SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2001

Commission File Number 0-25370
RENT-A-CENTER, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	48-1024367
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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 X NO
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 12, 2001:

Class	Outstanding
Common stock, $.01 par value per share	26,194,812

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)	September 30, 2001	December 31, 2000
	Unaudited	
ASSETS		
Cash and cash equivalents	$ 28,935	$ 36,495
Accounts receivable - trade	2,817	3,254
Prepaid expenses and other assets	33,737	31,805
Rental merchandise, net		
On rent	527,724	477,095
Held for rent	116,670	110,137
Property assets, net	101,383	87,168
Deferred income taxes	4,233	32,628
Intangible assets, net	714,845	708,328
	$ 1,530,344	$ 1,486,910
LIABILITIES		
Accounts payable - trade	$ 63,027	$ 65,696
Accrued liabilities	116,702	89,560
Senior debt	458,020	566,051
Subordinated notes payable	175,000	175,000
	812,749	896,307
COMMITMENTS AND		

CONTINGENCIES
-- --
PREFERRED
STOCK
Redeemable
convertible
voting
preferred
stock, net
of placement
costs, $.01
par value;
5,000,000
shares
authorized;
289,726 and
281,756
shares
issued and
outstanding
in 2001 and
2000,
respectively
289,201
281,232
STOCKHOLDERS'
EQUITY
Common
stock, $.01
par value;
125,000,000
and
50,000,000
shares
authorized
in 2001 and
2000,
respectively;
27,612,218
and
25,700,058
shares
issued in
2001 and
2000,
respectively
276 257
Additional
paid-in
capital
190,148
115,607
Accumulated
comprehensive
loss (6,020)
-- Retained
earnings
268,990
218,507
Treasury
stock,
990,099
shares at
cost
(25,000)
(25,000) ---
---------- -

428,394
309,371 ----
--------- --

$ 1,530,344
$ 1,486,910
==========
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The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data) Nine months ended September 30,	2001	2000
	Unaudited	
Revenues		
Store Rentals and fees	$ 1,213,387	$ 1,082,949
Merchandise sales	72,440	63,906
Other	2,878	1,916
Franchise		
Merchandise sales	36,346	36,355
Royalty income and fees	4,484	4,613
	1,329,535	1,189,739
Operating expenses		
Direct store expenses		
Depreciation of rental merchandise	251,286	222,545
Cost of merchandise sold	54,176	51,744
Salaries and other expenses	748,576	639,041
Franchise cost of merchandise sold	34,821	35,049
	1,088,859	948,379
General and administrative expenses	40,777	36,189
Amortization of intangibles	22,402	21,098
Non-recurring litigation settlements	16,000	(22,383)

Total operating expenses	1,168,038	983,283
Operating profit	161,497	206,456
Interest expense	47,215	56,284
Interest income	(870)	(1,094)
Earnings before income taxes	115,152	151,266
Income tax expense	52,635	71,852
NET EARNINGS	62,517	79,414
Preferred dividends	12,087	7,764
Net earnings allocable to common stockholders	$ 50,430	$ 71,650
Basic earnings per common share	$ 1.96	$ 2.94
Diluted earnings per common share	$ 1.68	$ 2.30

The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data) Three months ended September 30,	2001	2000
	Unaudited	
Revenues		
Store Rentals and fees	$ 411,241	$ 372,402
Merchandise sales	21,569	18,887
Other	640	922
Franchise Merchandise sales	12,087	11,143
Royalty income and fees	1,537	1,614
	447,074	404,968
Operating expenses		
Direct store expenses		
Depreciation of rental merchandise	86,198	77,014
Cost of merchandise sold	17,176	14,348
Salaries and other expenses	261,992	219,195
Franchise cost of merchandise sold	11,624	10,815
	376,990	321,372
General and administrative expenses	13,974	12,708
Amortization of intangibles	7,738	7,168
Non-recurring litigation settlements	16,000	--

Total operating expenses	414,702	341,248
Operating profit	32,372	63,720
Interest expense	14,837	18,915
Interest income	(282)	(720)
Earnings before income taxes	17,817	45,525
Income tax expense	7,843	21,624
NET EARNINGS	9,974	23,901
Preferred dividends	2,709	2,631
Net earnings allocable to common stockholders	$ 7,265	$ 21,270
Basic earnings per common share	$ 0.27	$ 0.87
Diluted earnings per common share	$ 0.26	$ 0.68

The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended September 30, ---------- - (In thousands of dollars)	2001	2000 -- ---------- - Unaudited
Cash flows from operating activities		
Net earnings	$ 62,517	$ 79,414
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	251,286	222,545
Depreciation of property assets	28,106	24,662
Amortization of intangibles	22,402	21,098
Amortization of financing fees	2,070	2,015
Changes in operating assets and liabilities, net of effects of Acquisitions		
Rental merchandise	(291,696)	(252,954)
Accounts receivable - trade	437	588
Prepaid expenses and other assets	(3,946)	(7,042)
Deferred income taxes	28,395	59,478
Accounts payable - trade	(2,669)	3,957

Accrued liabilities 19,903 (11,062) ---------- ---------- Net cash provided by operating activities 116,805 142,699 Cash flows from investing activities Purchase of property assets (42,282) (25,027) Proceeds from sale of property assets 395 1,071 Acquisitions of businesses, net of cash acquired (44,943) (39,955) ---------- ---------- Net cash used in investing activities (86,830) (63,911) Cash flows from financing activities Exercise of stock options 24,819 5,796 Proceeds from debt -- 229,985 Proceeds from issuance of common stock 45,677 -- Repayments of debt (108,031) (286,094) -- ---------- ---------- - Net cash used in financing activities (37,535) (50,313) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (7,560) 28,475 Cash and cash equivalents at beginning of period 36,495 21,679 -----

Cash and cash equivalents at end of period	$ 28,935	$ 50,154

The accompanying notes are an integral part of these statements.

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, 2000, our Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2001, and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001. 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.

SFAS 133. Effective January 1, 2001, we adopted Statement of Financial Accounting Standard No. 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The adoption of SFAS 133 on January 1, 2001 resulted in a cumulative pre-tax increase to other comprehensive income of $2.6 million, or $1.4 million after taxes. As a result of a decline in interest rates during the nine months ended September 30, 2001, accumulated other comprehensive loss for the nine months ended September 30, 2001 was $(6.0) million after taxes.

We utilize our derivative instruments to manage our exposure to interest rate fluctuations. Our objective is to minimize the risk of fluctuations using the most effective methods to eliminate or reduce the impact of this exposure.

SFAS 141 and SFAS 142. On July 20, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Business Combinations and Statement of Financial Accounting Standards No. 142, Goodwill and Intangible Assets. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142.

Major provisions of these statements and their effective dates for us are as follows:

- all business combinations initiated after June 30, 2001 must use the purchase method of accounting;
- intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability;
- goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001, will not be amortized;
- effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization;
- effective January 1, 2002, goodwill and intangible assets with

indefinite lives will be tested for impairment annually and whenever there is an impairment indicator; and

- all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

We will continue to amortize goodwill and intangible assets recognized prior to July 1, 2001 under the current method until January 1, 2002, at which time quarterly and annual goodwill amortization of approximately $7.1 million and $28.4 million will no longer be recognized. We intend to complete a transitional impairment test of all intangible assets by March 31, 2002 and a transitional fair value based impairment test of goodwill as of January 1, 2002 by June 30, 2002. Impairment losses, if any, resulting from the initial transitional impairment testing will be recognized in the quarter ended March 31, 2002, as a cumulative effect of a change in accounting principle.

SFAS 144. On October 3, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 is effective for fiscal years beginning after December 15, 2001. We do not believe that the implementation of this standard will have a material effect on our financial position, results of operations, or cash flows.

2. EARNINGS PER SHARE

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

(In thousands, except per share data) Three months ended September 30, 2001	Net earnings	Shares	Per share
- Basic earnings per common share	$ 7,265	26,666	$ 0.27
Effect of dilutive stock options	--	742	
Assumed conversion of convertible Preferred stock	2,709(1)	10,371	
Diluted earnings per common share	$ 9,974	37,779	$ 0.26

Three months ended September 30, 2000			
Net earnings	Shares	Per share	
- Basic earnings per common share	$ 21,270	24,404	$ 0.87
Effect of dilutive stock options	--	809	
Assumed conversion of convertible Preferred stock	2,631(1)	9,900	
Diluted earnings per common share	$ 23,901	35,113	$ 0.68

Nine months ended September 30, 2001			
Net earnings	Shares	Per share	
- Basic earnings per common share	$ 50,430	25,766	$ 1.96
Effect of dilutive stock			

options -- 1,074 Assumed conversion of convertible Preferred stock 12,087(1) 10,277 --- -------- - ---------- Diluted earnings per common share $ 62,517 37,117 $ 1.68

Nine months ended September 30, 2000 - ---------- ---------- ---------- ---------- ------ Net earnings Shares Per share ---- -------- - ---------- ---------- - Basic earnings per common share $ 71,650 24,347 $ 2.94 Effect of dilutive stock options -- 276 Assumed conversion of convertible Preferred stock 7,764(1) 9,978 ---- ------- -- --------- Diluted earnings per common share $ 79,414 34,601 $ 2.30

- ----------
(1) Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date.

For the three and nine months ended September 30, 2001, 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 441,500 and 685,500, respectively. For the three and nine months ended September 30, 2000, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 362,750 and 362,750, respectively.

3. SUBSIDIARY GUARANTORS

During 1998, we issued $175.0 million of senior subordinated notes, maturing on August 15, 2008. The notes require semi-annual interest-only payments at 11%, and are guaranteed by our two principal subsidiaries. We may redeem the subordinated notes after August 15, 2003, at our option, in whole or in part.

The subordinated notes also require that upon the occurrence of a change in control (as defined in the indenture governing the subordinated notes), the holders of the subordinated notes have the right to require us to repurchase the subordinated notes at a price equal to 101% of the original principal amount, together with accrued and unpaid interest, if any, to the date of repurchase.

The indenture governing our subordinated notes contains covenants that limit our ability to:

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

Our direct wholly-owned subsidiaries, consisting of ColorTyme, Inc. and Advantage Companies, Inc., have fully, jointly and severally, and unconditionally guaranteed our obligations under the subordinated notes. We have one indirect subsidiary that is not a guarantor of the subordinated notes because it is inconsequential. There are no restrictions on the ability of any of the guarantors to transfer funds to us in the form of loans, advances or dividends, except as provided by applicable law.

Set forth below is certain condensed consolidating financial information (within the meaning of Rule 3-10 of Regulation S-X) as of September 30, 2001 and December 31, 2000 and for the three and nine months ended September 30, 2001 and 2000. The financial information includes the guarantors from the dates they were acquired or formed by us and is presented using the push-down basis of accounting.

3. SUBSIDIARY GUARANTORS - (continued)

Parent Company	Subsidiary Guarantors	Consolidating Adjustments	Totals
(In thousands) Condensed consolidating balance sheets At September 30, 2001 (unaudited)			
Rental merchandise, net	$ 644,394	$ --	$ 644,394
Intangible assets, net	367,768	347,077	714,845
Other assets	498,003	18,008	(344,906) 171,105
Total assets	$ 1,510,165	$ 365,085	$ (344,906) $ 1,530,344
Senior debt	$ 458,020	$ --	$ -- $ 458,020
Other liabilities	349,100	5,629	-- 354,729
Preferred stock	289,201	--	-- 289,201
Stockholders' equity	413,844	359,456	(344,906) 428,394
Total liabilities and equity	$ 1,510,165	$ 365,085	$ (344,906) $ 1,530,344
At December 31, 2000 Rental merchandise, net	$ 587,232	$ --	$ -- $ 587,232
Intangible assets, net	351,498	356,830	-- 708,328
Other assets	531,992	13,754	(354,396) 191,350
Total assets	$ 1,470,722	$ 370,584	$ (354,396) $ 1,486,910
Senior debt	$ 566,051	$ --	$ -- $ 566,051
Other liabilities	325,995	4,261	-- 330,256
Preferred stock	281,232	--	-- 281,232
Stockholders' equity	297,444	366,323	(354,396) 309,371
Total liabilities and equity	$ 1,470,722	$ 370,584	$ (354,396) $ 1,486,910

Parent	Subsidiary Guarantors	Company Total	
			(In thousands) Condensed consolidating statements of earnings Nine Months Ended September 30, 2001 (unaudited)
Total revenues			
$ 1,288,705	$ 40,830	$ 1,329,535	
Direct store expenses			
1,054,038	--	1,054,038	
Other expenses			
168,667	44,313	212,980	
Net earnings (loss)			
$ 66,000	$ (3,483)	$ 62,517	
			Nine Months Ended September 30, 2000 (unaudited)
Total revenues			
$ 1,148,771	$ 40,968	$ 1,189,739	
Direct store expenses			
913,330	--	913,330	
Other expenses			
152,454	44,541	196,995	
Net earnings (loss)			
$ 82,987	$ (3,573)	$ 79,414	

3. SUBSIDIARY GUARANTORS - (continued)

	Parent	Subsidiary Guarantors	Company Total
(In thousands) Condensed consolidating statements of earnings Three Months Ended September 30, 2001			
(unaudited) Total revenues	$ 433,450	$ 13,624	$ 447,074
Direct store expenses	365,366	--	365,366
Other expenses	56,946	14,788	71,734
Net earnings (loss)	$ 11,138	$ (1,164)	$ 9,974
Three Months Ended September 30, 2000			
(unaudited) Total revenues	$ 392,211	$ 12,757	$ 404,968
Direct store expenses	310,557	--	310,557
Other expenses	56,531	13,979	70,510
Net earnings (loss)	$ 25,123	$ (1,222)	$ 23,901

	Parent	Subsidiary Guarantors	Company Total
(In thousands) Condensed consolidated statement of cash flows Nine months ended September 30, 2001			
(unaudited) Net cash provided by operating activities	$ 111,905	$ 4,900	$ 116,805
Cash flows from investing activities Purchase of property assets	(42,237)	(45)	(42,282)
Acquisitions of businesses, net of cash acquired	(44,943)	--	(44,943)
Other	395	--	395
Net cash used in investing activities	(86,785)	(45)	(86,830)
Cash flows from financing activities Exercise of stock options	24,819	--	24,819
Repayments of debt	(108,031)	--	(108,031)
Proceeds from the issuance of common stock	45,677	--	45,677
Intercompany advances	4,855	(4,855)	--
Net cash used in financing activities	(32,680)	(4,855)	(37,535)
Net decrease in cash and cash equivalents	(7,560)	--	(7,560)
Cash and cash equivalents at beginning of period			

36,495 -- 36,495 ------------ ---------- --- ------------ Cash and cash equivalents at end of period ..... $ 28,935 $ -- $ 28,935 ============ ============ ============ Nine months ended September 30, 2000 (unaudited) Net cash provided by operating activities ..... $ 137,910 $ 4,789 $ 142,699 ---- --------- ------------ ------------ Cash flows from investing activities Purchase of property assets ..... (24,961) (66) (25,027) Acquisitions of businesses, net of cash acquired (39,955) -- (39,955) Other ..... 1,071 -- 1,071 ------------ ------------ - ------------ Net cash used in investing activities ..... (63,845) (66) (63,911) Cash flows from financing activities Exercise of stock options ..... 5,796 -- 5,796 Repayments of debt ..... (286,094) - - (286,094) Proceeds from debt ..... 229,985 -- 229,985 Intercompany advances ..... 4,723 (4,723) -- ------------ ------------ ---------- --- Net cash used in financing activities ..... (45,590) (4,723) (50,313) -- ---------- ------------ ------------ Net increase in cash and cash equivalents ..... 28,475 -- 28,475 Cash and cash equivalents at beginning of period . 21,679 -- 21,679 ------------ ---------- --- ------------ Cash and cash equivalents at end of period ..... $ 50,154 $ -- $ 50,154 ============ ============ ============

4. COMPREHENSIVE INCOME

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

	Nine months ended Sept. 30,		Three months ended Sept. 30,	
	(in thousands)		(in thousands)	
	2001	2000	2001	2000
Net earnings	$ 62,517	$ 79,414	$ 9,974	$ 23,901
Other comprehensive (loss) income:				
Unrealized gain on derivatives held As cash flow hedges:				
Cumulative effect of adoption of SFAS 133	1,378	--	--	--
Change in unrealized loss during period	(9,449)	--	(5,256)	--
Reclassification adjustment for loss included in net earnings	2,051	--	1,765	--
Other comprehensive (loss) income	(6,020)	--	(3,491)	--
Comprehensive income	$ 56,497	$ 79,414	$ 6,483	$ 23,901

5. LITIGATION SETTLEMENTS

On November 1, 2001, we announced that we reached an agreement in principle for the settlement of the Margaret Bunch, et al. v. Rent-A-Center, Inc. matter pending in federal court in Kansas City, Missouri. The settlement is subject to court approval. Under the terms of the proposed settlement, while not admitting liability, we agreed to pay an aggregate of $12,250,000 to the agreed upon class, plus plaintiff's attorneys' fees as determined by the court, and costs to administer the settlement process. Accordingly, to account for the aforementioned costs, as well as our own attorneys' fees, we recorded a one time non-recurring charge of $16.0 million in the third quarter as a result of the settlement of this matter.

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

GENERAL

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

- uncertainties regarding the ability to open new stores;
- our ability to acquire additional rent-to-own stores on favorable terms;
- our ability to enhance the performance of these acquired stores;
- our ability to control store level costs;
- the results of our litigation;
- the passage of legislation adversely affecting the rent-to-own industry;
- interest rates;
- our ability to collect on our rental purchase agreements;
- our ability to effectively hedge interest rates on our outstanding debt;
- changes in our effective tax rate; and
- the other risks detailed from time to time in our SEC reports.

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. 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, 2000.

OUR BUSINESS

We are the largest rent-to-own operator in the United States with an approximate 27% market share based on store count. At September 30, 2001, we operated 2,288 company-owned stores in 50 states, the District of Columbia and Puerto Rico. Our subsidiary, ColorTyme, is a national franchisor of rent-to-own stores. At September 30, 2001, ColorTyme franchised 346 stores in 42 states, 333 of which operated under the ColorTyme name and 13 stores which operated under the Rent-A-Center name. Our stores offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. These rental purchase agreements are designed to appeal to a wide variety of customers by allowing them to obtain merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. These agreements also cater to customers who only have a temporary need, or who simply desire to rent rather than purchase the merchandise.

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

We plan to accomplish our future growth through selective and opportunistic acquisitions, with an emphasis on new store development. Typically, a newly opened store is profitable on a monthly basis in the ninth to twelfth month after its initial opening. Historically, a typical store has achieved 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 are opened during that 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.

We believe the cashflow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, working capital needs, capital expenditures, the November 2001 repurchase of our common stock held by Mr. J. Ernest Talley as discussed below, and our store expansion program during the remainder of 2001. Our revolving credit facilities provide us with revolving loans in an aggregate principal amount not exceeding $125.0 million. At September 30, 2001, we had $61.4 million available under our various debt agreements.

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

If a change in control occurs, we may be required to offer to purchase all of our outstanding subordinated notes at 101% of their principal amount, plus accrued interest to the date of repurchase. Our senior credit facilities restrict our ability to repurchase our subordinated notes, including in the event of a change in control. In addition, a change in control would result in an event of default under our senior credit facilities, which could then be accelerated by our lenders, and would require us to offer to redeem our Series A

preferred stock. 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, all of our senior subordinated notes and for the redemption of our Series A preferred stock, or that we would be able to obtain financing to do so on favorable terms, if at all.

COMPONENTS OF INCOME AND EXPENSE

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. Amounts received upon sales of merchandise under these options, and upon the sale of used merchandise, are recognized as revenue when the merchandise is sold.

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 does not consider salvage value and does not allow the depreciation of rental merchandise during periods when it is not generating rental revenue. For income tax purposes we depreciate our merchandise using the modified accelerated cost recovery system, or MACRS, with a three year life.

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, occupancy, fixed asset depreciation and other operating expenses.

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

Amortization of Intangibles. Amortization of intangibles consists primarily of the amortization of the excess of purchase price over the fair market value of acquired assets and liabilities. In July 2001, the Financial Accounting Standards Board issued SFAS 142, Goodwill and Intangible Assets, which revises the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives acquired after June 30, 2001 will not be amortized. Effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization. Also effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually, and in the event of an impairment indicator. SFAS 142 is effective for fiscal years beginning after December 15, 2001, with early adoption permitted for companies with fiscal years beginning after March 15, 2001 if their first quarter financial statements have not previously been issued.

RECENT DEVELOPMENTS

In the second half of 2000, we resumed our strategy of increasing our store base and annual revenues and profits through opportunistic acquisitions and new store openings. During the third quarter of 2001, we acquired 13 stores for approximately $8.5 million in cash in 5 separate transactions and opened an additional 18 stores. We also closed 13 stores, merging them all with existing stores. For the nine months ended September 30, 2001, we acquired a total of 91 stores for approximately $41.0 million in 17 separate transactions, opened 61 new stores, and closed 22 stores. Of the closed stores, 19 were merged with existing stores and three were sold. As of November 13, 2001 we have acquired one additional store, opened ten new stores and closed two stores during the fourth quarter of 2001. The closed stores were merged with existing stores. It is our intention to increase the number of stores we operate by an average of approximately 5 to 10% per year over the next several years.

On October 8, 2001, we announced the retirement of J. Ernest Talley as our Chairman and Chief Executive Officer, and the appointment of Mark E. Speese as our new Chairman and Chief Executive Officer. In connection with Mr. Talley's retirement, our board of directors approved the repurchase of $25.0 million worth of shares of our common stock 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 from Mr. Talley at $20.258 per share for a total purchase price of $10.0 million. In addition, on or before November 30, 2001, we will repurchase an additional 740,488 shares of our common

stock from Mr. Talley at $20.258 per share, for a total purchase price of an additional $15.0 million. Furthermore, we have the option to purchase any or all of the remaining 1,714,046 shares of our common stock held by Mr. Talley at $20.258 per share through February 5, 2002.

On November 1, 2001, we announced that we reached an agreement in principle for the settlement of the Margaret Bunch, et al. v. Rent-A-Center, Inc. matter pending in federal court in Kansas City, Missouri. The settlement is subject to court approval. Under the terms of the proposed settlement, while not admitting liability, we agreed to pay an aggregate of $12,250,000 to the agreed upon class, plus plaintiff's attorneys' fees as determined by the court, and costs to administer the settlement process. Accordingly, to account for the aforementioned costs, as well as our own attorneys' fees, we recorded a one time non-recurring charge of $16.0 million in the third quarter as a result of the settlement of this matter.

RESULTS OF OPERATIONS

THE NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2000

Store Revenue. Total store revenue increased by $139.9 million, or 12.2%, to $1,288.7 million for the nine months ended September 30, 2001 from $1,148.8 million for the nine months ended September 30, 2000. The increase in total store revenue is directly attributable to the success of our efforts on improving store operations through:

- increasing the number of units on rent;
- increasing our customer base;
- increasing the average price per unit on rent by upgrading our rental merchandise; and
- incremental revenues through acquisitions and new store openings.

This focus resulted in same store revenues increasing by $79.2 million, or 7.5%, to $1,140.3 million for the nine months ended September 30, 2001 from $1,061.1 million for the nine months ended September 30, 2000. Same store revenues represent those revenues earned in stores that were operated by us for each of the entire nine month periods ending September 30, 2001 and 2000. This improvement was primarily attributable to an increase in the number of customers served, the number of items on rent, as well as revenue earned per item on rent.

Franchise Revenue. Total franchise revenue decreased by $138,000, or 0.3%, to $40.8 million for the nine months ended September 30, 2001 from $41.0 million for the nine months ended September 30, 2000. This decrease was primarily attributable to a decrease in the number of franchise locations during the first three quarters of 2001 as compared to the first three quarters of 2000.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $28.7 million, or 12.9%, to $251.3 million for the nine months ended September 30, 2001 from $222.5 million for the nine months ended September 30, 2000. This increase was primarily attributable to an increase in the number of units on rent. Depreciation of rental merchandise expressed as a percent of store rentals and fees revenue increased to 20.7% in 2001 from 20.6% for the same period in 2000. This slight increase is primarily a result of in-store promotions made during the third quarter of 2001. These promotions included a reduction in the rates and terms on certain rental agreements, thus causing depreciation to be a greater percent of store rentals and fees revenue on those items rented.

Cost of Merchandise Sold. Cost of merchandise sold increased by $2.4 million, or 4.7%, to $54.2 million for the nine months ended September 30, 2001 from $51.7 million for the nine months ended September 30, 2000. This increase was primarily a result of an increase in the number of items sold during the first nine months of 2001 as compared to the first nine months of 2000.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 58.1% for the nine months ended September 30, 2001 from 55.6% for the nine months ended September 30, 2000. This increase was primarily attributable to the infrastructure expenses and costs associated with the opening of 94 new stores since October 1, 2000 and increases in store level labor, insurance costs, and other operating expenses.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $228,000, or 0.7%, to $34.8 million for the nine months ended September 30, 2001 from $35.0 million for the nine months ended September 30, 2000. This decrease is primarily a result of a decrease in the number of franchise locations during the first three quarters of 2001 as compared to the first three quarters of 2000.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue increased slightly to 3.1% for the nine months ending September 30, 2001 from 3.0% for the nine months ending September 30, 2000. This increase is primarily attributable to an increase in home office labor and other overhead expenses for the first three quarters of 2001 as compared to the first three quarters of 2000.

Amortization of Intangibles. Amortization of intangibles increased by $1.3 million, or 6.2%, to $22.4 million for the nine months ended September 30, 2001 from $21.1 million for the nine months ended September 30, 2000. This increase was primarily attributable to the additional goodwill amortization associated with the acquisition of 39 stores in the last half of 2000 and the additional 78 stores acquired in the first half of 2001. Accounting for goodwill and intangibles amortization will be revised under SFAS 142. However, we will continue to amortize goodwill and intangible assets recognized prior to July 1, 2001 under the current method until January 1, 2002, at which time quarterly and annual goodwill amortization of approximately $7.1 million and $28.4 million will no longer be recognized.

Operating Profit. Operating profit decreased by $45.0 million, or 21.8%, to $161.5 million for the nine months ended September 30, 2001 from $206.5 million for the nine months ended September 30, 2000. Excluding the pre-tax effect of the class action litigation settlement of $16.0 million recorded in the third quarter of 2001 and the class action litigation settlement refund of $22.4 million received in the second quarter of 2000, operating profit decreased by $6.6 million, or 3.6%, to $177.5 million for the nine months ended September 30, 2001 from $184.1 million for the nine months ended September 30, 2000. Operating profit as a percentage of total revenue decreased to 13.4% for the nine months ended September 30, 2001 before the pre-tax class action litigation settlement of $16.0 million, from 15.5% for the nine months ended September 30, 2000 before the pre-tax non-recurring class action litigation settlement refund of $22.4 million. This decrease is primarily attributable to the infrastructure expenses and initial costs associated with the opening of 94 new stores since October 1, 2000 and increases in store level labor, insurance, utility, and other operating expenses.

Net Earnings. Including the class action litigation settlement adjustments noted above, net earnings were $62.5 million for the nine months ended September 30, 2001, and $79.4 million for the nine months ended September 30, 2000. Net earnings increased by $3.8 million, or 5.6%, to $71.5 million for the nine months ended September 30, 2001 before the after tax effect of the $16.0 million class action litigation settlement, from $67.7 million for the nine months ended September 30, 2000 before the after-tax effect of the $22.4 million class action litigation settlement refund. This increase, excluding the after tax effect of the class action litigation settlement adjustments, is primarily attributable to growth in total revenues and reduced interest expenses resulting from a reduction in outstanding debt.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. Preferred dividends increased by $4.3 million, or 55.7%, to $12.1 million for the nine months ended September 30, 2001 as compared to $7.8 million for the nine months ended September 30, 2000. This increase is a result of more shares of Series A Preferred stock outstanding in 2001 as compared to 2000.

THE THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2000

Store Revenue. Total store revenue increased by $41.2 million, or 10.5%, to $433.4 million for the three months ended September 30, 2001 from $392.2 million for the three months ended September 30, 2000. The increase in total store revenue is directly attributable to the success of our efforts on improving store operations through:

- increasing the number of units on rent;
- increasing our customer base; and
- incremental revenues through acquisitions and new store openings.

This focus resulted in same store revenues increasing by $16.7 million, or 4.5%, to $385.1 million for the three months ended September 30, 2001 from $368.3 million for the three months ended September 30, 2000. Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending September 30, 2001 and 2000. This improvement was primarily attributable to an increase in the number of customers

served and the number of items on rent.

Franchise Revenue. Total franchise revenue increased by $867,000, or 6.8%, to $13.6 million for the three months ended September 30, 2001 from $12.8 million for the three months ended September 30, 2000. This increase was primarily attributable to an increase in merchandise sales to franchise locations during the third quarter of 2001 as compared to the third quarter of 2000.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $9.2 million, or 11.9%, to $86.2 million for the three months ended September 30, 2001 from $77.0 million for the three months ended September 30, 2000. This increase was primarily attributable to an increase in the number of units on rent. Depreciation of rental merchandise expressed as a percent of store rentals and fees revenue increased to 21.0% in 2001 from 20.7% in 2000. This slight increase in primarily a result of in-store promotions made during the third quarter of 2001. These promotions included a reduction in the rates and terms on certain rental agreements, thus causing depreciation to be a greater percent of store rentals and fees revenue on those items rented.

Cost of Merchandise Sold. Cost of merchandise sold increased by $2.8 million, or 19.7%, to $17.2 million for the three months ended September 30, 2001 from $14.3 million for the three months ended September 30, 2000. This increase was primarily a result of an increase in merchandise sold during the third quarter of 2001.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 60.4% for the three months ended September 30, 2001 from 55.9% for the three months ended September 30, 2000. This increase was primarily attributable to the infrastructure expenses and costs associated with our new store growth initiatives and increases in store level labor, insurance costs, and other operating expenses.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $809,000, or 7.5%, to $11.6 million for the three months ended September 30, 2001 from $10.8 million for the three months ended September 30, 2000. This increase is primarily a result of an increase in merchandise sales to franchise locations during the third quarter of 2001 as compared to the third quarter of 2000.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue remained constant at 3.1% for the three months ending September 30, 2001 and 2000.

Amortization of Intangibles. Amortization of intangibles increased by $570,000, or 8.0%, to $7.7 million for the three months ended September 30, 2001 from $7.2 million for the three months ended September 30, 2000. This increase was primarily attributable to the additional goodwill amortization associated with the acquisition of 39 stores in the last half of 2000 and the additional 78 stores acquired in the first half of 2001. Accounting for goodwill and intangibles amortization will be revised under SFAS 142. However, we will continue to amortize goodwill and intangible assets recognized prior to July 1, 2001 under the current method until January 1, 2002, at which time quarterly and annual goodwill amortization of approximately $7.1 million and $28.4 million will no longer be recognized.

Operating Profit. Operating profit decreased by $15.3 million, or 24.1%, to $48.4 million for the three months ended September 30, 2001, before the pre-tax non-recurring class action litigation settlement of $16.0 million, from $63.7 million for the three months ended September 30, 2000. Including the $16.0 million class action litigation settlement, operating profit was $32.4 million for the three months ending September 30, 2001. The decrease before the pre-tax class action litigation settlement is primarily attributable to the infrastructure expenses and initial costs associated with our new store growth initiatives, an increase in store level labor, insurance, utility, and other operating expenses, as well as a deterioration of the gross profit margin.

Net Earnings. Net earnings decreased by $5.0 million, or 20.8%, to $18.9 million for the three months ended September 30, 2001, before the after-tax effect of the $16.0 million class action litigation settlement, from $23.9 million for the three months ended September 30, 2000. Net earnings were $10.0 million for the three months ended September 30, 2001 including the class action litigation settlement. The decrease before the after-tax effect of the litigation settlement is attributable to the infrastructure expenses and initial costs associated with our new store growth initiatives, an increase in store level labor, insurance, utility, and other operating expenses, as well as a deterioration of the gross profit margin.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock

distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. Preferred dividends increased by $78,000, or 3.0%, to $2.7 million for the three months ended September 30, 2001 as compared to $2.6 million for the three months ended September 30, 2000. This increase is a result of more shares of Series A Preferred stock outstanding in 2001 as compared to 2000.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity requirements are for debt service, working capital, capital expenditures, acquisitions and new store openings. 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.

For the nine months ending September 30, 2001, cash provided by operating activities decreased by $25.9 million to $116.8 million in 2001 from $142.7 million during the nine month period ending September 30, 2000. This decrease was primarily the result of an increase in the amount of rental merchandise resulting from strong consumer demand in the first nine months of 2001, as well as lower net earnings. We purchased $395.0 million and $345.7 million of rental merchandise during the first nine months of 2001 and 2000, respectively.

Cash used in investing activities increased by $22.9 million to $86.8 million during the nine month period ending September 30, 2001 from $63.9 million during the nine month period ending September 30, 2000. This increase is primarily attributable to the cost associated with the opening and acquisition of new stores during the first nine months of 2001. 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 $42.3 million and $25.0 million on capital expenditures during the nine month periods ending September 30, 2001 and 2000, respectively, and expect to spend no more than $12.8 million for the remainder 2001. In the second half of 2000, we resumed our strategy of increasing our store base through opening new stores, as well as through opportunistic acquisitions. As of November 13, 2001, we have acquired one store, opened ten additional stores, and closed two stores in the fourth quarter of 2001. The closed stores were merged with existing stores. 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.

Cash used in financing activities decreased by $12.8 million to $37.5 million during the nine month period ending September 30, 2001 from $50.3 million during the nine month period ending September 30, 2000. This decrease is primarily related to the net proceeds associated with the issuance of our common stock in May 2001 and an increase in the amount of stock options exercised during the first three quarters of 2001 as compared to the first three quarters of 2000, offset by debt repayments under our senior credit facilities. During the first nine months of 2001, we paid down $108.0 million in debt using the proceeds from the issuance of our common stock in the May 2001 offering and from stock options exercised during the first three quarters of 2001, as well as from available cash flow from operations.

The profitability of our stores tends to grow at a slower rate approximately five years from the time we open or acquire them. As a result, in order for us to show improvements in our profitability, it is important for us to continue to open stores in new locations or acquire underperforming stores on favorable terms. There can be no assurance 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 September 30, 2001.

YEAR ENDING DECEMBER 31, (IN THOUSANDS)	
October 1 to December 31, 2001	$ 0
2002	1,980
2003	1,980
2004	

29,104 2005
110,476
Thereafter
314,480 ---
--------- $
458,020
==========

Under our senior credit facility, we are required to use 25% of the net proceeds from any equity offering to repay our term loans. In June 2001, we used the net proceeds of approximately $45.7 million from the offering of our common stock to repay a portion of our term loans.

We intend to continue to make prepayments of debt under our senior credit facilities, repurchase some of our senior subordinated notes or repurchase our common stock under our common stock repurchase program or pursuant to our agreement with Mr. Talley, to the extent we have available cash that is not necessary for store openings or acquisitions. We cannot, however, assure you that we will have excess cash available for these purposes.

Senior Credit Facilities. The senior credit facilities are provided by a syndicate of banks and other financial institutions led by The Chase Manhattan Bank, as administrative agent. At September 30, 2001, we had a total of $458.0 million outstanding under these facilities, all of which was under our term loans. At September 30, 2001, we had $56.4 million of availability under the revolving credit facility.

Borrowings under the senior credit facilities bear interest at varying rates equal to 1.25% to 2.75% over LIBOR, which was 2.76% at September 30, 2001. We also have a prime rate option under the facilities, but do not have any exercised as of September 30, 2001. At September 30, 2001, the average rate on outstanding senior debt borrowings was 5.23%.

During 1998, we entered into interest rate protection agreements with two banks. Under the terms of the interest rate agreements, the LIBOR rate used to calculate the interest rate charged on $250.0 million of the outstanding senior term debt has been fixed at an average rate of 5.59%. The protection on the $250.0 million expires in 2003. The senior credit facilities are secured by a security interest in substantially all of our tangible and intangible assets, including intellectual property and real property. The senior credit facilities are also secured by a pledge of the capital stock of our subsidiaries.

The senior credit facilities contain covenants that limit our ability to:

- incur additional debt (including subordinated debt) in excess of $25 million;
- repurchase in excess of $50 million of our capital stock and senior subordinated notes generally;
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all our property or business;
- sell assets, other than inventory;
- make investments or acquisitions unless we meet financial tests and other requirements;
- make capital expenditures; or
- enter into a new line of business.

The senior credit facilities require us to comply with several financial covenants, including a maximum leverage ratio, a minimum interest coverage ratio and a minimum fixed charge coverage ratio. At September 30, 2001, the maximum leverage ratio was 4.25:1, the minimum interest coverage ratio was 2.50:1, and the minimum fixed charge coverage ratio was 1.3:1. On that date, our actual ratios were 2.03:1, 4.77:1 and 2.13:1.

Events of default under the senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facilities would occur if we undergo a change of control. This is defined to include the case where Apollo ceases to own at least 50% of the amount of our voting stock that they owned on August 5, 1998, or a third party becomes the beneficial owner of 33.33% or more of our voting stock at a time when certain permitted investors own less than the third party or Apollo entities own less than 35% of the voting stock owned by the permitted investors. We do not have the ability to prevent Apollo from selling its stock, and therefore would be subject to an event of default if Apollo did so and its sales were not agreed to by the lenders under the senior credit facilities. This could result in the acceleration of the maturity of our debt under the senior credit facilities, as well as under the subordinated notes through their cross-acceleration provision.

Subordinated Notes. In August 1998, we issued $175.0 million of subordinated notes, maturing on August 15, 2008, under an indenture dated as of August 18, 1998 among us, our subsidiary guarantors and IBJ Schroder Bank & Trust Company, as trustee.

The indenture contains covenants that limit our ability to:

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

Events of default under the indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $25 million.

We may redeem the notes after August 15, 2003, at our option, in whole or in part.

The subordinated notes also require that upon the occurrence of a change of control (as defined in the 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 did not comply with this repurchase obligation, this would trigger an event of default under our senior credit facilities.

Sales of Equity Securities. On May 31, 2001, we completed an offering of 3,680,000 shares of our common stock at an offering price of $42.50 per share. In this offering, 1,150,000 shares were offered by us and 2,530,000 shares were offered by some of our stockholders. Net proceeds to us were approximately $45.7 million.

During 1998, we issued 260,000 shares of our Series A preferred stock at $1,000 per share, resulting in aggregate proceeds of $260.0 million. Dividends on our Series A preferred stock accrue on a quarterly basis, at the rate of $37.50 per annum, per share, and are currently paid in additional shares of Series A preferred stock because of restrictive provisions in our senior credit facilities. Beginning in 2003, we will be required to pay the dividends in cash and may do so under our senior credit facilities so long as we are not in default.

The Series A preferred stock is not redeemable until 2002, after which time we may, at our option, redeem the shares at 105% of the $1,000 per share liquidation preference plus accrued and unpaid dividends.

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 September 30, 2001, we have paid approximately $117.1 million of this accrual in settlement of most of these matters and legal fees. These settlements were funded primarily from amounts available under our senior credit facilities, including the revolving credit facility and the multidraw facility, as well as from cash flow from operations. Additional settlements or judgments against us on our existing litigation could affect our liquidity.

Talley Repurchase. In connection with Mr. Talley's retirement, we entered into an agreement to repurchase $25.0 million worth of shares of our common stock 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 from Mr. Talley at $20.258 per share for a total purchase price of $10.0 million. In addition, on or before November 30, 2001, we will repurchase an additional 740,488 shares of our common stock from Mr. Talley at $20.258 per share, for a total purchase price of an additional $15.0 million. Furthermore, we have the option to purchase any or all of the remaining 1,714,046 shares of common stock held by Mr. Talley at $20.258 per share through February 5, 2002.

Our senior credit facilities contain covenants that generally limit our ability to repurchase in excess of $50.0 million of our capital stock and senior subordinated notes. In addition, the indenture governing our senior subordinated notes contains covenants limiting our ability to repurchase our capital stock. Under these agreements, we had the ability to effect the October 2001 repurchase of $10.0 million of our common stock from Mr. Talley and we currently have the ability to effect the November 2001 repurchase of $15.0 million of our common stock from Mr. Talley. However, each of these repurchases may limit our ability to make further repurchases of our common stock, including our ability to exercise the option to repurchase the remaining shares of our common stock held by Mr. Talley and pursuant to our Common Stock Repurchase Plan. Furthermore, the restrictions under our senior credit facilities may, in some instances, limit our ability to repurchase our senior subordinated notes following the November 2001 repurchase of $15.0 million of our common stock from Mr. Talley.

Common Stock Repurchase Plan. In April 2000, we announced that our board of directors had authorized a program to repurchase in the open market up to an aggregate of $25 million of our common stock. To date, no shares of common stock have been purchased by us under this share repurchase program. However, we may begin repurchasing shares of our common stock at any time, subject to the limitations in our senior credit facilities and the indentures governing our senior subordinated notes.

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

EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

SFAS 133. Effective January 1, 2001, we adopted SFAS 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The adoption of SFAS 133 on January 1, 2001 resulted in a cumulative pre-tax increase to other comprehensive income of $2.6 million, or $1.4 million after taxes. As a result of a decline in interest rates for the nine months ended September 30, 2001, accumulative other comprehensive loss at the end of the period was $2.5 million after taxes.

SFAS 141 and SFAS 142. On July 20, 2001, the Financial Accounting Standards Board issued SFAS 141, Business Combinations and SFAS 142, Goodwill and Intangible Assets. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142.

Major provisions of these statements and their effective dates for us are as follows:

- all business combinations initiated after June 30, 2001 must use the purchase method of accounting;
- intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability;
- goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001, will not be amortized;
- effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization;
- effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever

there is an impairment indicator; and

- all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

We will continue to amortize goodwill and intangible assets recognized prior to July 1, 2001, under our current method until January 1, 2002, at which time quarterly and annual goodwill amortization of approximately $7.1 million and $28.4 million will no longer be recognized. We intend to complete a transitional impairment test of all intangible assets by March 21, 2002 and a transitional fair value based impairment test of goodwill as of January 1, 2002 by June 30, 2002. Impairment losses, if any, resulting from the transitional testing will be recognized in the quarter ended March 31, 2002, as a cumulative effect of a change in accounting principle.

SFAS 144. On October 3, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 is effective for fiscal years beginning after December 15, 2001. We do not believe that the implementation of this standard will have a material effect on our financial position, results of operations, or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

INTEREST RATE SENSITIVITY

As of September 30, 2001, we had $175.0 million in senior subordinated notes outstanding at a fixed interest rate of 11.0%, and $458.0 million in term loans. Our senior subordinated notes mature on August 15, 2008. The fair value of the senior 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 senior subordinated notes at September 30, 2001 was $169.8 million, which is $5.2 million below their carrying value. Unlike the senior subordinated notes, the $458.0 million in term loans and all borrowings under the senior credit facility have variable interest rates indexed to current LIBOR rates. Because the variable rate structure exposes us to risk of increased interest cost if interest rates rise, in 1998 we entered into $500.0 million in interest rate swap agreements that lock in a LIBOR rate of 5.59%, thus hedging this risk. Of the $500.0 million in agreements, $250.0 million expired in September 2001 and the remaining $250.0 million will expire in 2003. The swap agreements had an aggregate fair value of ($11.5) million at September 30, 2001. A hypothetical 1.0% change in the LIBOR rate would have affected the fair value of the swaps by approximately $15.8 million.

MARKET RISK

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

INTEREST RATE RISK

We hold long-term debt with variable interest rates indexed to prime or LIBOR that exposes us to the risk of increased interest costs if interest rates rise. To reduce the risk related to unfavorable interest rate movements, we have entered into certain interest rate swap contracts on $250.0 million of debt to pay a fixed rate of 5.59%.

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 plaintiffs 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 plaintiffs acknowledge that rent-to-own transactions in New York are subject to the provisions of New York's Rental Purchase Statute but contend the Rental Purchase Statute does not provide Thorn Americas immunity from suit for other statutory violations. Plaintiffs allege 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 their prayers for relief, the plaintiffs have requested the following:

- class certification;
- injunctive relief requiring Thorn Americas to (A) cease certain marketing practices, (B) price their rental purchase contracts in certain ways, and (C) disclose effective interest;
- 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 plaintiffs have not alleged a specific monetary amount with respect to their request for damages.

The proposed class originally included all New York residents who were party to Thorn Americas' rent-to-own contracts from November 26, 1991 through November 26, 1997. In her class certification briefing, Plaintiff acknowledged her claims under the General Business Law in New York are subject to a three year statute of limitations, and is now requesting a class of all persons in New York who paid for rental merchandise from us since November 26, 1994. We are vigorously defending this action. In November 2000, following interlocutory appeal by both parties from the denial of cross-motions for summary judgement, we obtained a favorable ruling from the Appellate Division of the State of New York, dismissing Plaintiff's claims based on the alleged failure to disclose an effective interest rate. Plaintiff's other claims were not dismissed. Plaintiff moved to certify a state-wide class in December 2000. Plaintiff's class certification motion was heard by the court on November 7, 2001, at which time the court took the motion under advisement. We are vigorously opposing class certification. Although there can be no assurance that our position will prevail, or that we will be found not to have any liability, we believe the decision by the Appellate Division to be a significant and favorable development in this matter.

Wisconsin Attorney General Proceeding. On August 4, 1999, the Wisconsin Attorney General filed suit against us and our subsidiary ColorTyme in the Circuit Court of Milwaukee County, Wisconsin, alleging that our rent-to-rent transaction violates the Wisconsin Consumer Act and the Wisconsin Deceptive Advertising Statute. The Attorney General claims that our rent-to-rent transaction, coupled with the opportunity afforded our customers to purchase rental merchandise under what we believe is a separate transaction, is a disguised credit sale subject to the Wisconsin Consumer Act. Accordingly, the Attorney General alleges that we have failed to disclose credit terms, misrepresented the terms of the transaction and engaged in unconscionable practices. We currently operate 27 stores in Wisconsin.

The Attorney General seeks 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. The Attorney General's claim for monetary penalties applies to at least 7,746 transactions through June 30, 2001. On October 31, 2001, the Attorney General filed a motion for summary judgment. Our response is due on November 30, 2001. A pre-trial conference is currently scheduled to occur after November 30, 2001, with a trial date expected sometime in the spring of 2002.

Since the filing of this suit, we have attempted to negotiate a mutually satisfactory resolution of these claims with the Wisconsin Attorney General's office, including the consideration of possible changes in our business practices in Wisconsin. To date, we have not been successful, but our efforts are ongoing. If we are unable to negotiate a settlement with the Attorney General, we intend to litigate the suits. Although we cannot assure you that we will be found to have no liability in this matter, we believe its ultimate resolution will not have a material adverse effect upon us.

Wilfong, et. al. v. Rent-A-Center, Inc./Margaret Bunch, et. al. v. Rent-A-Center, Inc. In August 2000, a putative nationwide class action was filed against us in federal court in East St. Louis, Illinois by Claudine Wilfong and 18 other plaintiffs, alleging that we engaged in class-wide gender discrimination following our acquisition of Thorn Americas. The allegations underlying Wilfong involve charges of wrongful termination, constructive discharge, disparate treatment and disparate impact. The plaintiffs, in their prayer for relief, have requested class certification, injunctive relief, actual damages of $410,000,000, unspecified compensatory and punitive damages, attorney's fees, filing fees and costs of suit, pre-judgment interest, and any further relief granted by the court. In addition, the U.S. Equal Employment Opportunity Commission filed a motion to intervene on behalf of the plaintiffs, which the court granted on May 14, 2001. On November 1, 2001, the plaintiffs filed their motion for class certification. Our response to their motion is due in January 2002. Although we believe the claims in this case are without merit, we cannot assure you that we will be found to have no liability in this matter.

In December 2000, a similar suit filed by Margaret Bunch in federal court in the Western District of Missouri was amended to allege class action claims similar to those in Wilfong, although no specific amounts were claimed as actual damages. In July 2001, the court stayed the Bunch action and compelled the plaintiffs to arbitrate their claims. In November 2001, we announced that we had reached an agreement in principle for the settlement of the Bunch matter, which is subject to court approval. Under the terms of the proposed settlement, we agreed to pay an aggregate of $12,250,000 to the agreed upon class, plus plaintiffs' attorneys fees as determined by the court, and costs to administer the settlement. We have the right to terminate the settlement in the event that more than ninety-two class members opt out of the settlement. To the extent that the claims of a purported class member in Wilfong are covered by the terms of the Bunch settlement and such class member does not opt out of the Bunch settlement, that class member would be entitled to her applicable portion of the settlement proceeds in Bunch and would accordingly not be entitled to any recovery for those claims in Wilfong. Both the individual plaintiffs in Wilfong and the EEOC have filed objections to the settlement in the Bunch case. We anticipate that the court in Bunch will set a date for determining preliminary approval of the settlement in the near future.

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

CURRENT REPORTS ON FORM 8-K

None.

EXHIBITS

EXHIBIT NUMBER		EXHIBIT DESCRIPTION
3.1(1)	--	Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.2(2)	--	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.3(3)	--	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Rent-A-Center, Inc.
3.4(4)	--	Amended and Restated Bylaws of Rent-A-Center, Inc.

4.1(5) -- Form of Certificate evidencing Common Stock

4.2(6)	--	Certificate of Designations, Preferences and Relative Rights And Limitations of Series A Preferred Stock of Renters Choice, Inc.
4.3(7)	--	Certificate of Designations, Preferences and Relative Rights And Limitations of Series B Preferred Stock of Renters Choice, Inc.
4.4(8)	--	Indenture, dated as of August 18, 1998, by and among Renters Choice, Inc., as Issuer, ColorTyme, Inc. and Rent-A-Center, Inc., As Subsidiary Guarantors, and IBJ Schroder Bank & Trust Company, As Trustee
4.5(9)	--	Form of Certificate evidencing Series A Preferred Stock
4.6(10)	--	Form of Exchange Note
4.7(11)	--	First Supplemental Indenture, dated as of December 31, 1998, by And among Renters Choice Inc., Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc. and IBJ Schroder Bank & Trust Company, as Trustee.
10.1(12)	--	Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan
10.2(13)	--	Credit Agreement, dated August 5, 1998, among Renters Choice, Inc., Comerica Bank, as Documentation Agent, NationsBank N.A., as Syndication Agent, and The Chase Manhattan Bank, as Administrative Agent, and certain other lenders
10.3(14)	--	First Amendment, dated as of February 25, 2000, to the Credit Agreement, dated August 5, 1998, among Rent-A-Center, Inc. (formerly known as Renters Choice, Inc.), Comerica Bank, as Documentation Agent, NationsBank N.A., as Syndication Agent, and The Chase Manhattan Bank, as Administrative Agent, and certain Other lenders
10.4(15)	--	Amended and Restated Credit Agreement, dated as of August 5, 1998 as amended and restated as of June 29, 2000, among Rent-A-Center, Inc., Comerica Bank, as Documentation Agent, Bank Of America, NA, as Syndication Agent, and The Chase Manhattan Bank, as Administration Agent
10.5(16)	--	First Amendment, dated as of May 8, 2001, to the Credit Agreement, dated as of August 5, 1998, as amended and restated as Of June 29, 2000, among Rent-A-Center, Inc., the Lenders parties To the Credit Agreement, the Documentation Agent and Syndication Agent named therein and The Chase Manhattan Bank, as Administrative Agent.
10.6(17)	--	Guarantee and Collateral Agreement, dated August 5, 1998, made By Renters Choice, Inc., and certain of its Subsidiaries in favor Of the Chase Manhattan Bank, as Administrative Agent
10.7*	--	Amended and Restated Stockholders Agreement, effective 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(18) -- 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

10.9* -- 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.

- ----------

* Filed herewith.

(1) Incorporated herein by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994

(2) Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996

(3) Incorporated herein by reference to Exhibit 3.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001

(4) Incorporated herein by reference to Exhibit 3.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2000

(5) Incorporated herein by reference to Exhibit 4.1 to the registrant's Form S-4 filed on January 19, 1999.

(6) Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

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(8) Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement Form S-4 filed on January 19, 1999

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(11) Incorporated herein by reference to Exhibit 4.7 to the registrant's Registration Statement Form S-4 filed on January 19, 1999

(12) Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement of Form S-8 (File No. 333-62582)

(13) Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(14) Incorporated herein by reference to Exhibit 10.3 to the registrant's Annual Report on form 10-K for the year ended December 31, 1999

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(16) Incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on form 10-Q for the quarter ended March 31, 2001

(17) Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(18) 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

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 and
Chief Financial Officer

Date: November 13, 2001

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AMENDED AND RESTATED STOCKHOLDERS AGREEMENT OF RENT-A-CENTER, INC.

THIS AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (the "AGREEMENT"), is effective as of the 8th day of October 2001, and is entered into by and among (i) each of Apollo Investment Fund IV, L.P., a Delaware limited partnership, and Apollo Overseas Partners IV, L.P., an exempted limited partnership registered in the Cayman Islands acting through its general partner (individually and collectively with their Permitted Transferees (defined below), "APOLLO"), (ii) J. Ernest Talley, an individual ("TALLEY"), (iii) Mark E. Speese, an individual ("SPEESE"), (iv) Rent-A-Center, Inc., a Delaware corporation (the "COMPANY"), (v) each Person (defined below) named in Exhibit A attached hereto (the "TALLEY OTHER PARTIES" and together with Talley, the "TALLEY GROUP"), (vi) each Person named in Exhibit B attached hereto (the "SPEESE OTHER PARTIES" and together with Speese, the "SPEESE GROUP"), and (vii) each other Person who becomes a party to the Agreement in accordance with the terms hereof (all of the foregoing, collectively, the "PARTIES"). Terms with initial capital letters used but not otherwise defined herein shall have the meanings given in Section 1.1.

W I T N E S S E T H

WHEREAS, the Parties are also parties to that certain Stockholders Agreement, dated as of August 5, 1998 (the "ORIGINAL AGREEMENT"), entered into in connection with the closing of the transactions contemplated by the Stock Purchase Agreement (defined below);

WHEREAS, the Parties desire to amend and restate the Original Agreement, to reflect the agreement of the Parties to, among other things: (a) provide for the repurchase of Common Stock (as defined below) from the Talley Group pursuant to the Stock Repurchase Agreement (as defined below), (b) set forth certain agreements with respect to the Transfer and voting of the Shares following the Effective Date, and (c) reflect the current capital structure of the Company and beneficial ownership of the Company's capital stock by the Parties;

WHEREAS, the authorized capital stock of the Company consists of 125,000,000 shares of common stock, $.01 par value (the "COMMON STOCK"), and 5,000,000 shares of preferred stock, $.01 par value (the "PREFERRED STOCK") of which 400,000 shares are designated Series A Preferred Stock, $.01 par value (the "SERIES A PREFERRED STOCK"), and 400,000 shares are designated Series B Preferred Stock, $.01 par value, and (ii) as of September 30, 2001, the issued and outstanding capital stock of the Company consists of 26,682,119 shares of Common Stock, 289,725 shares of Series A Preferred Stock and no shares of Series B Preferred Stock, with approximately 21,402,375 shares of Common Stock reserved for issuance upon the exercise of certain stock options and upon conversion of the Series A Preferred Stock;

WHEREAS, as of October 8, 2001 (i) Apollo beneficially owns 278,596 shares of Series A Preferred Stock, (ii) the Talley Group owns 2,948,166 shares of Common Stock, and (iii) the Speese Group collectively owns 1,176,832 shares of Common Stock;

WHEREAS, the Parties desire to restrict the Transfer of the Shares, including both issued and outstanding Shares as well as Shares that may be issued or otherwise acquired

hereafter, to provide for certain rights and obligations in respect to the Shares and the Company as hereinafter provided;

WHEREAS, the Company and Talley and certain members of the Talley Group have entered into that Common Stock Purchase Agreement, as of even date herewith (as amended from time to time the "STOCK REPURCHASE AGREEMENT") whereby the Company has agreed to repurchase and Talley and such members have agreed to sell $25 million worth of Common Stock and have granted the Company the right from time to time to acquire any or all of the remaining Talley Included Shares, in each case under the terms and conditions specified therein;

WHEREAS, under the Original Agreement, the consummation of the transactions contemplated by the Stock Repurchase Agreement requires the consent of all the Parties to it and delivery of this Agreement is a condition to closing the transactions contemplated by the Stock Repurchase Agreement; and

WHEREAS, the Parties desire that this Agreement become effective immediately;.

NOW THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"AFFILIATE" as applied to any specified Person, shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and, in the case of a Person who is an individual, shall include (i) members of such specified Person's immediate family (as defined in Instruction 2 of Item 404(a) of Regulation S-K under the Securities Act) and (ii) trusts, the trustee and all beneficiaries of which are such specified Person or members of such Person's immediate family as determined in accordance with the foregoing clause (i). For the purposes of this definition, control when used with respect to any Person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "AFFILIATED," "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing. Notwithstanding the foregoing, Apollo and its Affiliates shall not be deemed Affiliates of the Company for purposes of this Agreement.

"APOLLO NOMINEES" shall have the meaning set forth in Section 4.1(a).

"BENEFICIAL OWNER" of a security shall mean any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has (i) the power to vote, or to direct the voting of, such security or (ii) the power to dispose, or to direct the disposition of, such security.

"BOARD OF DIRECTORS" shall mean the Board of Directors of the Company.

"BUSINESS DAY" shall mean each day other than Saturdays, Sundays and days when commercial banks are authorized to be closed for business in New York, New York.

"CERTIFICATE OF DESIGNATION" shall mean the Certificate of Designation of the Series A Preferred Stock in the form attached as an exhibit to the Stock Purchase Agreement.

"CHARTER DOCUMENTS" shall mean the Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws of the Company, each as amended to date, as included as exhibits (or incorporated therein) to the Company's periodic reports filed with the Commission under the Exchange Act.

"COMMISSION" shall mean the United States Securities and Exchange Commission.

"COMMON STOCK" shall have the meaning set forth in the recitals.

"COMPANY" shall have the meaning set forth in the preamble.

"COMPANY NOMINEES" shall have the meaning set forth in Section 4.1(a).

"CREDIT AGREEMENT" shall mean that certain Amended and Restated Credit Agreement, dated as of August 5, 1998 and amended and restated as of June 29, 2000, by and among the Company, Comerica Bank, Bank of America, N.A. and The Chase Manhattan Bank, as amended from time to time.

"EFFECTIVE DATE" shall mean October 8, 2001.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GROUP MEMBER" shall mean a member of the Talley Group or a member of the Speese Group, as applicable.

"INDEBTEDNESS" shall mean with respect to any person, without duplication, all liabilities of such person (a) for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), (b) evidenced by bonds, notes, debentures or similar instruments or representing the balance deferred and unpaid of the purchase price of any property (other than any such balance that represents an account payable or any other monetary obligation to a trade creditor (whether or not an Affiliate)), or (c) for the payment of money relating to a capitalized lease obligation.

"IRR" shall have the meaning set forth in Section 4.2(b).

"MD&A" shall mean a management's discussion and analysis of the Company's financial condition and results of operation comparable to the discussion that is required to be included in periodic reports filed under the Exchange Act.

"NOTICES" shall have the meaning set forth in Section 6.5.

"PIK SHARES" means any Shares issued in lieu of cash dividends pursuant to the Certificate of Designations.

"PECUNIARY INTEREST" in any security shall mean the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in such security, and shall include securities owned by an individual's spouse or issue or any trust solely for the benefit of such individual, spouse or issue.

"PERMITTED TRANSFEREE" shall mean:

(a) in the case of Apollo (i) any officer, director or partner of, or Person controlling, Apollo, (ii) any other Person that is (x) an Affiliate of the general partners, investment managers or investment advisors of Apollo, (y) an Affiliate of Apollo or a Permitted Transferee of an Affiliate or (z) an investment fund, investment account or investment entity whose investment manager, investment advisor or general partner thereof is Apollo or a Permitted Transferee of Apollo or (iii) if a Permitted Transferee of a Person set forth in the foregoing clauses (i) and (ii) is an individual, (x) any spouse or issue of such individual, or any trust solely for the benefit of such individual, spouse or issue, and (y) upon such individual's death, any Person to whom Shares are transferred in accordance with the laws of descent and/or testamentary distribution, in each case in a bona fide distribution or other transaction not intended to avoid the provisions of this Agreement;

(b) in the case of a Group Member, (i) any Person that is solely controlled by such Group Member, (ii) upon a bona fide liquidation of, or a bona fide withdrawal from, such Group Member, in each case, not intended to avoid the provisions of this Agreement, the shareholders, partners or principals, as the case may be, of such Group Member, or (iii) if such Group Member is an individual, (x) any spouse or issue of such individual, or any trust or limited partnership solely for the benefit of such individual, spouse or issue, and (y) upon such individual's death, any Person to whom Shares are transferred in accordance with the laws of descent and/or testamentary distribution; and

(c) any Person who is a party to this Agreement.

"PERSON" shall mean an individual or a corporation, limited liability company, partnership, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PREFERRED STOCK" shall have the meaning set forth in the recitals.

"REGISTRATION RIGHTS AGREEMENT" shall mean the Series A Registration Rights Agreement, dated as of August 5, 1998, by and between the Company and Apollo.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"SERIES A PREFERRED STOCK" shall have the meaning set forth in the recitals.

"SHARES" shall mean, collectively, the Common Stock and the Preferred Stock, whether now owned or acquired after the date hereof. Whenever this Agreement refers to a number or percentage of Shares, such number or percentage shall be calculated as if each of the Shares (including, in the case of Apollo, any PIK Shares) had been exchanged or converted into shares of Common Stock immediately prior to such calculation regardless of the existence of any restrictions on such exchange or conversion.

"SPEESE GROUP" shall have the meaning set forth in the preamble.

"SPEESE INCLUDED SHARES" shall mean those 1,176,832 shares of Common Stock owned by the Speese Group as of the Effective Date.

"SPEESE OTHER PARTIES" shall have the meaning set forth in the preamble.

"STOCK PURCHASE AGREEMENT" shall mean the Stock Purchase Agreement, dated as of August 5, 1998, between the Company and Apollo.

"STOCK REPURCHASE AGREEMENT" shall have the meaning set forth in the recitals.

"SUBSIDIARY" shall mean, with respect to any Person, (a) a corporation a majority of whose capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by a Subsidiary of such Person, or by such Person and one or more Subsidiaries of such Person, (b) a partnership in which such Person or a Subsidiary of such Person is, at the date of determination, a general partner of such partnership, or (c) any other Person (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of the directors or other governing body of such Person.

"TALLEY GROUP" shall have the meaning set forth in the preamble.

"TALLEY INCLUDED SHARES" shall mean those 2,948,166 shares of Common Stock owned by the Talley Group as of the Effective Date.

"TALLEY OTHER PARTIES" shall have the meaning set forth in the preamble.

"TRANSFER" shall mean (i) when used as a noun: any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition and (ii) when used as a verb: to directly or indirectly transfer, sell, assign, pledge, hypothecate, encumber, or otherwise dispose of; provided, however, Transfer shall not include a pledge in connection with a recourse, bona fide loan transaction that is not intended to avoid the provisions of this Agreement.

"TRANSFEREE" shall mean any Person to whom Shares have been Transferred in compliance with the terms of this Agreement.

ARTICLE II

RESTRICTIONS ON TRANSFERS

Section 2.1 Transfers in Accordance with this Agreement. Any attempt to Transfer, or purported Transfer of, any of the Talley Included Shares or the Speese Included Shares in violation of the terms of this Agreement shall be null and void and the Company shall not register upon its books, and shall direct its transfer agent not to register on its books any such Transfer. A copy of this Agreement shall be filed with the Secretary of the Company and the Company's transfer agent and kept with the records of the Company.

Section 2.2 Agreement to be Bound.

(a) No party hereto (other than the Company, Apollo and their Permitted Transferees) shall Transfer any Shares except (i) to a Permitted Transferee or (ii) as specifically provided herein.

(b) No member of the Talley Group or its Permitted Transferees shall Transfer its respective pecuniary interests in any of the Talley Included Shares to any party other than a Permitted Transferee of the Talley Group, except that Talley, the other members of the Talley Group and their Permitted Transferees may sell shares of Common Stock under and pursuant to the terms of the Stock Repurchase Agreement. Notwithstanding the foregoing, after February 5, 2002, the Talley Group and its Permitted Transferees shall be permitted to Transfer their respective pecuniary interests in the Talley Included Shares without restrictions imposed by this Agreement, other than those Talley Included Shares that members of the Talley Group or its Permitted Transferees have an obligation to sell to the Company as a result of the Company properly and timely delivering an Exercise Notice (as defined in the Stock Repurchase Agreement).

(c) No member of the Speese Group or its Permitted Transferees shall Transfer its respective pecuniary interests in any of the Speese Included Shares to any party other than a Permitted Transferee of the Speese Group, except that during any twelve-month period the Speese Group and its Permitted Transferees shall be entitled to Transfer up to 300,000 Shares in aggregate through sales pursuant to Rule 144 under the Securities Act, or otherwise. Notwithstanding the foregoing, in no case shall the Speese Group or its Permitted Transferees (i) Transfer any Speese Included Shares prior to or on August 5, 2002, (ii) Transfer more than 50% of the Speese Included Shares during the one year period commencing on August 6, 2002 or (iii) Transfer any Shares if such Transfer would trigger default or change-in-control provisions under the Certificate of Designation or any material debt instrument of the Company.

(d) No Transfer to a Permitted Transferee of Apollo or of any party as provided in the foregoing clauses (a), (b) and (c) of this Section 2.2 shall be permitted unless (i) the certificates representing such Shares issued to the Transferee bear the legend provided in Section 2.3 and (ii) the Transferee (if not already a party hereto) has executed and delivered to each other party hereto, as a condition precedent to such Transfer, an instrument or instruments, reasonably satisfactory to the Company, confirming that the Transferee agrees to be bound by

the terms of this Agreement in the same manner as such Transferee's transferor, except as otherwise specifically provided in this Agreement.

Section 2.3 Legend. Apollo and each Group Member hereby agree that (i) each outstanding certificate representing Shares issued to any of them prior to the Effective Date, shall bear a legend reading substantially as set forth in Section 2.3 of the Original Agreement; and (ii) each outstanding certificate representing Shares issued to any of them after the Effective Date, or any certificate issued after the Effective Date in exchange for or upon conversion of any similarly legended certificate, shall bear a legend reading substantially as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS, AND MAY BE OFFERED AND SOLD ONLY IF SO REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THE HOLDER OF THESE SHARES MAY BE REQUIRED TO DELIVER TO THE COMPANY, IF THE COMPANY SO REQUESTS, AN OPINION OF COUNSEL (REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY) TO THE EFFECT THAT AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (OR FROM REGISTRATION OR QUALIFICATION UNDER STATE SECURITIES LAWS) IS AVAILABLE WITH RESPECT TO ANY TRANSFER OF THESE SHARES THAT HAS NOT BEEN SO REGISTERED (OR QUALIFIED).

THE SHARES REPRESENTED BY THIS CERTIFICATE ALSO ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AND OBLIGATIONS, TO WHICH ANY TRANSFEREE AGREES BY HIS ACCEPTANCE HEREOF, AS SET FORTH IN THE AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, AS AMENDED FROM TIME TO TIME, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. NO TRANSFER OF SUCH SHARES WILL BE MADE ON THE BOOKS OF THE COMPANY UNLESS ACCOMPANIED BY EVIDENCE OF COMPLIANCE WITH THE TERMS OF SUCH AGREEMENT AND BY AN AGREEMENT OF THE TRANSFEREE TO BE BOUND BY THE RESTRICTIONS SET FORTH IN THE AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, AS AMENDED FROM TIME TO TIME.

ARTICLE III

ADDITIONAL RIGHTS AND OBLIGATIONS OF APOLLO AND THE COMPANY

Section 3.1 Access to Information; Confidentiality. Upon the request of Apollo, the Company shall afford Apollo and its accountants, counsel and other representatives reasonable access to all of the properties, books, contracts, commitments and records (including, but not limited to, tax returns) of the Company and its Subsidiaries that are reasonably requested. Apollo will, and will cause its agents to, conduct any such investigations on reasonable advance notice, during normal business hours, with reasonable numbers of persons and in such a manner as not to interfere unreasonably with the normal operations of the Company and its Subsidiaries.

Except as otherwise required by applicable law, neither the Company nor any of its Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of any customer or other Person, would jeopardize the attorney-client privilege of the Person in possession or control of such information, or would contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date hereof. The Parties will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

Apollo shall, and shall use its best efforts to cause their representatives to, keep confidential all such information to the same extent such information is treated as confidential by the Company, and shall not directly or indirectly use such information for any competitive or other commercial purpose. The obligation to keep such information confidential shall not apply to (i) any information that (x) was already in Apollo's possession prior to the disclosure thereof by the Company (other than through disclosure by any other Person known by Apollo to be subject to a duty of confidentiality), (y) was then generally known to the public, or (z) was disclosed to Apollo by a third party not known by Apollo to be bound by an obligation of confidentiality or (ii) disclosures made as required by law or legal process or to any person exercising regulatory authority over such Apollo or its Affiliates. If in the absence of a protective order or the receipt of a waiver hereunder, Apollo is nonetheless, in the opinion of their counsel, compelled to disclose information concerning the Company to any tribunal or governmental body or agency or else stand liable for contempt or suffer other censure or penalty, Apollo may disclose such information to such tribunal or governmental body or agency without liability hereunder. In addition, in the event that any information disclosed by the Company to Apollo is material nonpublic information, Apollo agrees to comply with its obligations under the applicable Federal and state securities laws with respect thereto, including but not limited to, the laws pertaining to the possession, dissemination and utilization of such material nonpublic information.

Section 3.2 Furnishing of Information. (a) The Company shall deliver to Apollo, as long as Apollo shall own any Shares:

(i) As promptly as practical, but in no event later than 30 days after the end of each calendar month, a copy of the monthly financial reporting package for such month customarily prepared for the Company's Chief Executive Officer.

(ii) As promptly as practical, but in no event later than 60 days after the close of each of its first three quarterly accounting periods during any fiscal year of the Company, the consolidated balance sheet of the Company as at the end of such quarterly period, and the related consolidated statements of operations, stockholders' equity and cash flows for such quarterly period, and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and in each case setting forth comparative figures for the related periods in the prior fiscal year (if such comparative figures are available without unreasonable expense), all of which shall be certified by the chief financial officer of the Company, to have been prepared in accordance with generally accepted accounting principles, subject to year-end audit adjustments, together with an MD&A;

(iii) As promptly as practical, but in no event later than 105 days after the close of each fiscal year of the Company, the consolidated balance sheet of the Company as of the end of such fiscal year and the related consolidated statements of operations, stockholders' equity and cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, and certified by independent certified public accountants of recognized national standing, together with an MD&A; and

(iv) All reports, if any, filed by the Company or any Subsidiary of the Company with the Commission under the Exchange Act, as promptly as practical, but in no event later than 15 days after filing any such reports with the Commission.

(b) The provisions of Sections 3.2(a)(ii) and (iii) above shall be deemed to have been satisfied if the Company delivers the reports timely filed by the Company with the Commission on Form l 0-Q or 10-K, as applicable, for such periods promptly, but in no event later than 15 days after filing any such Form with the Commission.

ARTICLE IV

CORPORATE GOVERNANCE AND VOTING

Section 4.1 Board of Directors of the Company.

(a) As of the Effective Date, the number of directors constituting the entire Board of Directors of the Company shall be eight (8). Thereupon the Company shall be entitled, but not required, to nominate up to five (5) members to the Board of Directors and Apollo (or any representative thereof designated by Apollo) shall be entitled, but not required, to nominate up to three (3) members to the Board of Directors (collectively, the "APOLLO NOMINEES"), two of whom shall be the directors elected by the holders of the Series A Preferred Stock so long as the holders of the Series A Preferred Stock have the right to elect two (2) directors. One Apollo Nominee shall be classified as a Class I Director of the Company, who will be one of the directors elected by the holders of the Series A Preferred Stock, one Apollo Nominee shall be classified as a Class II Director of the Company, who will be one of the directors elected by the holders of the Series A Preferred Stock, and one Apollo Nominee shall be classified as a Class III Director of the Company, who will not be one of the directors elected by the holders of the Series A Preferred Stock.

(b) The Talley Group and the Speese Group shall vote all of the Shares owned or held of record by them at all regular and special meetings of the stockholders of the Company called or held for the purpose of filling positions on the Board of Directors, and in each written consent executed in lieu of such a meeting of stockholders, and, to the extent entitled to vote thereon, each party hereto shall take all actions otherwise necessary to ensure (to the extent within the Parties' collective control) that the Apollo Nominees are elected to the Board of Directors.

(c) The Company, the Talley Group and the Speese Group shall use their respective best efforts to call, or cause the appropriate officers and directors of the

Company to call, a special meeting of stockholders of the Company, as applicable, and to vote all of the Shares owned or held of record by them for, or to take all actions by written consent in lieu of any such meeting necessary to cause, the removal (with or without cause) of any Apollo Nominee if Apollo requests such director's removal in writing for any reason. Apollo shall have the right to designate a new nominee in the event any Apollo Nominee shall be so removed under this Section 4.1(c) or shall vacate his directorship for any reason.

Except as provided in this Section 4.1(c), each Group Member hereto agrees that, at any time that it is then entitled to vote for the election or removal of directors, it will not vote in favor of the removal of Apollo Nominee unless (i) such removal shall be at the request of Apollo or (ii) the right of Apollo to designate such director has terminated in accordance with clause (e) below.

(d) The Company shall not, and shall not permit any of its Subsidiaries to, without the consent of holders of a majority of the Shares held by Apollo, take any action under Section 4.2(b) of this Agreement that requires the approval of the Apollo Nominees, if any of the Apollo Nominees are Persons whose removal from the Board of Directors has been requested at or prior to the time of such action by Apollo. Each party hereto shall use reasonable efforts to prevent any action from being taken by the Board of Directors, during the pendency of any vacancy due to death, resignation or removal of a director, unless the Person entitled to have a person nominated by it elected to fill such vacancy shall have failed, for a period of ten (10) days after notice of such vacancy, to nominate a replacement.

(e) At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in aggregate 50% or more of the Shares issued to Apollo on August 5, 1998, Apollo shall be entitled, but not required, to nominate only two Apollo Nominees in accordance with this Section 4, one of whom shall be one of the directors elected by the holders of the Series A Preferred Stock if any shares of the Series A Preferred Stock are outstanding. At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in aggregate 33.33% or more of the Shares owned by Apollo on August 5, 1998, Apollo shall be entitled, but not required, to nominate only one Apollo Nominees in accordance with this Section 4, who shall be the one director elected by the holders of the Series A Preferred Stock if any shares of the Series A Preferred Stock are outstanding. At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in aggregate 10% or more of the Shares owned by the Apollo on August 5, 1998, the Apollo shall no longer be entitled to nominate any Apollo Nominees in accordance with this Section 4.

(f) In the event the Company establishes an Executive Committee of the Board of Directors, it shall be comprised of such persons as a majority of the Board of Directors shall approve, provided, however, such committee shall also include at least one Apollo Nominee, who shall be one of the directors elected by the holders of the Series A Preferred Stock so long as any shares of the Series A Preferred Stock are outstanding. The Executive Committee shall have authority, subject to applicable law, to take all actions that (A) are ancillary to or arise in the normal course of the businesses of the Company, or (B) implement and are consistent with resolutions of the Board of Directors provided, however, that such Executive Committee shall not be authorized to take any action which, if proposed to

be taken by the full Board of Directors would require the affirmative vote of the Apollo Nominees in accordance with Section 4.2.

(g) Unless otherwise approved in advance in writing by all the Apollo Nominees, each and every committee of the Board of Directors shall be comprised of three directors, one of whom shall be an Apollo Nominee and at least one of whom is selected by the Board of Directors but who is not also a member of management of the Company. The Apollo Nominee on the Finance Committee, the Audit Committee and Compensation Committee, shall be one of the directors elected by the holders of the Series A Preferred Stock so long as any shares of the Series A Preferred Stock are outstanding.

(h) Each committee of the Board of Directors, to which authority has been delegated, shall keep complete and accurate minutes and records of all actions taken by such committee, prepare such minutes and records in a timely fashion and promptly distribute such minutes and records to each member of the Board of Directors.

(i) The Parties agree that upon the request of Apollo, the Company shall cause the Board of Directors of any wholly-owned subsidiary of the Company to include such number of individuals designated by Apollo (or any representative thereof designated by Apollo) in the same proportion of the total number of members of the Board of Directors of such subsidiary as the proportion of the Company's Board of Directors to which Apollo is entitled pursuant to Section 4.1(a).

Section 4.2 Action by the Board of Directors.

(a) Except as provided below, all decisions of the Board of Directors shall require the affirmative vote of a majority of the directors of the Company then in office, or a majority of the members of an Executive Committee of the Board of Directors, to the extent such decisions may be lawfully delegated to an Executive Committee pursuant to Section 4.1(f).

(b) The Company shall not, and it shall cause each of its Subsidiaries not to, take (or agree to take) any action regarding the following matters, directly or indirectly, including through a merger or consolidation with any other corporation or otherwise, without the affirmative vote of the Apollo Nominees: (i) increase the number of authorized shares of Preferred Stock or authorize the issuance or issue of any shares of Preferred Stock other than to existing holders of Preferred Stock, (ii) issue any new class or series of equity security, (iii) amend, alter or repeal, in any manner whatsoever, the designations, preferences and relative rights and limitations and restrictions of the Series A Preferred Stock; (iv) amend, alter or repeal any of the provisions of the Charter Documents or the Certificate of Designation in a manner that would negatively impact the holders of the Series A Preferred Stock, including (but not limited to) any amendment that is in conflict with the approval rights set forth in this Section 4.2; (v) directly or indirectly, redeem, purchase or otherwise acquire for value (including through an exchange), or set apart money or other property for any mandatory purchase or other analogous fund for the redemption, purchase or acquisition of any shares of Common Stock or Junior Stock (as defined in the Certificate of Designation), or declare or pay any dividend or make any distribution (whether in cash, shares of capital stock of the Company, or other property) on shares of Common Stock or Junior Stock; (vi) cause the number of directors of the Company to

be greater than eight (8); (vii) enter into any agreement or arrangement with or for the benefit of any Person who is an Affiliate of the Company with a value in excess of $5 million in a single transaction or series of related transactions; (viii) effect a voluntary liquidation, dissolution or winding up of the Company; (ix) sell or agree to sell all or substantially all of the assets of the Company, unless such transaction (1) occurs after August 5, 2002, (2) is a sale for cash and (3) results in an internal rate of return ("IRR") to Apollo of 30% compounded quarterly or greater with respect to each Share issued to Apollo on August 5, 1998; or (x) enter into any merger or consolidation or other business combination involving the Company (except a merger of a wholly-owned subsidiary of the Company into the Company in which the Company's capitalization is unchanged as a result of such merger) unless such transaction (1) occurs after August 5, 2002, (2) is for cash and (3) results in an IRR to Apollo of 30% compounded quarterly or greater with respect to each Share issued to Apollo on August 5, 1998.

(c) Notwithstanding the foregoing Section 4(b), if Apollo owns less than 33 1/3% of the Shares owned by them on August 5, 1998, the provisions of Section 4(b) shall cease to exist and shall be of no further force or effect.

(d) While any shares of Series A Preferred Stock are outstanding, the Company shall not and it shall cause each of its Subsidiaries not to, issue any debt securities of the Company with a value in excess of $10 million (including any refinancing of existing indebtedness) without the majority affirmative vote of the Finance Committee.

(e) While any shares of Series A Preferred Stock are outstanding, the Company shall not, and it shall cause each of its Subsidiaries not to, issue any equity securities of the Company with a value in excess of $10 million (including any refinancing of existing indebtedness) without the unanimous affirmative vote of the Finance Committee; provided, however, that the following equity issuances shall require only a majority affirmative vote of the Finance Committee: (A) an offering of Common Stock in which the selling price is equal to or greater than the price that would imply a 25% or greater IRR compounded quarterly on the Conversion Price (as defined below) and (B) an issuance of equity in connection with an acquisition if the issuance is equal to or less than 10% of the outstanding Common Stock (calculated post-issuance of such shares of Common Stock).

Section 4.3 Charter Documents. (a) Except with respect to any amendments to the Charter Documents properly adopted at the Board of Directors meeting on October 8, 2001, the Charter Documents most recently included (or incorporated therein) as exhibits to the Company's periodic reports filed with the Commission are the Charter Documents as in effect on the Effective Date.

(b) The Company covenants that it will act, and each Group Member and Apollo agrees to use its best efforts to cause the Company to act, in accordance with its Charter Documents and Certificate of Designation in all material respects and to cause compliance with all provisions contained herein. Each Group Member and Apollo shall vote all the Shares owned or held of record by it at any regular or special meeting of stockholders of the Company or in any written consent executed in lieu of such a meeting of stockholders, and shall take all action necessary, to ensure (to the extent within the Parties' collective control) that (i) the Charter Documents and Certificate of Designation of the Company do not, at any time, conflict

with the provisions of this Agreement, and (ii) unless an amendment is approved by the Board of Directors in accordance with Section 4.2, the Charter Documents of the Company continue to be in effect in the forms most recently included as exhibits to the Company's periodic reports filed with the Commission and the Certificate of Designation continues to be in effect in the form attached as exhibits to the Stock Purchase Agreement.

ARTICLE V

TERMINATION

Section 5.1 Termination. Except as otherwise provided herein with respect to certain specific provisions, this Agreement shall terminate upon the earlier to occur of:

(i) the mutual agreement of the Parties,

(ii) with respect to any party hereto other than the Company, such party ceasing to own, beneficially or otherwise, any Shares,

(iii) such time as less than 10% of the Shares continue to be subject to the provisions of this Agreement, or

(iv) with respect to any party hereto other than the Talley Group or its Permitted Transferees, on August 5, 2009.

ARTICLE VI

MISCELLANEOUS

Section 6.1 No Inconsistent Agreements. Each party hereto hereby consents to the termination of any prior written or oral agreement or understanding, including without limitation the Original Agreement, restricting, conditioning or limiting the ability of any party to transfer or vote Shares.

Each of the Company and the Group Members represents and agrees that, as of the Effective Date, there is no (and from and after the Effective Date they will not, and will cause their respective Subsidiaries and Affiliates not to, enter into any) agreement with respect to any securities of the Company or any of its Subsidiaries (and from and after the Effective Date neither the Company nor any Group Members shall take, or permit any of their Subsidiaries or Affiliates to take, any action) that is inconsistent in any material respect with the rights granted to Apollo in this Agreement.

Without limiting the foregoing and other than the Original Agreement, the Company represents that there are no existing agreements relating to the voting or registration of any equity securities of the Company or any of its Subsidiaries, and there are no other existing agreements between the Company and any other holder of Shares relating to the transfer of any equity securities of the Company or any of its Subsidiaries.

Section 6.2 Recapitalization, Exchanges. etc. If any capital stock or other securities are issued in respect of, in exchange for, or in substitution of, any Shares by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up, sale of assets, distribution to stockholders or combination of the Shares or any other change in capital structure of the Company, appropriate adjustments shall be made with respect to the relevant provisions of this Agreement so as to fairly and equitably preserve, as far as practicable, the original rights and obligations of the Parties under this Agreement and the terms "COMMON STOCK," "PREFERRED STOCK" and "SHARES," each as used herein, shall be deemed to include shares of such capital stock or other securities, as appropriate. Without limiting the foregoing, whenever a particular number of Shares is specified herein, such number shall be adjusted to reflect stock dividends, stock-splits, combinations or other reclassifications of stock or any similar transactions.

Section 6.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties, and their respective successors and permitted assigns; provided that (i) neither this Agreement nor any rights or obligations hereunder may be transferred or assigned by the Company (except by operation of law in any permitted merger); (ii) neither this Agreement nor any rights or obligations hereunder may be transferred or assigned by the Group Members or Apollo except to any Person to whom it has Transferred Shares in compliance with this Agreement and who has become bound by this Agreement pursuant to Section 2.2 hereof; and (iii) the rights of the Parties under Article IV hereof may not be assigned to any Person except as explicitly provided therein.

Section 6.4 No Waivers: Amendments. (a) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

(b) This Agreement may not be amended or modified, nor may any provision hereof be waived, other than by a written instrument signed by the Parties.

Section 6.5 Notices. All notices, demands, requests, consents or approvals (collectively, "NOTICES") required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally delivered or mailed, registered or certified, return receipt requested, postage prepaid (or by a substantially similar method), or delivered by a reputable overnight courier service with charges prepaid, or transmitted by hand delivery or facsimile, addressed as set forth below, or such other address (and with such other copy) as such party shall have specified most recently by written notice. Notice shall be deemed given or delivered on the date of service or transmission if personally served or transmitted by facsimile. Notice otherwise sent as provided herein shall be deemed given or delivered on the third business day following the date mailed or on the next business day following delivery of such notice to a reputable overnight courier service.

To the Company or the Speese Group:

Rent-A-Center, Inc.
5700 Tennyson Parkway
Third Floor
Plano, Texas 75024
Attn: Mark E. Speese
Fax: (972) 801-1200

with a copy (which shall not constitute notice) to:

Winstead Sechrest & Minick P.C.
5400 Renaissance Tower
1201 Elm Street
Attn: Thomas W. Hughes, Esq.
Fax: (214)745-5390

To the Talley Group:

J. Ernest Talley
8914 Hames Road
Pilot Point, Texas 76258

To Apollo:

Apollo Investment Fund IV, L.P. and/or
Apollo Overseas Partners IV, L.P.
c/o Apollo Management IV, L.P.
1999 Avenue of the Stars, Suite 1900
Los Angeles, California 90067
Attn: Michael D. Weiner
Facsimile: (310)201-4166

with a copy (which shall not constitute notice) to:

Morgan, Lewis & Bockius LLP
300 South Grand Avenue, Suite 2200
Los Angeles, California 90071
Attn: John F. Hartigan, Esq.
Fax: (213)612-2554

Section 6.6 Inspection. So long as this Agreement shall be in effect, this Agreement and any amendments hereto and waivers hereof shall be distributed to all Parties after becoming effective and shall be made available for inspection at the principal office of the Company by Apollo.

Section 6.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS

MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS, EXCEPT AS TO MATTERS OF CORPORATE GOVERNANCE, WHICH SHALL BE INTERPRETED IN ACCORDANCE WITH THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE. EACH PARTY HERETO CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS WITHIN THE STATE OF NEW YORK.

Section 6.8 Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 6.9 Entire Agreement. This Agreement, together with the Stock Purchase Agreement, the Certificate of Designation and the Registration Rights Agreement, constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and thereof and supersedes the Original Agreement and any and all prior agreements and understandings, written or oral, relating to the subject matter hereof.

Section 6.10 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdictions, it being intended that all rights and obligations of the Parties hereunder shall be enforceable to the fullest extent permitted by law.

Section 6.11 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which together shall constitute one and the same agreement.

Section 6.12 Required Approvals. If approval of this Agreement or any of the transactions contemplated hereby shall be required by any governmental or supra-governmental agency or instrumentality or is considered to be necessary or advisable to all the Parties, all Parties shall use their best efforts to obtain such approval.

Section 6.13 Public Disclosure. The Company shall not, and shall not permit any of its Subsidiaries to, make any public announcements or disclosures relating or referring to Apollo, any of its affiliates, or any of their respective directors, officers, partners, employees or agents (including, without limitation, any Person designated as a director of the Company pursuant to the terms hereof) unless Apollo has consented to the form and substance thereof, which consent shall not be unreasonably withheld except to the extent such disclosure is, in the opinion of counsel, required by law or by stock exchange regulation, provided that (i) any such required disclosure shall only be made, to the extent consistent with the law, after consultation with Apollo and (ii) no such announcement or disclosure (except as required by law or by stock exchange regulation) shall identify any such Person without Apollo's prior consent.

Section 6.14 Payment of Costs and Expenses. The Company shall pay Apollo's reasonable and documented costs and expenses (including attorneys' fees) associated with

negotiation, documentation and completion of this Agreement, the Stock Repurchase Agreement and the transactions contemplated herein and therein.

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IN WITNESS WHEREOF, the Parties have executed this Amended and Restated Stockholders Agreement as of the date first above written.

RENT-A-CENTER, INC.
a Delaware corporation

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel

Title: President

APOLLO INVESTMENT FUND IV, L.P.
a Delaware limited partnership

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its General Partner

By: /s/ Peter P. Copses

Name: Peter P. Copses

Title: Vice President

APOLLO OVERSEAS PARTNERS IV, L.P.
an exempted limited partnership registered
in the Cayman Islands

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its Managing General Partner

By: /s/ Peter P. Copses

Name: Peter P. Copses

Title: Vice President

/s/ J. Ernest Talley

J. Ernest Talley

/s/ Mark E. Speese

Mark E. Speese

/s/ Mary Ann Talley

Mary Ann Talley

/s/ Carolyn Speese

Carolyn Speese

TALLEY 1999 TRUST

By:/s/ J. Ernest Talley

J. Ernest Talley, as Trustee

MARK SPEESE 2000 GRANTOR RETAINED ANNUITY TRUST

By: /s/ Mark E. Speese

Mark E. Speese, as Trustee

CAROLYN SPEESE 2000 GRANTOR RETAINED ANNUITY TRUST

By: /s/ Mark E. Speese

Mark E. Speese, as Trustee

ALLISON REBECCA SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

JESSICA ELIZABETH SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

ANDREW MICHAEL SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

EXHIBIT A

TALLEY OTHER PARTIES

Mary Ann Talley
Talley 1999 Trust

EXHIBIT B

SPEESE OTHER PARTIES

Carolyn Speese
Mark Speese 2000 Grantor Retained Annuity Trust
Carolyn Speese 2000 Grantor Retained Annuity Trust
Allison Rebecca Speese 2000 Remainder Trust
Jessica Elizabeth Speese 2000 Remainder Trust
Andrew Michael Speese 2000 Remainder Trust

Exhibit 10.9

COMMON STOCK PURCHASE AGREEMENT

THIS COMMON STOCK PURCHASE AGREEMENT (this "AGREEMENT") is made as of the 8th day of October, 2001, by and among J. Ernest Talley ("J. TALLEY") and Mary Ann Talley ("M. TALLEY"), husband and wife and each a resident of the State of Texas, and the Talley 1999 Trust (the "TRUST" and along with J. Talley and M. Talley each a "SELLER" and collectively, the "SELLERS"), and Rent-A-Center, Inc., a Delaware corporation ("BUYER").

RECITALS

WHEREAS, Sellers collectively own of record 2,948,166 shares (the "SHARES") of common stock, $0.01 par value (the "COMMON STOCK"), of Buyer; and

WHEREAS, Sellers desire to sell to Buyer, and Buyer wishes to purchase from Sellers, an aggregate of $25,000,000 worth of shares of Common Stock owned by Sellers, upon the terms and conditions set forth herein; and

WHEREAS, Buyer desires to have and Sellers desire to grant Buyer a call option to acquire the remaining shares of Common Stock owned by Sellers; and

WHEREAS, each of the parties hereto, in order to induce each of the other parties hereto to enter into this Agreement and to consummate the transactions contemplated hereby, agrees to the covenants and agreements set forth herein.

NOW, THEREFORE, in consideration of the representations, warranties and covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Purchase and Sale of the Shares; Option; the Closings.

1.1 Purchase and Sale of Common Stock. Subject to the terms and conditions of this Agreement and on the basis of the representations, warranties and covenants set forth herein, Sellers agree to sell to Buyer, and Buyer agrees to purchase from Sellers, shares of Common Stock for an aggregate purchase price of $25,000,000 (the "PURCHASE PRICE"). The per share purchase price ("PER SHARE PURCHASE PRICE") shall be equal to the mean average of the last reported sales price of the Common Stock as reported by the Nasdaq Stock Market for each of the ten trading days immediately following the public announcement by the Company of this Agreement; provided, however, if the mean average is (i) equal to or less than $20.00, then the Per Share Purchase Price shall be $20.00 or (ii) equal to or greater than $27.00, then the Per Share Purchase Price shall be $27.00.

1.2 Number of Shares to be Sold. The number of shares of Common Stock to be sold by the Sellers to the Buyer at the Initial Closing (as hereinafter defined) shall be the number equal to 10,000,000 divided by the Per Share Purchase Price, which result shall be rounded to the

nearest whole number. The number of shares of Common Stock to be sold by the Sellers to the Buyer at the November Closing (as hereinafter defined) shall be the number equal to 15,000,000 divided by the Per Share Price, which result shall be rounded to the nearest whole number. The aggregate maximum number of shares to be sold at the Initial Closing and the November Closing shall be 1,250,000 and the aggregate minimum number of Shares to be sold at the Initial Closing and the November Closing shall be 925,926. The allocation of the Shares to be sold by each Seller at the various Closings (as hereinafter defined) shall be determined by J. Talley prior to such Closing.

1.3 Option. The Sellers hereby grant Buyer the option (the "OPTION") to purchase any or all of the Shares not purchased at the Initial Closing and/or the November Closing at a per share price equal to the Per Share Purchase Price. The Option shall last through February 8, 2002 (the "EXPIRATION DATE"). The Option may be exercised at any time on or after the date of the Initial Closing and prior to February 6, 2002 by giving written notice (an "EXERCISE NOTICE") to the Sellers of the time of the Option Closing (as hereinafter defined) and the number of Shares Buyer is purchasing. The Exercise Notice must be given at least three business days prior to the applicable Option Closing. The Option may be exercised at one or more times in any amounts through the Expiration Date.

1.4 The Closings. Subject to the terms and conditions hereof, the purchase and sale of the Shares contemplated by this ARTICLE 1 (each a "CLOSING" and collectively the "CLOSINGS") will take place at the offices of Winstead Sechrest & Minick P.C., 1201 Elm Street, 5400 Renaissance Tower, Dallas, Texas 75270. The Closing of the purchase and sale of the first $10,000,000 worth of Shares (the "INITIAL CLOSING") shall occur at 10:00 a.m. Dallas, Texas time on October 23, 2001. The Closing of the purchase and sale of the second $15,000,000 worth of Shares (the "NOVEMBER CLOSING") shall occur at 10:00 a.m. Dallas, Texas time on November 30, 2001 (or such earlier date as the Buyer gives reasonable notice to Sellers). The Closing of the purchase(s) and sale(s) of any Shares upon the exercise of the Option (each an "OPTION CLOSING") shall be at 10:00 a.m. on the business day set forth in the applicable Exercise Notice, provided that the Exercise Notice must specify a business date prior to February 9, 2002. If the Exercise Notice does not specify a date for an Option Closing or if it specifies a date after February 8, 2002, such Option Closing shall occur on February 8, 2002. Notwithstanding the foregoing, any Closing may occur at such other time, date or place as the parties shall mutually agree. At the Closing, Sellers will deliver to Buyer certificates representing the Shares purchased by Buyer, duly endorsed or accompanied by stock powers duly executed in blank and otherwise in form acceptable for transfer on the books of the Buyer, with any requisite stock transfer tax stamps affixed thereto and Buyer will deliver to the Sellers the Purchase Price, by wire transfer of immediately available funds to an account specified by Sellers.

2. Representations and Warranties of the Sellers.

In order to induce Buyer to enter into this Agreement and to purchase the Shares hereunder, the Sellers hereby jointly and severally represent and warrant to Buyer the following:

2.1 Ownership of Shares. Except as set forth in the Stockholders Agreement of the Buyer, dated August 5, 1998, as amended and supplemented from time to time (the "STOCKHOLDERS AGREEMENT") Sellers own, (including beneficially and of record), 2,948,166 issued

and outstanding shares of Common Stock and upon delivery and payment therefor pursuant to this Agreement, Buyer shall own the entire right, title and interest in and to the Shares, free and clear of any liens, claims or encumbrances, including rights of first refusal and similar claims except for restrictions of applicable state and federal securities laws. Except as set forth in the Stockholders Agreement, there are no restrictions on the transfer or voting of any of the Shares imposed by any voting, shareholder or similar agreement or any law, regulation or order, other than applicable state and federal securities laws.

2.2 Authorization. Sellers have full right, power and authority to execute, deliver and perform this Agreement and to sell, assign and deliver the Shares to Buyer. This Agreement is the legal, valid and, assuming due execution and delivery by the other parties hereto, binding obligation of Sellers, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by (i) principles of public policy, (ii) applicable bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights generally, and (iii) rules of law governing the availability of equitable remedies.

2.3 No Violation; No Consent. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby (a) assuming the consents referred to in clause (c) are received, will not constitute a breach or violation of or default under any judgment, decree or order or any agreement or instrument of Sellers or to which Sellers are subject, (b) will not result in the creation or imposition of any lien upon the Shares, and (c) other than under the Stockholders Agreement will not require the consent of or notice to any governmental entity or any party to any contract, agreement or arrangement with any of the Sellers.

2.4 Brokerage. There are no claims for brokerage commissions or finder's fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of Sellers.

2.5 Accuracy of Information. Other than such information that has been disclosed to the Board of Directors of the Company in meetings of the Board of Directors of the Company since August 5, 1998, to the best of J. Talley's knowledge, (i) the Company's internally generated financial reports reflect all material liabilities of the Company, and the Company has no material undisclosed liabilities; and (ii) all information in the reports filed by Buyer with the Securities Exchange Commission under the Securities Exchange Act of 1934, as amended, was true, correct and complete in all material respects and did not omit to state any material fact necessary to make such information not misleading at the time such reports were filed (other than reports that have been amended prior to the date hereof, and after the filing of such amendment, such information complied with the foregoing standard).

3. Representations and Warranties of Buyer.

Buyer hereby represents and warrants as follows:

3.1 Organization and Corporate Power; Authorization. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

Buyer has the requisite power and authority to execute, deliver and perform this Agreement and to acquire the Shares. The execution, delivery and performance of this Agreement and the consummation by Buyer of the transactions contemplated hereby have been duly authorized by all requisite action on the part of Buyer. This Agreement and any other agreements, instruments, or documents entered into by Buyer pursuant to this Agreement have been duly executed and delivered by Buyer and are the legal, valid and, assuming due execution by the other parties hereto, binding obligation of Buyer, enforceable against Buyer in accordance with its terms except to the extent that the enforceability thereof may be limited by (i) principles of public policy, (ii) applicable bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights generally, and (iii) rules of law governing the availability of equitable remedies.

3.2 No Violation; No Consent. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby (a) assuming the consents referred to in clause (b) are received, will not constitute a breach or violation of or default under any judgment, decree or order or any agreement or instrument of Buyer or to which Buyers are subject, and (b) other than (i) under the Stockholders Agreement, and (ii) the holders of the majority of the Buyer's outstanding Series A Convertible Preferred Stock, par value $0.01 per share, will not require the consent of or notice to any governmental entity or any party to any contract, agreement or arrangement with the Buyer; provided however, if the Option is exercised, a consent under the Amended and Restated Credit Agreement among Buyer, as borrower, the several lenders from time to time that are parties thereto, Comerica Bank, as documentation agent, Bank of America, N.A., as syndication agent, and The Chase Manhattan Bank, as administrative agent, dated as of August 5, 1998, as amended and restated as of June 29, 2000, as amended from time to time, may be required.

3.3 Brokerage. There are no claims for brokerage commissions or finder's fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of Buyer.

4. Conditions to the Buyer's Obligations.

The obligations of Buyer under ARTICLE 1 to purchase the Shares at the applicable Closings are subject to the fulfillment as of such Closing of each of the following conditions unless waived by Buyer in accordance with SECTION 8.3:

4.1 Representations and Warranties. The representations and warranties of the Sellers contained in ARTICLE 2 shall be true and correct on and as of the date of such Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

4.2 Performance. The Sellers shall have performed and complied in all material respects with all agreements, obligations, and conditions contained in this Agreement that are required to be performed or complied with by it on or before the date of such Closing.

4.3 Consents. The Sellers and the Buyer, as applicable, shall have obtained all necessary consents, waivers, authorizations and approvals of all other persons, firms or

corporations required in connection with the execution, delivery and performance by them of this Agreement.

4.4 Delivery of Certificates. The Sellers shall have delivered all of the stock certificates representing the Shares to be sold at such Closing, free and clear of any liens, claims or encumbrances, along with all stock powers, assignments or any other documents, instruments or certificates necessary for a valid transfer.

4.5 Stockholders Agreement. The Amended and Restated Stockholders Agreement, substantially in form attached hereto as Exhibit A, shall have been properly and duly executed and delivered by all the parties thereto.

4.6 Resignation. Talley shall have submitted written resignations to the Buyer and its applicable subsidiaries resigning all of his positions as an officer or director of the Buyer and all of its subsidiaries as of the date hereof.

4.7 Release. Talley shall have executed a written release of all past or future claims against Buyer in a form reasonably satisfactory to Buyer other than claims (i) arising out of or related to this Agreement, and (ii) claims that any other retired employee, officer or director of Buyer would have in the ordinary course, (e.g. benefits under retirement plans sponsored by Buyer, and claims for indemnification under the Buyer's certificate of incorporation or bylaws, the ability to exercise existing vested stock options).

5. Conditions to the Sellers' Obligations.

The obligations of Sellers under ARTICLE 1 to sell the Shares at the applicable Closings are subject to the fulfillment as of such Closing of each of the following conditions unless waived by Sellers in accordance with SECTION 8.3:

5.1 Representations and Warranties. The representations and warranties of Buyer contained in ARTICLE 3 shall be true and correct as of the Closing Date.

5.2 Payment of Purchase Price. Buyer shall have delivered the Purchase Price by wire transfer to the account(s) specified by the Sellers.

5.3 Stockholders Agreement. The Amended and Restated Stockholders Agreement, substantially in form attached hereto as Exhibit A, shall have been properly and duly executed and delivered by all the parties thereto.

5.4 Release. Buyer shall have executed a written release of all past or future claims, other than claims arising out of fraud or criminal conduct, against Talley in a form reasonably satisfactory to Talley other than claims arising out of or related to this Agreement.

6. Covenants.

6.1 Public Announcements; Holdback. The Buyer and Talley shall mutually agree upon any public announcement or similar publicity with respect to this Agreement or the transactions contemplated hereby, and such public announcement will be issued within one

business day of the execution and delivery of this Agreement by all the parties hereto. During the ten trading days immediately following the public announcement by the Company of this Agreement, Sellers will not, directly or indirectly, (i) purchase any Common Stock or (ii) take any action, including making any communication, that is intended to or otherwise could be expected to have an effect on the price of the Common Stock.

6.2 Closing Conditions. Sellers and Buyer shall use their commercially reasonable efforts to ensure that each of the conditions to Closing are satisfied.

6.3 J. Talley Covenant-Not-to-Compete. For and in consideration of the repurchase of the Shares and as a material inducement to repurchase the Shares, for a period of 3 years after the date hereof, J. Talley covenants and agrees that he will not, without the prior written consent of the Buyer, directly or indirectly (i) engage in or carry on in any capacity, including as an officer, director, manager, employee, advisor or consultant of any business engaged, directly or indirectly, in the rent-to-own industry in the United States of America or the Commonwealth of Puerto Rico or (ii) have any direct or indirect ownership or similar economic interest (or any debt) in any firm, person, partnership, joint venture, corporation, unincorporated association, limited liability company or other entity that is engaged in rent-to-own industry in the United States of America or the Commonwealth of Puerto Rico other than as an owner of less than 5% (including any ownership interests owned by M. Talley or the Trust) of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, or otherwise publicly traded on the over-the-counter market.

The Buyer and J. Talley agree that the covenants and agreements of J. Talley contained in this SECTION 6.3 are special and unique, that a breach of any term or provision in this SECTION 6.3 may cause irreparable injury to the Buyer and that remedies at law for the breach of any provision of this SECTION 6.3 will be inadequate and that, in addition to any other remedies it may have in the event of breach, the Buyer shall be entitled to enforce specific performance of the terms and provisions of this SECTION 6.3, to obtain temporary and permanent injunctive relief to prevent the continued breach of such provisions without the necessity of posting bond or proving actual damage. J. Talley acknowledges that the geographic boundaries, scope of prohibited activities, and time duration of the provisions of this SECTION 6.3 are reasonable and are no broader than are necessary to maintain to protect the legitimate business interests of the Buyer.

6.4 M. Talley Covenant-Not-to-Compete. For and in consideration of the repurchase of the Shares and as a material inducement to repurchase the Shares, for a period of 3 years after the date hereof, M. Talley covenants and agrees that she will not, without the prior written consent of the Buyer, directly or indirectly (i) engage in or carry on in any capacity, including as an officer, director, manager, employee, advisor or consultant of any business engaged, directly or indirectly, in the rent-to-own industry in the United States of America or the Commonwealth of Puerto Rico or (ii) have any direct or indirect ownership or similar economic interest (or any debt) in any firm, person, partnership, joint venture, corporation, unincorporated association, limited liability company or other entity that is engaged in rent-to-own industry in the United States of America or the Commonwealth of Puerto Rico other than as an owner of less than 5% (including any ownership interests owned by J. Talley or the Trust) of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, or otherwise publicly traded on the over-the-counter market.

The Buyer and M. Talley agree that the covenants and agreements of M. Talley contained in this SECTION 6.4 are special and unique, that a breach of any term or provision in this SECTION 6.4 may cause irreparable injury to the Buyer and that remedies at law for the breach of any provision of this SECTION 6.4 will be inadequate and that, in addition to any other remedies it may have in the event of breach, the Buyer shall be entitled to enforce specific performance of the terms and provisions of this SECTION 6.4, to obtain temporary and permanent injunctive relief to prevent the continued breach of such provisions without the necessity of posting bond or proving actual damage. M. Talley acknowledges that the geographic boundaries, scope of prohibited activities, and time duration of the provisions of this SECTION 6.4 are reasonable and are no broader than are necessary to maintain to protect the legitimate business interests of the Buyer.

6.5 The Trust Covenant-Not-to-Compete. For and in consideration of the repurchase of the Shares and as a material inducement to repurchase the Shares, for a period of 3 years after the date hereof, the Trust covenants and agrees that it will not, without the prior written consent of the Buyer, directly or indirectly (i) engage in or carry on in any capacity, including as an officer, director, manager, employee, advisor or consultant of any business engaged, directly or indirectly, in the rent-to-own industry in the United States of America or the Commonwealth of Puerto Rico or (ii) have any direct or indirect ownership or similar economic interest (or any debt) in any firm, person, partnership, joint venture, corporation, unincorporated association, limited liability company or other entity that is engaged in rent-to-own industry in the United States of America or the Commonwealth of Puerto Rico other than as an owner of less than 5% (including any ownership interests owned by M. Talley or J. Talley)of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, or otherwise publicly traded on the over-the-counter market.

The Buyer and the Trust agree that the covenants and agreements of the Trust contained in this SECTION 6.5 are special and unique, that a breach of any term or provision in this SECTION 6.5 may cause irreparable injury to the Buyer and that remedies at law for the breach of any provision of this SECTION 6.5 will be inadequate and that, in addition to any other remedies it may have in the event of breach, the Buyer shall be entitled to enforce specific performance of the terms and provisions of this SECTION 6.5, to obtain temporary and permanent injunctive relief to prevent the continued breach of such provisions without the necessity of posting bond or proving actual damage. The Trust acknowledges that the geographic boundaries, scope of prohibited activities, and time duration of the provisions of this SECTION 6.5 are reasonable and are no broader than are necessary to maintain to protect the legitimate business interests of the Buyer.

6.6 Taxes. Any stock transfer or other tax applicable to Sellers' transfer of the Shares pursuant to this Agreement shall be paid by Sellers.

6.7 Medical Coverage. For and in consideration of the sale of the Shares and as a material inducement to the sale of the Shares, Buyer covenants and agrees to pay the full cost of medical coverage for Talley for 18 months either under COBRA continuation medical coverage through Buyer's health insurance plan or under alternative medical coverage obtained by Talley, at Talley's election. Buyer may satisfy its obligation under this covenant by payment to Talley at the Closing of a lump sum amount equal to the cost of 18 months of the medical coverage selected by Talley; provided, however, the aggregated premiums required to be paid by Buyer under this SECTION 6.7 shall not exceed $22,500.

6.8 Directors and Officers Insurance. For a period of six years following the Closing, the Company shall continue to carry directors and officers insurance covering Talley (or his estate) for the periods that he served as an officer or director of the Company or its subsidiaries or their predecessors under terms no less favorable than those of the Company's current directors and officers insurance from an insurance company that is rated the same or higher as the Buyer's current directors and officers insurance carrier.

6.9 General Cooperation. For a period of one year, J. Talley shall use his reasonable efforts to make himself available by telephone or in person, if necessary, to assist in the transition of his retirement from the Company. Buyer shall reimburse J. Talley for all actual out-of-pocket expenses incurred by J. Talley, in accordance with Buyer's policies, in connection with his compliance with this SECTION 6.9.

7. Survival of Representations and Warranties; Limitation on Liability. All representations and warranties hereunder shall survive the Closing. Notwithstanding the foregoing, in no event shall Sellers' liability for breach of the representations, warranties and covenants exceed the Purchase Price.

8. Miscellaneous.

8.1 Incorporation by Reference. All exhibits and schedules appended to this Agreement are herein incorporated by reference and made a part hereof.

8.2 Parties in Interest; Assignment. All covenants, agreements, representations, warranties and undertakings in this Agreement made by and on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. This Agreement and the rights and obligations contemplated hereby may not be assigned, in part or in whole, by the Buyer or the Sellers.

8.3 Amendments and Waivers. Except as set forth in this Agreement, changes in or additions to this Agreement may be made, or compliance with any term, covenant, agreement, condition or provision set forth herein may be omitted or waived (either generally or in a particular instance and either retroactively or prospectively), by a writing executed by each of the parties hereto.

8.4 Termination. Sellers or Buyer may terminate this Agreement as permitted elsewhere herein upon written notice to the other party hereto.

8.5 Governing Law. This Agreement shall be deemed a contract made under the laws of the State of Texas and, together with the rights of obligations of the parties hereunder, shall be construed under and governed by the laws of the State of Texas.

8.6 Notices. All notices, requests, consents and demands shall be in writing and shall be personally delivered, mailed, postage prepaid or telecopied:

To Buyer:	Rent-A-Center, Inc. 5700 Tennyson Pkwy Suite 180 Plano, Texas 75024 Facsimile No.: (972) 403-4936 Attn: President
To Sellers:	c/o J. Ernest Talley 8914 Hames Road Pilot Point, Texas 76258

or such other address as may be furnished in writing to the other parties hereto. All such notices, requests, demands and other communication shall, when mailed (registered or certified mail, return receipt requested, postage prepaid) or personally delivered be effective four days after deposit in the mails or when personally delivered, respectively, addressed as aforesaid, unless otherwise provided herein and, when telecopied, shall be effective upon actual receipt.

8.7 Effect of Headings. The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

8.8 Entire Agreement. This Agreement and the Schedules hereto together with any other agreement referred to herein (the "ADDITIONAL AGREEMENTS") constitute the entire agreement among Sellers and Buyer with respect to the subject matter hereof. This Agreement and such Additional Agreements supersede all prior agreements between the parties with respect to the subject matter hereof.

8.9 Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.10 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one and the same instrument.

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

/s/ J. Ernest Talley

J. ERNEST TALLEY

/s/ Mary Ann Talley

MARY ANN TALLEY

TALLEY 1999 TRUST

By: /s/ J. Ernest Talley

J. Ernest Talley, as trustee

RENT-A-CENTER, INC.

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel

Title: President
