,  
as  
Administrative  
Agent  
10.5(25) --  
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

10.6(26) --  
Guarantee and  
Collateral  
Agreement,  
dated as of  
May 28, 2003,  
made by Rent-  
A-Center,  
Inc., Rent-A-  
Center East,  
Inc. and  
certain of  
its  
Subsidiaries  
in favor of  
Lehman  
Commercial  
Paper Inc.,  
as  
Administrative  
Agent

10.7(27) --  
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

10.8(28) --  
Second  
Amended and  
Restated  
Stockholders  
Agreement,  
dated as of  
August 5,  
2002, by and  
among Apollo  
Investment  
Fund IV,  
L.P., Apollo  
Overseas

Partners IV,  
L.P., Mark E.  
Speese, Rent-  
A-Center,  
Inc., and  
certain other  
persons

10.9(29) --

Third Amended  
and Restated  
Stockholders  
Agreement,  
dated as of  
December 31,  
2002, by and  
among Apollo  
Investment  
Fund IV,  
L.P., Apollo  
Overseas  
Partners IV,  
L.P., Mark E.  
Speese, Rent-  
A-Center,  
Inc., and  
certain other  
persons

10.10(30) --

Fourth  
Amended and  
Restated  
Stockholders  
Agreement,  
dated as of  
July 11,  
2003, by and  
among Apollo  
Investment  
Fund IV,  
L.P., Apollo  
Overseas  
Partners IV,  
L.P., Mark E.  
Speese, Rent-  
A-Center,  
Inc., and  
certain other  
persons

10.11(31) --

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

10.12(32) --

Second  
Amendment to  
Registration  
Rights  
Agreement,  
dated as of  
August 5,  
2002, by and  
among Rent-A-  
Center, Inc.,  
Apollo  
Investment  
Fund IV, L.P.

and Apollo  
Overseas  
Partners IV,  
L.P.  
10.13(33) --  
Third  
Amendment to  
Registration  
Rights  
Agreement,  
dated as of  
December 31,  
2002, by and  
among Rent-A-  
Center, Inc.,  
Apollo  
Investment  
Fund IV, L.P.  
and Apollo  
Overseas  
Partners IV,  
L.P.  
10.14(34) --  
Fourth  
Amendment to  
Registration  
Rights  
Agreement,  
dated as of  
July 11,  
2003, by and  
between Rent-  
A-Center,  
Inc., Apollo  
Investment  
Fund IV,  
L.P., and  
Apollo  
Overseas  
Partners IV,  
L.P., related  
to the Series  
C Convertible  
Preferred  
Stock  
10.15(35) --  
Registration  
Rights  
Agreement,  
dated as of  
May 6, 2003,  
by and among  
Rent-A-  
Center, Inc.,  
as Issuer,  
Rent-A-Center  
East, Inc.,  
ColorTyme,  
Inc., Rent-A-  
Center West,  
Inc., Get It  
Now, LLC,  
Rent-A-Center  
Texas, L.P.  
and Rent-A-  
Center Texas,  
L.L.C., as  
Guarantors,  
and Lehman  
Commercial  
Paper Inc.,  
J.P. Morgan  
Securities,  
Inc., Morgan  
Stanley & Co.  
Incorporated,  
Bear, Stearns  
& Co. Inc.,  
UBS Warburg  
LLC and  
Wachovia  
Securities,  
Inc., as

Initial  
Purchasers  
10.16(36) --  
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.

10.17(37) --  
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.

10.18(38) --  
Amended and  
Restated  
Franchisee  
Financing  
Agreement,  
dated March  
27, 2002, by  
and between  
Textron  
Financial  
Corporation,  
ColorTyme,  
Inc. and  
Rent-A-  
Center, Inc.

10.19(39) --  
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.

10.20(40) --  
First  
Amendment to  
Franchisee  
Financing  
Agreement,  
dated July  
23, 2002, by



and between  
Textron  
Financial  
Corporation,  
ColorTyme,  
Inc. and  
Rent-A-  
Center, Inc.  
10.21(41) --  
Second  
Amendment to  
Franchisee  
Financing  
Agreement,  
dated  
September 30,  
2002, by and

RENT-A-CENTER, INC. AND SUBSIDIARIES

EXHIBIT  
NUMBER  
EXHIBIT  
DESCRIPTION -  
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-----  
-----

- between  
Textron  
Financial  
Corporation,  
ColorTyme,  
Inc. and  
Rent-A-  
Center, Inc.  
10.22(42) --  
Third  
Amendment to  
Franchisee  
Financing  
Agreement,  
dated March  
24, 2003, but  
effective as  
of December  
31, 2002, by  
and between  
Textron  
Financial  
Corporation,  
ColorTyme,  
Inc. and  
Rent-A-  
Center, Inc.  
10.23(43) --  
Supplemental  
Letter  
Agreement to  
Franchisee  
Financing  
Amendment,  
dated May 26,  
2003, by and  
between Texas  
Capital Bank,  
National  
Association,  
ColorTyme,  
Inc. and  
Rent-A-  
Center, Inc.  
10.24(44) --  
Purchase  
Agreement,  
dated May 1,  
2003, among  
Rent-A-  
Center, Inc.,  
Rent-A-Center  
East, Inc.,  
ColorTyme,  
Inc., Rent-A-  
Center West,  
Inc., Get It  
Now, LLC,  
Rent-A-Center  
Texas, L.P.,  
Rent-A-Center  
Texas,  
L.L.C.,  
Lehman  
Brothers  
Inc., J.P.  
Morgan  
Securities,

Inc., Morgan Stanley & Co. Incorporated, Bear Stearns & Co. Inc., UBS Warburg LLC and Wachovia Securities, Inc.

(Pursuant to the rules of the SEC, the schedules and annexes have been omitted.

Upon the request of the SEC, Rent-A-Center, Inc. will

supplementally supply such schedules and annexes to the SEC.)

10.25(45) -- Stock

Purchase and Exchange Agreement, dated April 25, 2003, by and among

Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and Rent-A-

Center, Inc.

21.1(46) --

Subsidiaries of Rent-A-Center, Inc.

31.1\* --

Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

implementing Section 302 of the

Sarbanes-Oxley Act of 2002 by Mark E. Speese

31.2\* --

Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

implementing Section 302 of the

Sarbanes-Oxley Act of 2002 by

Robert D. Davis

32.1\* -

-

Certification pursuant to 18 U.S.C.

Section 1350  
as adopted  
pursuant to  
Section 906  
of the  
Sarbanes-  
Oxley Act of  
2002 by Mark  
E. Speese  
32.2\* --

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

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\* Filed herewith.

+ Management contract or company plan or arrangement

RENT-A-CENTER, INC. AND SUBSIDIARIES

- (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 2.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (3) Incorporated herein by reference to Exhibit 2.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (4) Incorporated herein by reference to Exhibit 2.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (5) Incorporated herein by reference to Exhibit 2.5 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (6) Incorporated herein by reference to Exhibit 2.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (7) Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (8) Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002
- (9) Incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K dated as of December 31, 2002
- (10) Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-4 filed on January 11, 1999
- (11) Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002
- (12) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-4 filed on January 11, 1999
- (13) Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (14) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (15) Incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-4 filed January 22, 2002
- (16) 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
- (17) 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
- (18) Incorporated herein by reference to Exhibit 4.7 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

RENT-A-CENTER, INC. AND SUBSIDIARIES

- (19) Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003
- (20) Incorporated herein by reference to Exhibit 4.11 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (21) 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
- (22) Incorporated herein by reference to Exhibit 10.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (23) Incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on form 10-Q for the quarter ended March 31, 2003
- (24) Incorporated herein by reference to Exhibit 10.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (25) Incorporated herein by reference to Exhibit 10.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (26) Incorporated herein by reference to Exhibit 10.6 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (27) 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
- (28) 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
- (29) Incorporated herein by reference to Exhibit 10.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (30) Incorporated herein by reference to Exhibit 10.15 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (31) 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
- (32) 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
- (33) Incorporated herein by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (34) Incorporated herein by reference to Exhibit 10.10 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (35) Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003
- (36) 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
- (37) Incorporated herein by reference to Exhibit 10.9 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002
- (38) 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

RENT-A-CENTER, INC. AND SUBSIDIARIES

- (39) 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
- (40) 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
- (41) 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
- (42) Incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002
- (43) Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003
- (44) Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003
- (45) Incorporated herein by reference to Exhibit 99(d)(1) to the registrant's Schedule TO filed on April 28, 2003
- (46) Incorporated herein by reference to Exhibit 21.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

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I, Mark E. Speese, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rent-A-Center, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 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 quarterly report on Form 10-Q of Rent-A-Center, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2003

/s/ Robert D. Davis

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

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "COMPANY") on Form 10-Q for the period ended June 30, 2003 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: August 5, 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.

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "COMPANY") on Form 10-Q for the period ended June 30, 2003 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: August 5, 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.