AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 10, 2001

REGISTRATION NO. 333-58302

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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 Number)

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)

J. ERNEST TALLEY
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
5700 TENNYSON PARKWAY, THIRD FLOOR
PLANO, TEXAS 75024
(972) 801-1100
(Name, address, including zip code, and telephone number, including area code, of Agent for Service)

Copies to:

THOMAS W. HUGHES, ESQ. D. FORREST BRUMBAUGH, ESQ. WINSTEAD SECHREST & MINICK P.C. 5400 RENAISSANCE TOWER 1201 ELM STREET DALLAS, TEXAS 75270 (214) 745-5400	BRUCE K. DALLAS, ESQ. DAVIS POLK & WARDWELL 1600 EL CAMINO REAL MENLO PARK, CA 94025 (650) 752-2000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL

FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE AND THE SELLING STOCKHOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE AND THE SELLING STOCKHOLDERS ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS (Subject to Completion)

Issued May 10, 2001

3,200,000 Shares

[RENT-A-CENTER, INC. LOGO]
COMMON STOCK

RENT-A-CENTER, INC. IS OFFERING 1,000,000 SHARES AND THE SELLING STOCKHOLDERS ARE OFFERING 2,200,000 SHARES.

RENT-A-CENTER, INC.'S COMMON STOCK IS QUOTED ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "RCII." ON MAY 9, 2001, THE REPORTED LAST SALE PRICE OF OUR COMMON STOCK ON THE NASDAQ NATIONAL MARKET WAS $37.35 PER SHARE.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 5.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO RENT-A-CENTER	PROCEEDS TO SELLING STOCKHOLDERS
Per Share	$	$	$	$
Total	$	$	$	$

Rent-A-Center, Inc. and the selling stockholders have granted the underwriters the right to purchase up to an additional 480,000 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on , 2001.

MORGAN STANLEY DEAN WITTER
BEAR, STEARNS & CO. INC.
LEHMAN BROTHERS
ROBINSON-HUMPHREY

, 2001

EDGAR Description of Artwork:

The inside front cover of the prospectus depicts two pictures with text, one of which is a picture of the outside of a Rent-A-Center store and the other of which depicts the inside of a Rent-A-Center store.

The picture of the outside of a Rent-A-Center store is offset at the top of the page, with text to its immediate right. The text reads as follows: "We are the largest rent-to-own operator in the United States with an approximate 27% market share based on store count."

The picture of the inside of the Rent-A-Center store is offset at the bottom of the page, with text to its immediate left. The text reads as follows: "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."

The inside back cover of the prospectus depicts a graphic of the United States and Puerto Rico. There is a blue and red bar on the left side of the page. The bar contains text, which reads as follows: "Rent-A-Center(R) Nationwide Locations."

The map of the United States depicts locations of company-owned stores in yellow and franchise stores in red.

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YOU SHOULD RELY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE AND THE SELLING STOCKHOLDERS ARE OFFERING TO SELL SHARES OF COMMON STOCK AND SEEKING OFFERS TO BUY SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK.

PROSPECTUS SUMMARY

You should read this summary together with the more detailed information and our financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus. Unless otherwise indicated, "we," "us" and "our" means Rent-A-Center, Inc. and our wholly-owned subsidiaries. Except as otherwise indicated, the information in this prospectus assumes that the underwriters' over-allotment option is not exercised.

RENT-A-CENTER

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 March 31, 2001, we operated 2,179 company-owned stores in 50 states, the District of Columbia and Puerto Rico. Our subsidiary, ColorTyme, Inc., is a national franchisor of rent-to-own stores. At March 31, 2001, ColorTyme franchised 356 stores in 42 states, 344 of which operate under the ColorTyme name and 12 stores which operate under the Rent-A-Center name. These franchise stores represent a further 5% market share based on store count.

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 estimate that approximately 65% of our business is from repeat customers. We offer well known brands such as Magnavox, Sony and JVC home electronics, Whirlpool appliances, Dell and Compaq computers and Ashley and La-Z-Boy furniture. In 2000, home electronics merchandise generated 40% of contract revenue, 33% was derived from furniture and home furnishing accessories, 17% from appliances and 10% from computers.

We have demonstrated a strong track record of growth, expanding from 717 owned or franchised stores at December 31, 1996 to 2,535 at March 31, 2001, primarily through acquisitions. Over that same period, we experienced a compounded annual growth rate in sales of 61% and a compounded annual growth rate in earnings per share before non-recurring items of 38%. In 2000, we had total revenues of $1.6 billion, 13.0% growth over 1999, driven primarily by same store sales gains of 12.6%. Earnings per share in 2000 before a non-recurring gain was $2.62, representing 50.6% growth over 1999. We have incurred significant amounts of secured and subordinated debt in connection with our acquisition program. Immediately following the Thorn Americas and Central Rents acquisitions in 1998, our outstanding debt was $895.9 million, of which $703.1 million was outstanding at March 31, 2001.

INDUSTRY BACKGROUND

According to industry sources and our estimates, the rent-to-own industry consists of approximately 8,000 stores, and provides 7.5 million products to over 3.0 million households. We estimate the six largest rent-to-own industry participants account for 4,300 of the total number of stores, and the majority of the remainder of the industry consists of operations with fewer than 20 stores. The rent-to-own industry is highly fragmented and, due primarily to the decreased availability of traditional financing sources, has experienced, and we believe will continue to experience, increasing consolidation.

STRATEGY

Our strategy includes:

-- OPENING NEW STORES AND ACQUIRING EXISTING RENT-TO-OWN STORES -- We intend to expand our business both by opening new stores in targeted markets and by acquiring existing rent-to-own stores.

-- ENHANCING STORE OPERATIONS -- We continually seek to improve store performance through strategies intended to produce gains in operating efficiency and profitability, including gains in revenues and operating margins in newly acquired stores.

-- BUILDING OUR NATIONAL BRAND -- We have implemented a strategy to increase our name recognition and enhance our national brand. As a part of a national branding strategy, in April 2000 we launched a national advertising campaign featuring John Madden as our national advertising spokesperson.

THE OFFERING

Common Stock offered by:

Rent-A-Center..................	1,000,000 shares
J. Ernest Talley...............	1,700,000 shares
Mark E. Speese.................	500,000 shares
Total..................	3,200,000 shares
Common Stock to be outstanding after this offering............	26,185,314 shares
Use of Proceeds..................	To repay existing indebtedness. See "Use of Proceeds."
Nasdaq National Market symbol....	RCII

The above information regarding shares outstanding is as of March 31, 2001 and excludes 10,181,206 shares issuable upon conversion of our outstanding Series A preferred stock at a conversion price of $27.935 per share, and 3,447,020 shares issuable upon the exercise of stock options, with a weighted average exercise price of $25.25, issued under our Long-Term Incentive Plan. We intend to seek stockholder approval to increase the number of shares authorized under our Long-Term Incentive Plan from 6,200,000 shares to 7,900,000 shares at our annual meeting of stockholders on May 15, 2001.

Based upon our current stock price, we have decided to reduce the number of primary shares we are offering from 2,200,000 shares to 1,000,000 shares.

The Series A preferred stock contains antidilution provisions that reduce the conversion price if, among other things, we sell common stock at a price to public lower than the average closing price for the previous 15 trading days. The price to public would have to be approximately 26.3% lower than this average closing price for an immediate adjustment to the conversion price to occur as a result of this offering.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The data for the three years ended December 31, 2000 has been derived from the audited consolidated financial statements included elsewhere in this prospectus. The data as of and for the three months ended March 31, 2000 and 2001 have been derived from our unaudited consolidated financial statements which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments necessary to present fairly the information presented for the interim periods. Interim period results are not necessarily indicative of results that will be obtained for the full year. In May and August 1998, we completed the acquisitions of Central Rents and Thorn Americas, respectively, both of which affect the comparability of the 1998 historical financial and operating data to the other periods presented.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues					
Store					
Rentals and fees	$711,443	$1,270,885	$1,459,664	$350,320	$393,123
Merchandise sales	41,456	88,516	81,166	27,339	30,759
Other	7,282	2,177	3,018	492	1,330
Franchise					
Merchandise sales	44,365	49,696	51,769	12,891	13,027
Royalty income and fees	5,170	5,893	5,997	1,484	1,463
Total revenues	809,716	1,417,167	1,601,614	392,526	439,702
Operating expenses					
Direct store expenses					
Depreciation of rental merchandise	164,651	265,486	299,298	71,728	80,812
Cost of merchandise sold	32,056	74,027	65,332	22,830	21,555
Salaries and other expenses	423,750	770,572	866,234	208,525	242,219
Franchise cost of merchandise sold	42,886	47,914	49,724	12,441	12,494
Total store expenses	663,343	1,157,999	1,280,588	315,524	357,080
General and administrative expenses	28,715	42,029	48,093	11,475	12,869
Amortization of intangibles	15,345	27,116	28,303	6,975	7,268
Class action litigation settlements	11,500	--	(22,383)(1)	--	--
Total operating expenses	718,903	1,227,144	1,334,601	333,974	377,217
Operating profit	90,813	190,023	267,013	58,552	62,485
Non-recurring financing costs	5,018	--	--	--	--
Interest expense	39,144	75,673	74,324	19,008	16,510
Interest income	(2,004)	(904)	(1,706)	(257)	(361)
Earnings before income taxes	48,655	115,254	194,395	39,801	46,336
Income tax expense	23,897	55,899	91,368	18,912	21,338
Net earnings	24,758	59,355	103,027	20,889	24,998
Preferred dividends	3,954	10,039	10,420	2,554	2,630(2)
Net earnings allocable to common stockholders	$ 20,804	$ 49,316	$ 92,607	$ 18,335	$ 22,368
Basic earnings per common share	$ .84	$ 2.04	$ 3.79	$ .75	$ .90(2)
Diluted earnings per common share	$ .83	$ 1.74	$ 2.96	$ .61	$ .69
Basic weighted average shares	24,698	24,229	24,432	24,311	24,959
Diluted weighted average shares	25,103	34,131	34,812	34,236	36,375

	AS OF MARCH 31, 2001	
	ACTUAL	AS ADJUSTED(3)
	(IN THOUSANDS)	
CONSOLIDATED BALANCE SHEET DATA:		
Intangible assets, net(4)	$ 702,537	$ 702,537
Total assets	1,511,577	1,511,577
Total debt	703,135	668,135
Total liabilities	885,119	850,119
Redeemable convertible voting preferred stock, net	283,888	283,888
Stockholders' equity	342,570	377,570

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,
	1998	1999	2000	2001
OPERATING DATA				
Stores open at end of period	2,126	2,075	2,158	2,179
Same store revenue growth(5)	8.1%	7.7%	12.6%	8.8%
Franchise stores open at end of period	324	365	364	356

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(1) Includes the effects of a pre-tax, non-recurring refund of $22.4 million for unlocated class members associated with the coordinated settlement of three class action lawsuits in the state of New Jersey.

(2) We are in discussions with the SEC staff to determine whether the issuance of in-kind dividends on our Series A preferred stock would be subject to the "beneficial conversion feature" adjustments in EITF 98-5 and EITF 00-27. If adjustments were made, preferred dividends for the three months ended March 31, 2001 would increase by approximately $1.1 million to approximately $3.7 million and basic earnings per share would decrease from $.90 per share to $.85 per share. Adjustments, if any, would be limited to basic earnings per share for the three months ended March 31, 2001 and diluted earnings per share would not be affected.

(3) Gives effect to the sale of 1,000,000 shares of common stock we are offering at an assumed offering price of $37.35 per share, which is the reported last sale price of our common stock as set forth on the cover of this prospectus, and the application of the estimated net proceeds as described under the caption "Use of Proceeds."

(4) Intangible assets represent primarily goodwill, noncompete agreements and franchise network. Goodwill is amortized over 20 to 30 years, noncompete agreements are amortized over two to five years and franchise network is amortized over 10 years. If proposed accounting rules relating to purchase accounting are adopted, we will cease to amortize goodwill but will be required to periodically conduct an impairment review and write down goodwill to the extent of any impairment.

(5) Same store revenue for each period presented includes revenues only of stores open and operated by us throughout the full period and the comparable prior period.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. We believe these are all the material risks to our business. However, additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should also refer to the other information included or incorporated by reference in this prospectus, including our financial statements and related notes.

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

Our growth strategy could place a significant demand on our management and our financial and operational resources. This growth strategy is subject to various risks, including uncertainties regarding the ability to open new stores and our ability to acquire additional stores on favorable terms. We may not be able to continue to identify profitable new store locations or underperforming competitors as we currently anticipate. If we are unable to implement our growth strategy, our earnings may grow more slowly or even decrease.

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

The benefits we anticipate from our growth strategy may not be realized. The addition of new stores, both through store openings and through acquisitions, require the integration of our management philosophies and personnel, standardization of training programs, realization of operating efficiencies and effective coordination of sales and marketing and financial reporting efforts. In addition, acquisitions in general are subject to a number of special risks, including adverse short-term effects on our reported operating results, diversion of management's attention and unanticipated problems or legal liabilities. Further, the opening of a new store is generally dilutive to our earnings for a period of six to nine months following its opening. We cannot assure you that our growth strategy and the integration of the new stores will be successful and accomplished efficiently.

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

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

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

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

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

Under our senior credit facilities, an event of default would result if Apollo Management IV, L.P. and its affiliates cease to own at least 50% of the amount of our voting stock that they owned on August 5, 1998. An event of default would also result under the senior credit facilities if a third party became the beneficial owner of 33.33% or more of our voting stock at a time when certain permitted investors owned less than the third party or Apollo owned less than 35% of the voting stock owned by the permitted investors. As of March 31, 2001, and including the repayment of our outstanding debt with the anticipated proceeds of this offering, we will be required to pay $2.1 million in each of 2001, 2002 and 2003, $31.0 million in 2004, $117.7 million in 2005 and $335.0 million after 2005. These payments reduce our operating cash flow. If the lenders under our debt instruments accelerated these obligations, we may not have sufficient liquid assets to repay amounts outstanding under these agreements.

Under the indenture governing our senior subordinated notes, in the event that a change in control occurs, we may be required to offer to purchase all of our outstanding subordinated notes at 101% of their principal amount, plus accrued interest to the date of repurchase. A change in control also would result in an event of default under our senior credit facilities, which could then be accelerated by our lenders, and would require us to offer to redeem our Series A preferred stock.

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

Some lawsuits against us involve claims that our rental agreements are in fact disguised installment sales contracts, violate state usury laws or violate other state laws enacted to protect consumers. We are also defending several class action suits, or potential class action suits, alleging gender and race discrimination in our employment practices and consumer protection claims. Because of the uncertainties associated with litigation, we cannot estimate for you our ultimate liability for these matters, if any. The failure to pay any judgment would be a default under our senior credit facilities and the indenture governing our subordinated notes.

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

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

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

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

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

A SMALL GROUP OF OUR DIRECTORS AND THEIR AFFILIATES HAVE SIGNIFICANT INFLUENCE ON ALL STOCKHOLDER VOTES. AS A RESULT, THEY WILL CONTINUE TO HAVE THE ABILITY TO EXERCISE EFFECTIVE CONTROL OVER THE OUTCOME OF ACTIONS REQUIRING THE APPROVAL OF OUR STOCKHOLDERS, INCLUDING POTENTIAL ACQUISITIONS, ELECTIONS OF OUR BOARD OF DIRECTORS AND SALES OR CHANGES IN CONTROL.

Mr. Talley, Mark E. Speese, a member of our board of directors, Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. are parties to a stockholders agreement relating to the voting of our securities held by them at meetings of our stockholders. Following this offering, approximately 37.1% of our voting stock on a fully diluted basis, assuming the conversion of our Series A preferred stock and all outstanding options, will be controlled by Messrs. Talley, Speese and Apollo.

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

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

IF WE ARE REQUIRED TO ACCELERATE THE WRITE OFF OF SOME OR ALL OF OUR GOODWILL, OUR ASSETS, AS WELL AS THE FINANCIAL OPERATING RESULTS IN THE PERIOD WE WRITE OFF THE GOODWILL, WILL BE SUBSTANTIALLY REDUCED, WHICH COULD RESULT IN A LOWER MARKET PRICE FOR OUR STOCK.

As of March 31, 2001, we had approximately $702.5 million in goodwill on our balance sheet, representing approximately 46.5% of our total assets as of that date. If proposed accounting rules relating to purchase accounting are adopted, we will no longer amortize goodwill and will be required to periodically conduct an impairment review and write down goodwill to the extent of any impairment. A write down of goodwill would decrease our earnings or result in an accounting loss, which could cause our stock price to decline.

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

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

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

-- quarterly variations in our competitors' results of operations;

-- announcements of new product offerings by us or our competitors;

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

-- the stock price performance of comparable companies; and

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

OUR STOCK PRICE MAY DECLINE IF EXISTING STOCKHOLDERS SELL ADDITIONAL SHARES.

Upon completion of this offering, 61.6% of our common stock on a fully diluted basis will be held by the public, 1.3% will be held by members of our management, other than Messrs. Talley and Speese, 11.5% will be held by Messrs. Talley and Speese and 25.6% will be held by Apollo and its affiliates. If these stockholders sell shares of our common stock in the public market, the market price of our common stock could fall. These sales might make it more difficult for us to sell equity or equity-related securities in the future at a time that we deem appropriate.

We, our directors and executive officers, Apollo and its affiliates, and the selling stockholders have each entered into certain lock-up restrictions in which each agrees that, in general, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, each will not, during the period ending 90 days after the date of this prospectus, sell or agree to sell, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock. Following the expiration of these lock-up restrictions, all of the shares held by those persons will be eligible for immediate sale in the public market, subject in some cases to compliance with the volume and manner of sale requirements of Rule 144 under the Securities Act of 1933, and in the case of Messrs. Talley and Speese, to a stockholders agreement they have entered into with Apollo and us. Under the registration rights agreements we have entered into, Apollo and its affiliates have the right to request that their shares be registered, subject to a reduction in the number of shares upon the advice of a managing underwriter in the related offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- uncertainties regarding 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;
- 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; and
- the other risks detailed from time to time in our SEC reports.

Additional factors that could cause our actual results to differ materially from our expectations are discussed under the section entitled "Risk Factors" and elsewhere in this prospectus. You should not unduly rely on these forward-looking statements, which speak only as of the date of this prospectus. 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 prospectus or to reflect the occurrence of unanticipated events.

USE OF PROCEEDS

We will receive approximately $35.0 million from the sale of our 1,000,000 shares of common stock in this offering, at an assumed offering price of $37.35 per share, which is the reported last sale price of our common stock as set forth on the cover of this prospectus, net of estimated offering expenses payable by us and estimated underwriting discounts and commissions. We will not receive any proceeds from the sale of common stock by the selling stockholders.

Under the terms of our senior credit facilities, we are required to use 25% of our net proceeds to repay a portion of our term loans. Assuming an offering price of $37.35 per share, which is the reported last sale price of our common stock as set forth on the cover of this prospectus, we anticipate repaying approximately $35.0 million of our senior debt with the net proceeds of this offering. This debt bears interest at varying rates equal to 1.25% to 2.75% over LIBOR, which was 5.08% at March 31, 2001, and matures in amounts of approximately $2.3 million in each of 2001, 2002 and 2003, $33.2 million in 2004, $126.0 million in 2005 and $358.9 million after 2005.

DIVIDEND POLICY

We have not paid any cash dividends on our common stock since the time of our initial public offering. Our senior credit facilities currently prohibit the payment of cash dividends on our common stock, and the indenture governing our subordinated notes places restrictions on our ability to do so. We do not anticipate paying cash dividends on our common stock in the foreseeable future.

We have not paid any cash dividends on our Series A preferred stock to date. Under the terms of the certificate of designations governing our Series A preferred stock, we may pay dividends on our Series A preferred stock, at our option, in cash or additional shares of Series A preferred stock until August 2003, after which time the dividends are payable in cash. Since the time of the issuance of our Series A preferred stock, we have paid the required dividends in additional shares of Series A preferred stock. These additional shares are issued under the same terms and with the same conversion ratio as were the shares of our Series A preferred stock issued in August 1998. Accordingly, the shares of Series A preferred stock issued as a dividend are convertible into our common stock at a conversion price of $27.935. Based on a liquidation preference of $284,412,000 as of March 31, 2001, the Series A preferred stock was convertible into 10,181,206 shares of common stock. Our senior credit facilities agreement allows us to pay cash dividends on our Series A preferred stock beginning in August 2003 so long as we are not in default under that agreement. Cash dividend payments are also subject to the restrictions in the indenture governing our subordinated notes. These restrictions in the indenture would not currently prohibit the payment of cash dividends.

Any change in our dividend policy, including our dividend policy on our Series A preferred stock, will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and any other factors our board of directors may deem relevant. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

COMMON STOCK PRICE RANGE

Our common stock is quoted on the Nasdaq National Market under the symbol "RCII." The following table sets forth, for the period indicated, the high and low sale prices per share of our common stock as reported on the Nasdaq National Market.

	HIGH	LOW
YEAR ENDED DECEMBER 31, 1999:		
First Quarter	$33.375	$24.000
Second Quarter	34.250	20.000
Third Quarter	25.500	16.750
Fourth Quarter	21.750	15.250
YEAR ENDED DECEMBER 31, 2000:		
First Quarter	$24.000	$13.625
Second Quarter	25.875	14.938
Third Quarter	36.188	21.438
Fourth Quarter	35.000	22.000
YEAR ENDED DECEMBER 31, 2001:		
First Quarter	$47.438	$30.625
Second Quarter (through May 9, 2001)	46.422	33.063

On May 9, 2001, the reported last sale price for our common stock on the Nasdaq National Market was $37.35. As of March 31, 2001, there were approximately 130 record holders of our common stock.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2001 on an actual basis and as adjusted to reflect the sale of 1,000,000 shares of common stock by us in this offering at an assumed public offering price of $37.35 per share, which is the reported last sale price of our common stock as set forth on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the repayment of $35.0 million of our senior debt. This table should be read in conjunction with our financial statements and related notes and the other financial information contained in or incorporated by reference in this prospectus. Our board of directors has approved an amendment to our certificate of incorporation increasing the number of authorized shares of common stock from 50,000,000 to 125,000,000. Our stockholders will consider the approval of this amendment at our annual stockholders meeting, which is expected to be held on May 15, 2001.

	AS OF MARCH 31, 2001	
	ACTUAL	AS ADJUSTED
	(UNAUDITED) (IN THOUSANDS, EXCEPT SHARE DATA)	
Cash and cash equivalents	$ 27,541	$ 27,541
Debt:		
Senior debt	$ 525,000(1)	$ 490,000
Subordinated notes payable	175,000	175,000
Total debt	700,000	665,000
Preferred Stock:		
Redeemable convertible voting preferred stock, net of placement costs, $.01 par value; 5,000,000 shares authorized; 284,412 shares issued and outstanding	283,888	283,888
Stockholders' Equity:		
Common stock, $.01 par value; 50,000,000 shares authorized; 26,175,413 shares issued, 25,185,314 shares outstanding (actual); 27,175,413 shares issued, 26,185,314 shares outstanding (as adjusted)	262	272
Additional paid-in capital	129,346	164,336
Accumulative comprehensive loss	(2,888)	(2,888)
Retained earnings	240,850	240,850
Treasury stock, 990,099 shares at cost	(25,000)	(25,000)
Total stockholders' equity	342,570	377,570
Total capitalization	$1,326,458	$1,326,458

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(1)Excludes certain short term indebtedness in the amount of $3.1 million.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated financial data presented below for the five years ended December 31, 2000 have been derived from our consolidated financial statements as audited by Grant Thornton LLP, independent certified public accountants. Our selected financial and operating data as of and for the three months ended March 31, 2000 and 2001 have been derived from our unaudited consolidated financial statements which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments necessary to present fairly the information presented for the interim periods. Interim period results are not necessarily indicative of results that will be obtained for the full year. The historical financial data are qualified in their entirety by, and should be read in conjunction with, the financial statements and the notes thereto, the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and other financial information included elsewhere or incorporated by reference in this prospectus.

In May and August 1998, we completed the acquisitions of Central Rents and Thorn Americas, respectively, both of which affect the comparability of the 1998 historical financial and operating data to the other periods presented. In May 1996, we completed the acquisition of ColorTyme, which affects the comparability of the 1996 historical financial and operating data to the other periods presented.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1996	1997	1998	1999	2000	2000	2001
						(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
CONSOLIDATED STATEMENTS OF EARNINGS:							
Revenues							
Store							
Rentals and fees	$198,486	$275,344	$711,443	$1,270,885	$1,459,664	$350,320	$393,123
Merchandise sales	10,604	14,125	41,456	88,516	81,166	27,339	30,759
Other	687	679	7,282	2,177	3,018	492	1,330
Franchise							
Merchandise sales	25,229	37,385	44,365	49,696	51,769	12,891	13,027
Royalty income and fees	2,959	4,008	5,170	5,893	5,997	1,484	1,463
Total revenues	237,965	331,541	809,716	1,417,167	1,601,614	392,526	439,702
Operating expenses							
Direct store expenses							
Depreciation of rental merchandise	42,978	57,223	164,651	265,486	299,298	71,728	80,812
Cost of merchandise sold	8,357	11,365	32,056	74,027	65,332	22,830	21,555
Salaries and other expenses	116,577	162,458	423,750	770,572	866,234	208,525	242,219
Franchise cost of merchandise sold	24,010	35,841	42,886	47,914	49,724	12,441	12,494
Total store expenses	191,922	266,887	663,343	1,157,999	1,280,588	315,524	357,080
General and administrative expenses	10,111	13,304	28,715	42,029	48,093	11,475	12,869
Amortization of intangibles	4,891	5,412	15,345	27,116	28,303	6,975	7,268
Class action litigation settlements	--	--	11,500	--	(22,383)(1)	--	--
Total operating expenses	206,924	285,603	718,903	1,227,144	1,334,601	333,974	377,217
Operating profit	31,041	45,938	90,813	190,023	267,013	58,552	62,485
Non-recurring financing costs	--	--	5,018	--	--	--	--
Interest expense	606	2,194	39,144	75,673	74,324	19,008	16,510
Interest income	(667)	(304)	(2,004)	(904)	(1,706)	(257)	(361)
Earnings before income taxes	31,102	44,048	48,655	115,254	194,395	39,801	46,336
Income tax expense	13,076	18,170	23,897	55,899	91,368	18,912	21,338
Net earnings	18,026	25,878	24,758	59,355	103,027	20,889	24,998
Preferred dividends	--	--	3,954	10,039	10,420	2,554	2,630(2)
Net earnings allocable to common stockholders	$ 18,026	$ 25,878	$ 20,804	$ 49,316	$ 92,607	$ 18,335	$ 22,368
Basic earnings per common share	$ .73	$ 1.04	$ .84	$ 2.04	$ 3.79	$ .75	$ .90(2)
Diluted earnings per common share	$ .72	$ 1.03	$ .83	$ 1.74	$ 2.96	$ .61	$ .69
Basic weighted average shares	24,656	24,844	24,698	24,229	24,432	24,311	24,959
Diluted weighted average shares	25,065	25,194	25,103	34,131	34,812	34,236	36,375

	AS OF DECEMBER 31,					AS OF MARCH 31,
	1996	1997	1998	1999	2000	2001
	(IN THOUSANDS)					
CONSOLIDATED BALANCE SHEET DATA:						
Rental merchandise, net	$ 95,110	$112,759	$ 408,806	$ 531,223	$ 587,232	$ 626,264
Intangible assets, net(3)	47,192	61,183	727,976	707,324	708,328	702,537
Total assets	174,467	208,868	1,502,989	1,485,000	1,486,910	1,511,577
Total debt	18,993	26,280	805,700	847,160	741,051	703,135
Total liabilities	48,964	56,115	1,088,600	1,007,408	896,307	885,119
Redeemable convertible voting preferred stock, net	--	--	259,476	270,902	281,232	283,888
Stockholders' equity	125,503	152,753	154,913	206,690	309,371	342,570

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,
	1996	1997	1998	1999	2000	2001
OPERATING DATA:						
Stores open at end of period	423	504	2,126	2,075	2,158	2,179
Same store revenue growth(4)	3.8%	8.1%	8.1%	7.7%	12.6%	8.8%
Franchise stores open at end of period	294	262	324	365	364	356

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(1) Includes the effects of a pre-tax, non-recurring refund of $22.4 million for unlocated class members associated with the coordinated settlement of three class action lawsuits in the state of New Jersey.

(2) We are in discussions with the SEC staff to determine whether the issuance of in-kind dividends on our Series A preferred stock would be subject to the "beneficial conversion feature" adjustments in EITF 98-5 and EITF 00-27. If adjustments were made, preferred dividends for the three months ended March 31, 2001 would increase by approximately $1.1 million to approximately $3.7 million and basic earnings per share would decrease from $.90 per share to $.85 per share. Adjustments, if any, would be limited to basic earnings per share for the three months ended March 31, 2001 and diluted earnings per share would not be affected.

(3) Intangible assets represent primarily goodwill, noncompete agreements and franchise network. Goodwill is amortized over 20 to 30 years, noncompete agreements are amortized over two to five years and franchise network is amortized over 10 years. If proposed accounting rules relating to purchase accounting are adopted, we will cease to amortize goodwill but will be required to periodically conduct an impairment review and write down goodwill to the extent of any impairment.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are the largest rent-to-own operator in the United States with an approximate 27% market share based on store count. At March 31, 2001, we operated 2,179 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 March 31, 2001, ColorTyme franchised 356 stores in 42 states, 344 of which operated under the ColorTyme name and 12 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 we were acquired in 1989 by J. Ernest Talley, our Chairman of the Board and Chief Executive Officer. 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 sixth to ninth month after its initial opening. Historically, a typical store has achieved break-even profitability in 12 to 15 months after its initial opening. Total financing requirements of a typical new store approximate $400,000, with roughly 70% to 75% of that amount relating to the purchase of rental merchandise inventory. A newly opened store historically has achieved results consistent with other stores that have been operating within the system for greater than two years by the end of its third year of operation. As a result, our quarterly earnings are impacted by how many new stores 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 that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, working capital needs, capital expenditures, and our store expansion intentions during 2001. The revolving credit facility provides us with revolving loans in an aggregate principal amount not exceeding $120.0 million. At March 31, 2001, we had $76.3 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 class 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. The Financial Accounting Standards Board has recently proposed the elimination of the amortization of goodwill associated with acquisitions.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, historical Consolidated Statements of Earnings data as a percentage of total store and franchise revenues. Total expenses have been allocated between our store revenues and franchise revenues.

	YEAR ENDED DECEMBER 31, (COMPANY-OWNED STORES ONLY)			THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31, (FRANCHISE OPERATIONS)			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001	1998	1999	2000	2000	2001
STORE REVENUES										
Rentals and fees	93.6%	93.3%	94.5%	92.7%	92.5%					
Merchandise sales	5.5	6.5	5.3	7.2	7.2					
Other	.9	.2	.2	.1	.3					
	100.0%	100.0%	100.0%	100.0%	100.0%					
FRANCHISE REVENUES										
Merchandise sales						89.6%	89.4%	89.6%	89.7%	89.9%
Royalty income and fees						10.4	10.6	10.4	10.3	10.1
						100.0%	100.0%	100.0%	100.0%	100.0%
OPERATING EXPENSES										
Direct store expenses										
Depreciation of rental merchandise	21.7%	19.5%	19.4%	19.0%	19.0%	--%	--%	--%	--%	--%
Cost of merchandise sold	4.2	5.4	4.2	6.0	5.1	86.6	86.2	86.1	86.5	86.2
Salaries and other expenses	55.7	56.6	56.1	55.1	57.0	--	--	--	--	--
Total direct store expenses	81.6	81.5	79.7	80.1	81.1	86.6	86.2	86.1	86.5	86.2
General and administrative expenses	3.5	2.9	2.9	2.9	2.9	4.9	5.1	4.4	4.9	4.0
Amortization of intangibles	2.0	2.0	1.8	1.8	1.7	.7	.6	.6	.6	.6
Class action litigation settlements	1.5	--	(1.4)	--	--	--	--	--	--	--
Total operating expenses	88.6	86.4	83.0	84.8	85.7	92.2	91.9	91.1	92.0	90.8
Operating profit	11.4	13.6	17.0	15.2	14.3	7.8	8.1	8.9	8.0	9.2
Interest expense/(income)	5.0	5.5	4.8	5.0	3.8	(.7)	(.8)	(1.0)	(1.0)	(1.1)
Non-recurring financing costs	.7	--	--	--	--	--	--	--	--	--
Earnings before income taxes	5.7%	8.1%	12.2%	10.2%	10.5%	8.5%	8.9%	9.9%	9.0%	10.3%

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

Store Revenue. Total store revenue increased by $47.1 million, or 12.4%, to $425.2 million for the three months ended March 31, 2001 from $378.1 million for the three months ended March 31, 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.

This focus resulted in same store revenues increasing by $31.9 million, or 8.8%, to $396.3 million for the three months ended March 31, 2001 from $364.4 million for the three months ended March 31, 2000. Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending March 31, 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 increased by $115,000, or .8%, to $14.5 million for the three months ended March 31, 2001 from $14.4 million for the three months ended March 31, 2000. This increase was primarily attributable to an increase in the sale of rental merchandise to franchisees resulting from growth in the franchise store operations.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $9.1 million, or 12.7%, to $80.8 million for the three months ended March 31, 2001 from $71.7 million for the three months ended March 31, 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 20.6% in 2001 from 20.5% in 2000.

Cost of Merchandise Sold. Cost of merchandise sold decreased by $1.3 million, or 5.6%, to $21.5 million for the three months ended March 31, 2001 from $22.8 million for the three months ended March 31, 2000. This decrease was primarily a result of a decrease in the number of items sold.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 57.0% for the three months ended March 31, 2001 from 55.1% for the three months ended March 31, 2000. This increase was directly attributable to the infrastructure expenses associated with our new store growth initiatives.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $53,000, or .4%, to $12.5 million for the three months ended March 31, 2001 from $12.4 million for the three months ended March 31, 2000. This increase is a direct result of an increase in merchandise sold to franchisees during the three months ended March 31, 2001 as compared to the three months ended March 31, 2000.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue remained constant at 2.9% for the three months ended March 31, 2001 and 2000. In the future, we expect general and administrative expenses to remain relatively stable at approximately 3.0% of total revenue.

Amortization of Intangibles. Amortization of intangibles increased by $293,000, or 4.2%, to $7.3 million for the three months ended March 31, 2001 from $7.0 million for the three months ended March 31, 2000. This increase was primarily attributable to the additional goodwill amortization associated with the acquisition of 74 stores acquired in 2000 and the additional 4 stores acquired in the first quarter of 2001.

Operating Profit. Operating profit increased by $3.9 million, or 6.7%, to $62.5 million for the three months ended March 31, 2001 from $58.6 million for the three months ended March 31, 2000. Operating profit as a percentage of total revenue decreased to 14.2% for the three months ended March 31, 2001 from 14.9% for the three months ended March 31, 2000. This decrease is attributable to the infrastructure expenses and initial costs associated with our new store growth initiatives.

Net Earnings. Net earnings increased by $4.1 million, or 19.7%, to $25.0 million for the three months ended March 31, 2001 from $20.9 million for the three months ended March 31, 2000. This increase is primarily attributable to an increase in revenues, operational improvements in existing stores 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%. Preferred dividends increased by $76,000, or 3.0%, to $2.63 million for the three months ended March 31, 2001 as compared to $2.55 million for the three months ended March 31, 2000. This increase is a result of more shares of Series A preferred stock outstanding for the three months ended March 31, 2001 as compared to the three months ended March 31, 2000 because of the in-kind dividends paid. We are in discussions with the SEC staff to determine whether the issuance of in-kind dividends on our Series A preferred stock would be subject to the "beneficial conversion feature" adjustments in EITF 98-5 and EITF 00-27. If adjustments were made, preferred dividends for the three months ended March 31, 2001 would increase by approximately $1.1 million to approximately $3.7 million and basic earnings per share would decrease from

$.90 per share to $.85 per share. Adjustments, if any, would be limited to basic earnings per share for the three months ended March 31, 2001 and diluted earnings per share would not be affected. If the

SEC staff does not ultimately agree with our position, we will be required to file an amendment to our quarterly report on Form 10-Q and to this prospectus.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Store Revenue. Total store revenue increased by $182.3 million, or 13.4%, to $1,543.9 million for 2000 from $1,361.6 million for 1999. The increase in total store revenue is directly attributable to the success of our efforts on improving store operations through:

- increasing the average price per unit on rent by upgrading our rental merchandise, primarily at newly-acquired stores;

- increasing the number of units on rent;

- increasing the customer base; and

- incremental revenues through acquisitions.

Same store revenues increased by $161.2 million, or 12.6%, to $1,444.1 million for 2000 from $1,282.9 million in 1999. Same store revenues represent those revenues earned in stores that were operated by us for the entire years ending December 31, 2000 and 1999. 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 increased by $2.2 million, or 3.9%, to $57.8 million for 2000 from $55.6 million in 1999. This increase was primarily attributable to an increase in the sale of rental merchandise to franchisees resulting from growth in the franchise store operations.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $33.8 million, or 12.7%, to $299.3 million for 2000 from $265.5 million for 1999. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue decreased from 20.9% in 1999 to 20.5% in 2000. This decrease is primarily attributable to the successful implementation of our pricing strategies and inventory management practices in newly acquired stores.

Cost of Merchandise Sold. Cost of merchandise sold decreased by $8.7 million, or 11.7%, to $65.3 million for 2000 from $74.0 million in 1999. This decrease was a direct result of fewer cash sales of product in 2000 as compared to 1999. During 1999, we focused our efforts on increasing the amount of merchandise sales to reduce certain items acquired in the Thorn Americas and Central Rents acquisitions that were not components of our normal merchandise strategy.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue decreased to 56.1% for 2000 from 56.6% for 1999. This decrease is a result of the leveraging of our fixed and semi-fixed costs such as labor, advertising and occupancy over a larger revenue base. Expenses included in the salaries and other category are items such as labor, delivery, service, utility, advertising, and occupancy costs.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $1.8 million, or 3.8%, to $49.7 million for 2000 from $47.9 million in 1999. This increase is a direct result of an increase in merchandise sold to franchisees in 2000 as compared to 1999.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue remained level at 3.0% in 2000 from 3.0% in 1999. In the future, we expect general and administrative expenses to remain relatively stable at 3.0% of total revenue.

Amortization of Intangibles. Amortization of intangibles increased by $1.2 million, or 4.4%, to $28.3 million for 2000 from $27.1 million in 1999. This increase was primarily attributable to the additional goodwill amortization associated with the acquisition of 74 stores acquired in 2000.

Operating Profit. Operating profit increased by $77.0 million, or 40.5%, to $267.0 million for 2000 from $190.0 million for 1999. In the second quarter of 2000, we received a pre-tax non-recurring class action litigation settlement refund of $22.4 million associated with the settlement of three class action lawsuits in the state of New Jersey. Operating profit stated before the effects of this non-recurring settlement refund increased by $54.6 million, or 28.7%. Operating profit as a percentage of total revenue increased to 15.3% in 2000 from 13.4% in 1999, calculated before the effects of the non-recurring settlement refund. This increase is attributable to our efforts in improving the efficiency and profitability of our stores.

Net Earnings. Net earnings increased by $43.7 million, or 73.6%, to $103.0 million in 2000 from $59.3 million in 1999. Excluding the effects of the non-recurring settlement refund discussed above, net earnings increased by $31.8 million, or 53.6%.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. Preferred dividends increased by $381,000, or 3.8%, to $10.4 million for 2000 as compared to $10.0 million in 1999. This increase is a result of more shares of Series A preferred stock outstanding in 2000 as compared to 1999.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Store Revenue. Total store revenue increased by $601.4 million, or 79.1%, to $1,361.6 million for 1999 from $760.2 million for 1998. The increase in total store revenue was primarily attributable to the inclusion of revenue from the Thorn Americas and Central Rents stores acquired during fiscal year 1998 for the entire year ended December 31, 1999. Same store revenues increased by $25.3 million, or 7.7%, to $354.3 million for 1999 from $329.0 million in 1998. Same store revenues represent those revenues earned in stores that were operated by us for the entire years ending December 31, 1999 and 1998, and therefore exclude the stores acquired from Thorn Americas and Central Rents. This improvement was primarily attributable to an increase in both the number of items on rent and in revenue earned per item on rent.

Franchise Revenue. Total franchise revenue increased by $6.1 million, or 12.2%, to $55.6 million for 1999 from $49.5 million in 1998. This increase was primarily attributable to an increase in the sale of rental merchandise to franchisees resulting from 41 additional franchise locations in 1999 as compared to 1998.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $100.8 million, or 61.2%, to $265.5 million for 1999 from $164.7 million for 1998. Depreciation of rental merchandise expressed as a percent of store rentals and fees revenue decreased to 20.9% in 1999 from 23.1% in 1998. This decrease is primarily attributable to Thorn Americas and Central Rents experiencing depreciation rates of 22.9% and 29.8%, respectively, upon their acquisition in 1998. These rates have decreased following the implementation of our pricing strategies and inventory management practices.

Cost of Merchandise Sold. Cost of merchandise sold increased by $42.0 million, or 130.9%, to $74.0 million for 1999 from $32.0 million in 1998. This increase was a direct result of the inclusion of merchandise sales and the costs associated with those sales from the Thorn Americas and Central Rents stores acquired during the year ended December 31, 1998 for the entire year ended December 31, 1999.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 56.6% for 1999 from 55.7% for 1998. This increase is principally attributable to incentive programs given to store-based employees in 1999, which provided additional compensation if they could achieve targeted gains in the number of items on rent and targeted reductions in the percentage of delinquent accounts. Expenses included in the salaries and other category are items such as labor, delivery, service, utility, advertising, and occupancy costs.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $5.0 million, or 11.7%, to $47.9 million for 1999 from $42.9 in 1998. This increase is a direct result of an increase in merchandise sold to franchisees in 1999 as compared to 1998 resulting from an additional 41 franchise store locations.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue decreased to 3.0% in 1999 from 3.5% in 1998 (3.2% before the $2.5 million non-recurring expense detailed below). This decrease was the result of increased revenues from the stores acquired from Thorn Americas and Central Rents, allowing us to leverage our fixed and semi-fixed costs over the larger revenue base.

Amortization of Intangibles. Amortization of intangibles increased by $11.8 million, or 76.7%, to $27.1 million for 1999 from $15.3 million in 1998. This increase was primarily attributable to the additional goodwill amortization associated with the 1998 acquisitions of Thorn Americas and Central Rents included for the full year ended December 31, 1999.

Operating Profit. Operating profit increased by $99.2 million, or 109.2%, to $190.0 million for 1999 from $90.8 million for 1998. In the third quarter of 1998, we incurred a pre-tax non-recurring expense of $2.5 million to effect a name change of the Renters Choice stores to Rent-A-Center. In the fourth quarter of 1998, we incurred a pre-tax non-recurring class action litigation settlement of $11.5 million. Stated before the effects of these expenses, operating profit increased by $85.2 million, or 81.3%. Operating profit as a percentage of total revenue increased to 13.4% in 1999 from 12.9% in 1998, calculated before the effects of the non-recurring expenses. This increase is attributable to our efforts in improving the efficiency and profitability of the stores acquired from Thorn Americas and Central Rents.

Net Earnings. Net earnings increased by $34.6 million, or 139.7%, to $59.4 million in 1999 from $24.8 million in 1998. In addition to the $2.5 million and $11.5 million pre-tax non-recurring expenses discussed above, we also incurred pre-tax non-recurring financing costs of $5.0 million associated with interim financing utilized in the acquisition of Thorn Americas until permanent financing was obtained. The after-tax effect of these items was $10.3 million. Calculated before the effects of these non-recurring expenses, net earnings increased by $24.3 million, or 69.3%.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. Dividends can be paid at our option in cash or in additional shares of Series A preferred stock. Preferred dividends increased by $6.1 million, or 153.9%, to $10.0 million for 1999 as compared to $3.9 million in 1998. This increase is a result of the Series A preferred stock outstanding for the full year in 1999 as compared to only a portion of the year in 1998.

QUARTERLY RESULTS

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

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
YEAR ENDED DECEMBER 31, 2001				
Revenues	$439,702			
Operating profit	62,485			
Net earnings	24,998			
Basic earnings per common share	$ .90(1)			
Diluted earnings per common share	$ .69			
YEAR ENDED DECEMBER 31, 2000				
Revenues	$392,526	$392,245	$404,968	$411,875
Operating profit	58,552	84,184	63,720	60,557
Net earnings	20,889	34,621(2)	23,901	23,616
Basic earnings per common share	$ .75	$ 1.32	$ .87	$ .85
Diluted earnings per common share	$ .61	$ 1.00	$ .68	$ .67
YEAR ENDED DECEMBER 31, 1999				
Revenues	$344,697	$351,421	$350,420	$370,629
Operating profit	41,702	45,788	48,960	53,573
Net earnings	12,027	13,891	15,597	17,840
Basic earnings per common share	$ .40	$ .47	$ .54	$ .63
Diluted earnings per common share	$ .35	$ .41	$ .46	$ .52
YEAR ENDED DECEMBER 31, 1998(3)				
Revenues	$ 90,233	$103,313	$265,886	$350,284
Operating profit	13,721	15,547	30,467	31,078
Net earnings	7,856	8,529	4,643(4)	3,730(5)
Basic earnings per common share	$ .32	$ .34	$ .13	$ .05
Diluted earnings per common share	$ .31	$ .34	$ .13	$ .05

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	(AS A PERCENTAGE OF REVENUES)			
YEAR ENDED DECEMBER 31, 2001				
Revenues	100.0%			
Operating profit	14.2			
Net earnings	5.7			
YEAR ENDED DECEMBER 31, 2000				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	14.9	21.4	15.7	14.7
Net earnings	5.3	8.8(2)	5.9	5.7
YEAR ENDED DECEMBER 31, 1999				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	12.1	13.0	14.0	14.5
Net earnings	3.5	4.0	4.5	4.8
YEAR ENDED DECEMBER 31, 1998(3)				
Revenues	100.0%	100.0%	100.0%	100.0%
Operating profit	15.2	15.0	11.5	8.9
Net earnings	8.7	8.3	1.7(4)	1.1(5)

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(1) We are in discussions with the SEC staff to determine whether the issuance of in-kind dividends on our Series A preferred stock would be subject to the "beneficial conversion feature" adjustments in EITF 98-5 and EITF 00-27. If adjustments were made, preferred dividends for the three months ended March 31, 2001 would increase by approximately $1.1 million to approximately $3.7 million and basic earnings per share would decrease from $.90 per share to $.85 per share. Adjustments, if any, would be limited to basic earnings per share for the three months ended March 31, 2001 and diluted earnings per share would not be affected.

(2) Includes the effects of a pre-tax, non-recurring refund of $22.4 million for unlocated class members associated with the coordinated settlement of three class action lawsuits in the state of New Jersey.

(3) During 1998, six stores were purchased during the first quarter; 177 stores were purchased during the second quarter; 1,450 stores were purchased during the third quarter; and four stores were purchased during the fourth quarter. Of the 1,637 stores acquired, 15 were subsequently consolidated with existing store locations. In addition, one store was opened during the first quarter, and one store was sold during the third quarter.

(4) During the third quarter of 1998, we incurred pre-tax non-recurring financing costs of $5.0 million associated with the interim financing utilized in the acquisition of Thorn Americas, and $2.5 million associated with effecting a name change of the Renters Choice stores to Rent-A-Center.

(5) During the fourth quarter of 1998, we charged $11.5 million (pre-tax) to earnings classified as class action legal settlements, in conjunction with the settlement of class action litigation in New Jersey.

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. During fiscal 2000 and the first quarter of 2001, we did not look to borrowings and sales of our equity securities as a source of additional liquidity. 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 three months ending March 31, 2001, cash provided by operating activities decreased by $13.6 million to $32.0 million in 2001 from $45.6 million during the three month period ending March 31, 2000. This decrease was primarily the result of an increase in the carrying amount of rental merchandise resulting from strong consumer demand in the first quarter of 2001. We purchased $151.8 million and $133.1 million of rental merchandise during the first quarter of 2001 and 2000, respectively.

Cash used in investing activities increased by $4.2 million to $14.2 million during the three month period ending March 31, 2001 from $10.0 million during the three month period ending March 31, 2000. This increase is primarily attributable to the cost associated with the opening and acquisition of new stores during the first quarter 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 $11.8 million and $8.6 million on capital expenditures during the three month periods ending March 31, 2001 and 2000, respectively, and expect to spend an additional $33.2 million in 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 March 31, 2001, we have acquired four stores during 2001 for approximately $1.7 million in cash in three separate transactions and opened an additional 23 stores. It is our intention to increase the number of stores we operate by an average of approximately 10-15% per year over the next several years.

Cash used in financing activities decreased by $16.3 million to $26.8 million during the three month period ending March 31, 2001 from $43.1 million during the three month period ending March 31, 2000. This decrease is a result of a reduction of the amount of debt repayment in the first quarter of 2001 as compared to the first quarter of 2000.

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 March 31, 2001.

FOR THE PERIOD ENDED DECEMBER 31,	ACTUAL (IN THOUSANDS)
April 1 to December 31, 2001	$ 2,259
2002	2,259
2003	2,259
2004	33,216
2005	126,088
Thereafter	358,919
	$525,000

Under our senior credit facilities, we are required to use 25% of the net proceeds from this offering to repay our term loans. The following table shows the scheduled maturity date of our senior debt as adjusted for the anticipated repayment of $35.0 million from the net proceeds of this offering.

FOR THE PERIOD ENDED DECEMBER 31,	AS ADJUSTED (IN THOUSANDS)
April 1 to December 31, 2001	$ 2,109
2002	2,109
2003	2,109
2004	31,002
2005	117,681
Thereafter	334,990
	$490,000

We intend to continue to make prepayments of debt under our senior credit facilities or repurchase some of our senior subordinated notes, 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 debt prepayments.

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 March 31, 2001, we had a total of $525.0 million outstanding under these facilities, all of which was under our term loans. At March 31, 2001, we had $76.3 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 5.08% at March 31, 2001. We also have a prime rate option under the facilities, but have not exercised it to date. At March 31, 2001, the average rate on outstanding senior debt borrowings was 7.39%.

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 $500.0 million of the outstanding senior term debt has been fixed at an average rate of 5.59%. The protection on $250.0 million expires in 2001, and the protection on the balance 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;

- 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 March 31, 2001, the maximum leverage ratio was 4.75:1, the minimum interest coverage ratio was 2.15:1, and the minimum fixed charge coverage ratio was 1.3:1. On that date our actual ratios were 2.22:1, 4.44:1 and 2.22:1.

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.

Senior Subordinated Notes. In 1998, we issued $175.0 million of senior 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. In addition, subject to the restrictions set forth in the senior credit facility agreement, at any time prior to August 15, 2001 we may redeem up to 33.33% of the original aggregate principal amount of the subordinated notes with the cash proceeds of one or more equity offerings, at a redemption price of 111% of the principal amount being redeemed.

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. 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 August 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 March 31, 2001, we have paid approximately $115.0 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.

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. We have suspended this share repurchase program pending the consummation of this offering. However, we may begin repurchasing shares of our common stock at any time following the completion of this offering.

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

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133 (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 three months ended March 31, 2001, accumulative other comprehensive loss at the end of the period was $2.9 million after taxes.

BUSINESS

OVERVIEW

We are the largest operator in the United States rent-to-own industry with an approximate 27% market share based on store count. At March 31, 2001, we operated 2,179 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 March 31, 2001, ColorTyme franchised 356 stores in 42 states, 344 of which operated under the ColorTyme name and 12 stores which operated under the Rent-A-Center name. These franchise stores represent a further 5% market share based on store count.

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 offer well known brands such as Magnavox, Sony and JVC home electronics, Whirlpool appliances, Dell and Compaq computers and Ashley and La-Z-Boy furniture.

Our customers often lack access to conventional forms of credit. We offer products such as big screen televisions, computers and sofas, and well known brands, that might otherwise be unavailable without credit. We also offer high levels of customer service, including repair, pick-up and delivery at no additional charge. Our customers benefit from the ability to return merchandise at any time without further obligation and make payments that build toward ownership. We estimate that approximately 65% of our business is from repeat customers.

INDUSTRY BACKGROUND

According to industry sources and our estimates, the rent-to-own industry consists of approximately 8,000 stores, and provides 7.5 million products to over 3.0 million households. We estimate the six largest rent-to-own industry participants account for 4,300 of the total number of stores, and the majority of the remainder of the industry consists of operations with fewer than 20 stores. The rent-to-own industry is highly fragmented and, due primarily to the decreased availability of traditional financing sources, has experienced, and we believe will continue to experience, increasing consolidation. We believe this consolidation trend in the industry presents opportunities for us to continue to acquire additional stores on favorable terms.

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

STRATEGY

We currently focus our strategic efforts on:

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

- enhancing the operations and depth of management in all store locations; and

- building our national brand.

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

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

Since March 1993, our company-owned store base has grown from 27 to 2,179, primarily through acquisitions. During this period, we acquired over 2,000 company-owned stores and over 350 franchised stores in more than 60 separate transactions, including six transactions where we acquired in excess of 70 stores. In May 1998, we acquired substantially all of the assets of Central Rents, which operated 176 stores, for approximately $100 million in cash. In August 1998, we acquired Thorn Americas for approximately $900 million in cash, including the repayment of certain debt of Thorn Americas. Prior to this acquisition, Thorn Americas was our largest competitor, operating 1,409 company-owned stores and franchising 65 stores in 49 states and the District of Columbia.

In the second half of 2000, having successfully integrated the Thorn Americas and Central Rents acquisitions, we resumed our strategy of increasing our store base. For the year ended December 31, 2000, we opened 36 new stores, acquired 74 stores and closed 27 existing stores. Of the 27 stores closed, 22 were merged with existing stores and five were sold. The 74 acquired stores were the result of 19 separate acquisition transactions for an aggregate purchase price of approximately $42.5 million in cash. During the first quarter of 2001, we acquired four stores for approximately $1.7 million in cash in three separate transactions and opened an additional 23 new stores. We also closed six stores, merging four with existing stores and selling two stores, resulting in a total store count of 2,179 at the end of the quarter.

We continue to believe there are attractive opportunities to expand our presence in the rent-to-own industry. We intend to increase the number of stores in which we operate by an average of approximately 10-15% per year over the next several years. We plan to accomplish our future growth through both selective and opportunistic acquisitions and new store development.

ENHANCING STORE OPERATIONS

We continually seek to improve store performance through strategies intended to produce gains in operating efficiency and profitability. For example, we eliminated low cost, non-core products such as jewelry, cell phones and pagers from the stores we acquired in the Thorn Americas acquisition, reducing the number of different items on rent in these stores from approximately 1,000 to approximately 150 items. We also added high quality name brand product offerings in our core consumer electronics, furniture and appliance categories. Collectively in these stores from 1998 to 2000, these changes have increased:

- the average monthly revenue per agreement on rent to approximately $95 from approximately $70;

- the monthly revenues per store to approximately $61,000 from approximately $52,000; and

- the store level operating income to approximately 23% from approximately 18%.

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

- use focused advertising to increase store traffic;

- expand the offering of upscale, higher margin products, such as Magnavox, Sony, JVC and Mitsubishi electronics, Ashley, La-Z-Boy and Benchcraft furniture, Dell, Compaq and Hewlett Packard computers and Whirlpool appliances, to increase the number of product rentals;

- employ strict store-level cost control;

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

- use a revenue and profit based incentive pay plan.

BUILDING OUR NATIONAL BRAND

We have implemented a strategy to increase our name recognition and enhance our national brand. As a part of a branding strategy, in April 2000 we launched a national advertising campaign featuring John Madden as our advertising spokesperson. Mr. Madden appears in our advertising media used in the campaign, including television and radio commercials, print, direct response and in-store signage. We believe Mr. Madden possesses a unique balance of multi-cultural appeal, a strong image identification among both men and women, and a personality that people of all ages enjoy. We believe that as the Rent-A-Center name gains in familiarity and national recognition through our advertising efforts, we will continue to educate the consumer about the rent-to-own alternative to merchandise purchases as well as solidify our reputation as a leading provider of high quality branded merchandise.

OUR STORES

At March 31, 2001, we operated 2,179 stores in 50 states, Puerto Rico and the District of Columbia. In addition, our subsidiary ColorTyme franchised 356 stores in 42 states. This information is illustrated by the following table:

	NUMBER OF STORES	
LOCATION	COMPANY OWNED	FRANCHISED
Alabama..............	45	1
Alaska...............	3	--
Arizona..............	52	9
Arkansas.............	20	3
California...........	126	11
Colorado.............	26	4
Connecticut..........	18	6
Delaware.............	15	1
District of Columbia...........	4	--
Florida..............	133	10
Georgia..............	95	13
Hawaii...............	11	2
Idaho................	3	3
Illinois.............	118	5
Indiana..............	74	18
Iowa.................	19	--
Kansas...............	28	18
Kentucky.............	39	7
Louisiana............	35	7
Maine................	16	3
Maryland.............	46	7
Massachusetts........	43	12
Michigan.............	94	17
Minnesota............	5	--

Mississippi..........	16	4
Missouri.............	52	7
Montana..............	1	4

LOCATION	NUMBER OF STORES COMPANY OWNED	FRANCHISED
Nebraska.............	4	--
Nevada...............	15	5
New Hampshire........	15	2
New Jersey...........	40	8
New Mexico...........	11	9
New York.............	116	23
North Carolina.......	86	13
North Dakota.........	1	--
Ohio.................	123	11
Oklahoma.............	36	13
Oregon...............	17	5
Pennsylvania.........	80	5
Puerto Rico..........	20	--
Rhode Island.........	7	4
South Carolina.......	27	3
South Dakota.........	2	--
Tennessee............	78	5
Texas................	227	58
Utah.................	15	2
Vermont..............	6	--
Virginia.............	40	5
Washington...........	36	9
West Virginia........	12	2
Wisconsin............	27	2
Wyoming..............	1	--
Total..............	2,179	356

Our stores average approximately 4,125 square feet and are located primarily in strip malls. Because we receive merchandise shipments directly from vendors, we are able to dedicate approximately 80% of the store space to showroom floor, and also eliminate warehousing costs.

RENT-A-CENTER STORE OPERATIONS

PRODUCT SELECTION

Our stores offer merchandise from four basic product categories: home electronics, appliances, computers, and furniture and accessories. Our stores typically have available at any one time approximately 100 of the 150 different items we offer. Although we seek to ensure our stores maintain sufficient inventory to offer customers a wide variety of models, styles and brands, we generally limit inventory to prescribed levels to ensure strict inventory controls. We seek to provide a wide variety of high quality merchandise to our customers, and we emphasize high-end products from brand-name manufacturers. During 2000, home electronic products accounted for approximately 40% of our store rentals and fees revenue, furniture and accessories for 33%, appliances for 17% and computers for 10%. Customers may request either new merchandise or previously rented merchandise. Previously rented merchandise is offered at the same weekly or monthly rental rate as is offered for new merchandise, but with an opportunity to obtain ownership of the merchandise after fewer rental payments.

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

RENTAL PURCHASE AGREEMENTS

Our customers generally enter into weekly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain title to the merchandise during the term of the rental purchase agreement. Ownership of merchandise transfers to the customer if the customer has continuously renewed the rental purchase agreement for a period of 12 to 36 months, depending upon the product, or exercises a specified early purchase option. Although we do not conduct a formal credit investigation of each customer, a potential customer must provide store management with sufficient personal information to allow us to verify their residence and sources of income. References listed by the customer are contacted to verify the information contained in the customer's rental purchase order form. Rental payments are generally made in cash, by money order or debit card. Approximately 85% of our customers pay in the store on a weekly basis. Depending on state regulatory requirements, we charge for the reinstatement of terminated accounts or collect a delinquent account fee, and collect loss/damage waiver fees from customers desiring product protection in case of theft or certain natural disasters. These fees are standard in the industry and may be subject to government-specified limits. Please read the section entitled "Government Regulation."

PRODUCT TURNOVER

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

CUSTOMER SERVICE

We offer same day or 24-hour delivery and installation of our merchandise at no additional cost to the customer. We provide any required service or repair without additional charge, except for damage in excess of normal wear and tear. Repair services are provided through our national network of 21 service centers, the cost of which may be reimbursed by the vendor if the item is still under factory warranty. If the product cannot be repaired at the customer's residence, we provide a temporary replacement while the product is being repaired. The customer is fully liable for damage, loss or destruction of the merchandise, unless the customer purchases an optional loss/damage waiver. Most of the products we offer are covered by a manufacturer's warranty for varying periods, which, subject to the terms of the warranty, is transferred to the customer in the event that the customer obtains ownership.

COLLECTIONS

Store managers use our computerized management information system to track collections on a daily basis. If a customer fails to make a rental payment when due, store personnel will attempt to contact the customer to obtain payment and reinstate the agreement, or will terminate the account and arrange to regain possession of the merchandise. We attempt to recover the rental items as soon as possible following termination or default of a rental purchase agreement, generally by the seventh to tenth day. Collection efforts are enhanced by the numerous personal and job-related references required of first-time customers, the personal nature of the relationships between the stores' employees and customers and the fact that, following a period in which a customer is temporarily unable to make payments on a piece of rental merchandise, that customer generally may re-rent a piece of merchandise of similar type and age on the terms the customer enjoyed prior to that period. Charge-offs due to lost or stolen merchandise, expressed as a percentage of store revenues, were approximately 2.2% for the first three months of 2001, 2.5% in 2000, 2.3% in 1999 and 2.5% in 1998. In an effort to improve collections at the stores acquired during 2000, we implemented our collection procedures in these stores, including our management incentive plans, which provide incentives to reduce the percentage of delinquent accounts.

MANAGEMENT

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

As of March 31, 2001, we had 302 market managers who, in turn, reported to 50 regional directors. Regional directors monitor the results of their entire region, with an emphasis on developing and supervising the market managers in their region. Similar to the market managers, regional directors are responsible for ensuring that store managers are following the operational guidelines, particularly those involving store presentation, collections, inventory levels, and order verification. The regional directors report to nine senior executives at our headquarters. The regional directors receive a significant amount of their compensation based on the profits the stores under their management generate.

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

MANAGEMENT INFORMATION SYSTEMS

Through a licensing agreement with High Touch, Inc., we utilize an integrated computerized management information and control system. Each store is equipped with a computer system utilizing point of sale software developed by High Touch. This system tracks individual components of revenue, each item in idle and rented inventory, total items on rent, delinquent accounts and other account information. We electronically gather each day's activity report, which provides our executive management with access to all operating and financial information about any of our stores, markets or regions and generates management reports on a daily, weekly, month-to-date and year-to-date basis for each store and for every rental purchase transaction. The system enables us to track each of our approximately 2,000,000 units of merchandise and each of our approximately 1,300,000 rental purchase agreements, which often include more than one item of merchandise. In addition, the system performs a daily sweep of available funds from our stores' depository accounts into our central operating account based on the balances reported by each store. Our system also includes extensive management software and report-generating capabilities. The reports for all stores are reviewed on a daily basis by executive management and unusual items are typically addressed the following business day. Utilizing the management information system, our executive management, regional directors, market managers and store managers closely monitor the productivity of stores under their supervision according to our prescribed guidelines.

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

PURCHASING AND DISTRIBUTION

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

We purchase the majority of our merchandise from manufacturers, who ship directly to each store. Our largest suppliers include Whirlpool, Ashley, and Magnavox, who accounted for approximately 14.0%, 12.8%, and 12.3%, respectively, of merchandise purchased for the first three months of 2001 and 13.3%, 12.1%, and 11.3%, respectively, of merchandise purchased in 2000. No other supplier accounted for more than 10.0% of merchandise purchased during this period. We do not generally enter into written contracts with our suppliers. Although we expect to continue relationships with our existing suppliers, we believe that there are numerous sources of products available, and we do not believe that the success of our operations is dependent on any one or more of our present suppliers.

MARKETING

We promote the products and services in our stores through direct mail advertising, radio, television and secondary print media advertisements. Our advertisements emphasize such features as product and brand-name selection, prompt delivery and the absence of initial deposits, credit investigations or long-term obligations. Advertising expense as a percentage of store revenue for the first three months of 2001 was approximately 4.1%, and for each of the years ended December 31, 2000 and 1999, was 4.0%. As we obtain new stores in our existing market areas, the advertising expenses of each store in the market can be reduced by listing all stores in the same market-wide advertisement.

Mr. John Madden serves as our national advertising spokesman for the advertising campaign we launched in April 2000. Mr. Madden appears in our advertising media used in the campaign, including television and radio commercials, print, direct response and in-store signage. We believe his involvement in this campaign assists us in capturing new customers and establishes a stronger national identity for Rent-A-Center. Mr. Madden's agreement with us expires March 31, 2002.

COMPETITION

The rent-to-own industry is highly competitive. According to industry sources and our estimates, the six largest industry participants account for approximately 4,300 of the 8,000 rent-to-own stores in the United States. We are the largest operator in the rent-to-own industry with 2,179 stores and 356 franchised locations as of March 31, 2001. Our stores compete with other national and regional rent-to-own businesses, as well as with rental stores that do not offer their customers a purchase option. With respect to customers desiring to purchase merchandise for cash or on credit, we also compete with department stores, credit card companies and discount stores. Competition is based primarily on store location, product selection and availability, customer service and rental rates and terms.

COLORTYME OPERATIONS

ColorTyme is our nationwide franchisor of rent-to-own stores. At March 31, 2001, ColorTyme franchised 356 rent-to-own stores in 42 states. These rent-to-own stores offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories. For the first three months of 2001, one new franchisee and franchise location was added and nine were sold, including eight that we purchased. During 2000, 46 new franchise locations were added, five were merged with existing stores and 42 were sold, including 39 that we purchased. During that same period, the number of new franchisees operating stores under the ColorTyme name increased by 14.

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

ColorTyme has an arrangement with STI Credit Corporation, who provides inventory financing in amounts up to five times monthly revenues to qualifying franchisees. Under the agreement, if a franchisee fails to repay the loan, we may take ownership of the stores upon payment of the guaranteed amount.

The ColorTyme franchise agreement generally requires the franchised stores to utilize specific computer hardware and software for the purpose of recording rentals, sales and other record keeping and central functions. ColorTyme retains the right to upload and download data, troubleshoot, and retrieve data and information from the franchised stores' computer systems.

The franchise agreement also requires the franchised stores to exclusively offer for rent or sale only those brands, types, and models of products that ColorTyme has approved. The franchised stores are required to maintain an adequate mix of inventory that consists of approved products for rent as dictated by ColorTyme policy manuals, and must maintain on display such products as specified by ColorTyme. ColorTyme negotiates purchase arrangements with various suppliers it has approved. ColorTyme's largest supplier is Whirlpool, which accounted for approximately 12.0% of merchandise purchased by ColorTyme in the first three months of 2001 and 14.0% of merchandise purchased by ColorTyme in 2000.

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

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

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

The ColorTyme franchise agreement provides us a right of first refusal to purchase the franchise location of a ColorTyme franchisee wishing to exit the business.

TRADEMARKS

We own various registered trademarks, including Get the Good Stuff(R), the slogan used in our advertising campaign featuring Mr. Madden, Rent-A-Center(R), Renters Choice(R) and Remco(R). The products held for rent also bear trademarks and service marks held by their respective manufacturers.

EMPLOYEES

As of March 31, 2001, we had approximately 12,500 employees, of whom approximately 240 were assigned to our headquarters and the remainder of whom were directly involved in the management and operation of our stores. As of the same date, we had approximately 20 employees dedicated to ColorTyme, all of whom were employed full-time. The employees of the ColorTyme franchisees are not employed by us. None of our employees, including ColorTyme employees, are covered by a collective bargaining agreement. We believe relationships with our employees and ColorTyme's relationships with its employees are generally good.

PROPERTIES

We lease space for all of our stores, as well as our corporate and regional offices, under operating leases expiring at various times through 2010. Most of these leases contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas. Both our headquarters and ColorTyme's headquarters are located at 5700 Tennyson Parkway, Plano, Texas, and consist of approximately 77,158 and 5,116 square feet devoted to our operations and ColorTyme's operations, respectively. Store sizes range from approximately 1,400 to 20,000 square feet, and average approximately 4,125 square feet. Approximately 80% of each store's space is generally used for showroom space and 20% for offices and storage space.

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

GOVERNMENT REGULATION

STATE REGULATION

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

Minnesota, which has a rental purchase statute, and Wisconsin and New Jersey, which do not have rental purchase statutes, have had court decisions which treat rental purchase transactions as credit sales subject to consumer lending restrictions. In response, we have developed and utilize separate rental agreements which do not provide customers with an option to purchase rented merchandise in both Minnesota and Wisconsin. In Wisconsin, customers are provided an opportunity to purchase the rented merchandise in a separate transaction. In New Jersey, we have provided increased disclosures and longer grace periods. We operate five stores in Minnesota, 27 stores in Wisconsin and 40 stores in New Jersey. See the section entitled "--Legal Proceedings."

North Carolina and the District of Columbia have no rental purchase legislation. However, the retail installment sales statute in North Carolina recognizes that rental purchase transactions which provide for more than a nominal purchase price at the end of the agreed rental period are not credit sales under the statute. We operate four stores in the District of Columbia and 86 stores in North Carolina.

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

FEDERAL LEGISLATION

No comprehensive federal legislation has been enacted regulating or otherwise impacting the rental purchase transaction. We do, however, comply with the Federal Trade Commission recommendations for disclosure in rental purchase transactions. From time to time, legislation has been introduced in Congress that would regulate the rental purchase transaction, including legislation that would subject the rental purchase transaction to interest rate, finance charge and fee limitations, as well as the Federal Truth in Lending Act. Any adverse federal legislation, if enacted, could have a material and adverse effect on us.

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.

Murray v. Rent-A-Center, Inc. In May 1999, the plaintiffs filed a putative nationwide class action in federal court in Missouri, alleging that we have discriminated against African Americans in our hiring, compensation, promotion and termination policies. Plaintiffs alleged no specific amount of damages in their complaint. Members of the regional class defined in our completed settlement of the Allen v. Thorn Americas, Inc. litigation would not be included in the Murray case. Discovery directed to the issue of the appropriateness of class certification has been completed and the hearing on plaintiff's motion for class certification was held on April 27, 2001. We anticipate a decision on this motion by late June 2001. We believe plaintiffs' claims in this suit are without merit. However, there can be no assurance that class certification will not be granted or that we will be found to have no liability.

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 these 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 had 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 specified a specific amount on their damages request.

The proposed class includes all New York residents who were party to Thorn Americas' rent-to-own contracts from November 26, 1991 through November 26, 1997. We are vigorously defending this action. In November 2000, following interlocutory appeal by both parties from the denial of cross-motions for summary judgment, we obtained a favorable ruling from the Appellate Division of the State of New York, dismissing plaintiffs' claims based on the alleged failure to disclose an effective interest rate. Plaintiffs' other claims were not dismissed. Plaintiff moved to certify a state-wide class in December 2000. Discovery is now underway. We intend to vigorously oppose 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 6,240 transactions through February 28, 2001.

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 suit. Discovery is underway, and a pre-trial conference has been set for August 2001. 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. In December 2000, a similar suit filed by Margaret Bunch in federal court in the Western District of Missouri was amended to allege similar class action claims. The allegations underlying these matters involve charges of wrongful termination, constructive discharge, disparate treatment and disparate impact. With respect to the Wilfong matter, 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 the Bunch matter, the plaintiffs make similar requests for relief, although no specific amounts are claimed as actual damages. In addition, the U.S. Equal Employment Opportunity Commission filed a motion to intervene on behalf of the plaintiffs in the Wilfong matter, which we have opposed. A decision on the motion is pending. Although these cases are in the early stages, we believe the claims are without merit. We cannot assure you, however, that we will be found to have no liability for these matters.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of Rent-A-Center, and their respective ages and positions as of May 8, 2001, are as follows:

NAME	AGE	POSITION
J. Ernest Talley(1)	66	Chairman of the Board of Directors and Chief Executive Officer
Mitchell E. Fadel	43	President, Director
L. Dowell Arnette	53	Executive Vice President--Growth, Director
Dana F. Goble	35	Executive Vice President and Chief Operating Officer
Robert D. Davis	29	Senior Vice President--Finance, Chief Financial Officer and Treasurer
Bradley W. Denison	40	Senior Vice President--General Counsel
Anthony M. Doll	32	Senior Vice President
C. Edward Ford, III	34	Senior Vice President
John H. Whitehead	51	Senior Vice President
David A. Kraemer	39	Senior Vice President
William C. Nutt	44	Senior Vice President
Timothy J. Stough	45	Senior Vice President
Mark S. Connelly	38	Senior Vice President
David G. Ewbank	44	Senior Vice President
David M. Glasgow	32	Corporate Secretary
Laurence M. Berg(2)	35	Director
Peter P. Copses(1)(3)	42	Director
J.V. Lentell(1)(2)(3)	62	Director
Joseph V. Mariner(2)(3)	80	Director
Mark E. Speese	43	Director

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(1) Member of Finance Committee

(2) Member of Audit Committee

(3) Member of Compensation Committee

J. Ernest Talley has served as Chairman of our board of directors since May 1989 and Chief Executive Officer since November 1994. Mr. Talley operated a rent-to-own business from 1963 to 1974 in Wichita, Kansas, which he sold to Remco (later acquired by Thorn Americas and acquired by us as part of the Thorn Americas acquisition) in 1974. From 1974 to 1988, he was involved in the commercial real estate business in Dallas, Texas. Mr. Talley co-founded Talley Lease to Own, Inc. with his son, Michael C. Talley, in 1987 and served as a director and Chief Executive Officer of that company from 1988 until its merger with us on January 1, 1995. Mr. Talley's term as a director expires at our 2001 annual stockholders meeting.

Mitchell E. Fadel has served as our President since July 2000 and as a director since December 2000. From 1992 until July 2000, Mr. Fadel served as President and Chief Executive Officer of ColorTyme. We acquired ColorTyme in May 1996. From 1983 to 1991, Mr. Fadel was a Regional Manager for Thorn Americas and its affiliates. Mr. Fadel's term as director expires at our 2001 annual stockholders meeting.

L. Dowell Arnette has served as a director since May 1999 and as our Executive Vice President--Growth since July 2000. Mr. Arnette served as our President from April 1999 until July 2000. From March 1999 until March 2000, Mr. Arnette also served as our Chief Operating Officer. From September 1996 until March 1999, Mr. Arnette served as our Executive Vice President. From May 1995 to September 1996, Mr. Arnette served as one of our Senior Vice Presidents. From November 1994 to May 1995, he served as one of our Regional Vice Presidents. From 1993 to November 1994, he served as our regional manager responsible for the Southeastern U.S. region. From 1975 until 1993, Mr. Arnette was an Executive Vice President of DEF Investments, Inc., an operator of rent-to-own stores. We acquired substantially all of the assets of DEF and its subsidiaries in April 1993. Mr. Arnette is the brother of Joe T. Arnette, our Vice President--Training & Personnel. Mr. Arnette's term as a director expires at our 2002 annual stockholders meeting.

Dana F. Goble has served as our Chief Operating Officer since March 2000 and as one of our Executive Vice Presidents since March 1999. From December 1996 until March 1999, Mr. Goble served as one of our Senior Vice Presidents, and from May 1995 until December 1996, Mr. Goble served as one of our Regional Vice Presidents. From April 1993 to May 1995, Mr. Goble served as our regional manager for the Detroit, Michigan area.

Robert D. Davis has served as our Senior Vice President--Finance since September 1999, our Chief Financial Officer since March 1999 and our Treasurer since January 1997. Between September 1998 and September 1999, Mr. Davis served as our Vice President--Finance and Treasurer. Between June 1997 and September 1998, Mr. Davis served as our Treasurer. From January 1997 until June 1997, Mr. Davis served as our Assistant Secretary and Treasurer. Between June 1995 and January 1997, Mr. Davis served as our Payroll Supervisor and from June 1993 to June 1995 served as an accountant for us. Mr. Davis is a licensed certified public accountant in the State of Texas.

Bradley W. Denison has served as our Senior Vice President--General Counsel since October 1998. Between September 1996 and October 1998, Mr. Denison served as Vice President and Assistant General Counsel for Thorn Americas, Inc. From August 1996 to October 1996, Mr. Denison served as Associate General Counsel for Thorn Americas, and from June 1994 until August 1996, Mr. Denison served as Director and Chief Counsel for Thorn Americas. Prior to that time, Mr. Denison served as a Staff Attorney for Thorn Americas.

Anthony M. Doll has served as one of our Senior Vice Presidents since September 1998. From September 1996 until September 1998, Mr. Doll served as one of our Regional Vice Presidents. Between May 1995 and September 1996, Mr. Doll served as our regional manager for the Detroit, Michigan area. From April 1993 to May 1995, Mr. Doll served as the manager of our stores in Michigan.

C. Edward Ford, III has served as one of our Senior Vice Presidents since September 1998. From January 1997 until September 1998, Mr. Ford served as a one of our Regional Vice Presidents. Between November 1994 until January 1997, Mr. Ford served as our regional manager for the Tennessee region. From July 1993 until November 1994, Mr. Ford served as one of our store managers.

John H. Whitehead has served as one of our Senior Vice Presidents since September 1997. Between May 1995 and September 1997, Mr. Whitehead served as one of our Regional Vice Presidents. From July 1993 to May 1995, Mr. Whitehead served as our regional manager for the Atlanta, Georgia area.

David A. Kraemer has served as one of our Senior Vice Presidents since September 1998. From December 1995 until September 1998, Mr. Kraemer served as one of our Regional Vice Presidents. Prior to that time, Mr. Kraemer served as a Divisional Vice President for MRTO Holdings from November 1990 until we acquired MRTO Holdings in September 1995.

William C. Nutt has served as one of our Senior Vice Presidents since May 1998. Between December 1995 until May 1998, Mr. Nutt served as one of our Regional Vice Presidents. From December 1992 through December 1995, Mr. Nutt served as our regional manager for the Northeast Ohio area.

Timothy J. Stough has served as one of our Senior Vice Presidents since February 1, 2000. From September 1998 until February 2000, Mr. Stough served as one of our Regional Directors. From January 1998 to September 1998, Mr. Stough served as a Regional Director for Thorn Americas, overseeing stores from South Carolina to Vermont. From 1987 to 1998, Mr. Stough served as a Market Manager for Thorn Americas in North Carolina, South Carolina and Tennessee.

Mark S. Connelly has served as one of our Senior Vice Presidents since September 1999. Between June 1998 and September 1999, Mr. Connelly served as one of our Regional Vice Presidents. Between February 1998 and May 1998, Mr. Connelly served as a Division Manager of Central Rents, which we acquired in May 1988. From October 1997 to February 1998, Mr. Connelly acted as Director of Operations/Acquisitions of Spin Cycle, a start-up chain of coin-operated laundromats. From April to October 1997, Mr. Connelly was a group manager with Rent Mart, a rent-to-own subsidiary of The Associates. From June 1996 through March 1997, Mr. Connelly was the Vice President-Operations of Trans Texas Capital, a franchisee of ColorTyme. From January 1995 to May 1995, Mr. Connelly served as the Midwest area manager of Remco America.

David G. Ewbank has served as one of our Senior Vice Presidents since August 2000. From August 1999 until August 2000, Mr. Ewbank served as one of our Regional Directors. From October 1997 through August 1999, Mr. Ewbank served as one of our Market Managers. From August 1996 until October 1997, Mr. Ewbank served as one of our store managers. Prior to joining us in August 1996, Mr. Ewbank served as a store manager for First Cash Pawn.

David M. Glasgow has served as our Corporate Secretary since June 1995. Between June 1995 to June 1997, Mr. Glasgow also served as our Treasurer. From March 1995 to June 1995, Mr. Glasgow served as our accounting operations supervisor, and from June 1993 to March 1995, Mr. Glasgow served as one of our accountants.

Laurence M. Berg has served as one of our directors since August 1998. Mr. Berg has been associated since 1992 and a principal since 1995 with Apollo Advisors, L.P., which together with its affiliates, acts as managing general partner of Apollo Investment Fund, L.P., AIF II, L.P., Apollo Investment Fund III, L.P., and Apollo Investment Fund IV, L.P. Mr. Berg is also a director of Berlitz International, Inc., a provider of language services. Mr. Berg serves as one of the two directors elected by the holders of our Series A preferred stock. Mr. Berg's term as a director expires at our 2002 annual stockholders meeting.

Peter P. Copses has served as one of our directors since August 1998. Since 1990, Mr. Copses has been a principal of Apollo Advisors, L.P., which, together with its affiliates, acts as managing general partner of Apollo Investment Fund, L.P., AIF II, L.P., Apollo Investment Fund III, L.P. and Apollo Investment Fund IV, L.P. Mr. Copses is also a director of Zale Corporation, an operator of specialty retail jewelry stores. Mr. Copses serves as one of the two directors elected by the holders of our Series A preferred stock. Mr. Copses' term as a director expires at our 2001 annual stockholders meeting.

J. V. Lentell has served as one of our directors since February 1995. Mr. Lentell was employed by Kansas State Bank & Trust Co., Wichita, Kansas, from 1966 through July 1993, serving as Chairman of the Board from 1981 through July 1993. Since July 1993, he has served as a director and Vice Chairman of the board of directors of Intrust Bank, N.A., successor by merger to Kansas State Bank & Trust Co. Mr. Lentell's term as a director expires at our 2003 annual stockholders meeting.

Joseph V. Mariner, Jr. has served as one of our directors since February 1995. Until his retirement in 1978, Mr. Mariner served as Chairman of the board of directors and Chief Executive Officer of Hydrometals, Inc., a large conglomerate with subsidiaries engaged in the manufacture of retail plumbing supplies, non-powered hand tools and electronic components. Mr. Mariner currently serves as a director of Temtex Industries, Inc., a manufacturer of energy efficient fireplaces and gas logs, Peerless Mfg. Co., a manufacturer of heavy oil and gas filtration equipment and Dyson Kissner Moran Corp., a New York based private investment company engaged in acquiring and operating a multitude of manufacturing companies with additional holdings in real estate. Mr. Mariner's term as a director expires at our 2003 annual stockholders meeting. However, Mr. Mariner has informed us that he intends to resign from our board of directors following our 2001 annual stockholders meeting.

Mark E. Speese has served as one of our directors since 1990. Mr. Speese previously served as our Vice Chairman from September 1999 until March 2001. From 1990 until April 1999, Mr. Speese served as our President. Mr. Speese also served as our Chief Operating Officer from November 1994 until March 1999. From our inception in 1986 until 1990, Mr. Speese served as a Vice President responsible for our New Jersey operations. Prior to joining us, Mr. Speese was a regional manager for Thorn Americas from 1979 to 1986. Mr. Speese's term as a director expires at our 2002 annual meeting.

SELLING STOCKHOLDERS

In this prospectus, we refer to the entities or individuals listed below and any family member, trust or trust instrument to whom they may rightfully transfer their shares as selling stockholders. The following table sets forth certain information as of March 31, 2001 with respect to each selling stockholder:

	SHARES BENEFICIALLY OWNED BEFORE OFFERING			SHARES BENEFICIALLY OWNED AFTER OFFERING	
NAMES OF SELLING STOCKHOLDER(1)	NUMBER	PERCENT	SHARES OFFERED HEREBY	NUMBER	PERCENT
J. Ernest Talley..............	4,928,165(2)	19.5%	1,700,000(3)	3,228,165	12.3%
Mark E. Speese................	1,760,832(4)	7.0%	500,000	1,260,832	4.8%

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(1) For a description of relationships between us and the selling stockholders, please refer back to the section entitled "Management."

(2) Includes (A) 1,903,166 shares of common stock held directly by him, (B) 24,999 shares underlying stock options which are currently exercisable, (C) 1,579,809 shares held by the Talley 1999 Trust, a trust organized under the laws of the State of Texas of which Mr. Talley is the sole trustee, (D) 1,000,000 shares held by Talley Partners, Ltd., a Texas limited partnership, whose sole general partner is Talley Management, Inc., a Texas corporation, and (E) 420,191 shares held by Mr. Talley's spouse.

(3) Includes (A) 700,000 shares held by Mr. Talley directly and (B) 1,000,000 shares held by Talley Partners, Ltd., a Texas limited partnership, whose sole general partner is Talley Management, Inc., a Texas corporation, an entity controlled by Mr. Talley.

(4) Includes (A) 1,251,832 shares held directly by him, (B) 9,000 shares underlying options which are currently exercisable, (C) 250,000 shares held by the Mark Speese 2000 Grantor Retained Annuity Trust, a trust organized under the laws of the State of Texas, of which Mr. Speese is the sole trustee, and (D) 250,000 shares held by the Carolyn Speese 2000 Grantor Retained Annuity Trust, a trust organized under the laws of the State of Texas, of which Mr. Speese is the sole trustee.

DESCRIPTION OF CAPITAL STOCK

GENERAL

The following description of our capital stock and certain provisions of our certificate of incorporation and bylaws is a summary and is qualified in its entirety by the provisions of our certificate of incorporation and bylaws.

Under our certificate of incorporation, we are authorized to issue 50,000,000 shares of common stock, par value $.01 per share, and 5,000,000 shares of preferred stock, each with a par value $.01 per share. As of March 31, 2001, 25,185,314 shares of common stock were outstanding and 284,412 shares of Series A preferred stock were outstanding. No other series of preferred stock is outstanding. On March 20, 2001, our board of directors adopted a resolution to amend our certificate of incorporation to increase the number of authorized shares of common stock to 125,000,000. This amendment will be considered by our stockholders at our 2001 annual meeting to be held on May 15, 2001.

COMMON STOCK

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders, and a majority vote is required for most actions by stockholders. Cumulative voting of shares of common stock is prohibited. The holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our board of directors out of assets legally available therefor, subject to the payment of any preferential dividends and the setting aside of sinking funds or redemption accounts, if any, with respect to any preferred stock that from time to time may be outstanding. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of the holders of any outstanding preferred stock. The holders of common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. All of the outstanding shares of common stock are fully paid and nonassessable.

PREFERRED STOCK

Our certificate of incorporation authorizes our board of directors, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix and determine as to any series any and all of the relative rights and preferences of shares in that series, including, without limitation, preferences, limitations or relative rights with respect to redemption rights, conversion rights, voting rights, dividend rights and preferences on liquidation.

SERIES A PREFERRED STOCK

To finance a portion of the cost of our acquisition of Thorn Americas, we issued to certain affiliates of Apollo Management IV, L.P., a total of 250,000 shares of preferred stock, consisting of 134,414 shares of Series A preferred stock and consisting of 115,586 shares of Series B preferred stock, at $1,000 per share, resulting in aggregate proceeds to us of $250 million. In addition, we issued to an affiliate of Bear, Stearns & Co. Inc. a total of 10,000 shares of preferred stock, consisting of 5,377 shares of Series A preferred stock and consisting of 4,623 shares of Series B preferred stock, at $1,000 per share in August 1998, resulting in aggregate proceeds to us of $10 million. In October 1998, all of the shares of Series B preferred stock were converted into Series A preferred stock and no shares of Series B are outstanding. The terms of the Series A preferred stock are summarized below.

Liquidation Preference. Our Series A preferred stock has a liquidation preference of $1,000 per share, plus all accrued and unpaid dividends. No distributions may be made to holders of our common stock until the holders of our Series A preferred stock have received the liquidation preference.

Dividends. Holders of Series A preferred stock are entitled to receive quarterly dividends at the rate of $37.50 per annum per share of Series A preferred stock. Until August 5, 2003, dividends on the Series A preferred stock may be paid, at our option, in cash or in additional shares of Series A preferred stock. We currently pay our dividends in additional shares of Series A preferred stock because of restrictive provisions in our senior credit facilities. Our senior credit facilities agreement will allow us to pay cash dividends on our Series A preferred stock beginning in August 2003 so long as we are not in default under that agreement. Cash dividend payments are also subject to the restrictions in the indenture governing our subordinated notes. These restrictions in the indenture would not currently prohibit the payment of cash dividends. For each quarter between October 1, 2000 until September 30, 2001, dividends shall not be paid or accrued on any share of Series A preferred stock for any quarter in which the average stock price for the 15 consecutive trading days immediately preceding the payment date is equal to or greater than $55.87. For each quarter after September 30, 2001, dividends shall not be paid or accrued on any share of Series A preferred stock in any quarter in which the average stock price for the 15 consecutive trading days immediately preceding the payment date is equal to or greater than $27.935, accumulated forward to the payment date at a compound annual growth rate of 25% per annum, compounded quarterly.

Conversion Price. Holders of our Series A preferred stock may convert their shares of Series A preferred stock at any time into shares of our common stock at a price equal to $27.935 per share. The conversion price is adjusted downward in certain situations, including if we do any of the following, in each case other than through the conversion of Series A preferred stock or under one of our benefits plans:

- issue additional common stock at less than the average stock price for the 15 consecutive trading days immediately preceding the pricing date for the common stock;

- issue or sell warrants or other rights to the holders of our common stock if the consideration paid by the holders is less than the average stock price for the 15 consecutive trading days immediately preceding the date of issue or sale; and

- issue securities convertible into our common stock if the consideration paid by the holders for the underlying common stock is less than the average stock price for the 15 consecutive trading days immediately preceding the date of issue.

If the conversion price is adjusted downward, it becomes effectively cheaper for the Series A preferred stockholders to convert their Series A preferred stock into our common stock, and more shares of common stock would be issued upon conversion which would result in dilution for all holders of common stock.

The Series A preferred stock contains antidilution provisions that reduce the conversion price if, among other things, we sell common stock at a price to public lower than the average closing price for the previous 15 trading days. Changes in the conversion price of less than 1% do not get made immediately, but cumulate in determining future conversion price adjustments. The price to public would have to be approximately 26.3% lower than the average closing price for the previous 15 days for this offering to result in a 1% ($.28 per share) reduction in the conversion price. A 1% decrease in the conversion price would result in the issuance of approximately an additional 103,000 shares of common stock.

Optional Redemption. The Series A preferred stock is not redeemable until August 5, 2002. Thereafter, we may redeem all but one share of the Series A preferred stock at any time at 105% of the liquidation preference of the Series A preferred stock. Certain affiliates of Apollo Management IV, L.P. may reserve from redemption one share of Series A preferred stock until such time as it and its permitted transferees own less than 83,333 shares of Series A preferred stock, or, if they have converted their shares into common stock, less than 2,983,116 shares of common stock.

Mandatory Redemption. Holders of our Series A preferred stock have the right to require us to redeem their Series A preferred stock on the earliest of a change of control, the date upon which our common stock is not listed for trading on a United States national securities exchange or the Nasdaq National Market or August 5, 2009, at a price equal to the liquidation preference of the Series A preferred stock.

Board Representation. Holders of our Series A preferred stock are entitled to designate and elect two individuals to our board of directors. Each of our board's audit committee, compensation committee and finance committee must have one director elected by the holders of our Series A preferred stock.

Voting Rights. Holders of our Series A preferred stock are entitled to vote on all matters presented to the holders of common stock. The number of votes per share of Series A preferred stock shall be equal to the number of votes associated with the underlying voting common stock into which the Series A preferred stock is convertible.

Negative Covenants. As long as shares of Series A preferred stock are outstanding, we are not permitted, without the consent of the holders of our Series A preferred stock, to:

- increase the number of shares of Series A preferred stock or issue any shares of Series A preferred stock;
- issue any new class or series of equity security;
- amend the designations, preferences and relative rights and limitations and restrictions of the Series A preferred stock;
- amend our certificate of incorporation or bylaws in a manner that negatively impacts the holders of our Series A preferred stock;
- redeem or otherwise acquire for value any shares of common stock or declare or pay any dividend or make any distribution on shares of common stock;
- increase the number of directors on our board of directors to a number greater than eight;
- enter into any agreement with or for the benefit of any of our affiliates with a value in excess of $5 million;
- voluntarily liquidate, dissolve or wind up our affairs;
- sell substantially all of our assets; or
- merge, consolidate or enter into any other business combination other than with a wholly-owned subsidiary.

As long as shares of our Series A preferred stock are outstanding, we are not permitted, without the consent of the finance committee of our board of directors, to issue debt or equity securities with a value in excess of $10 million. Further, the issuance of equity securities with a value in excess of $10 million requires the unanimous written consent of the finance committee of our board of directors while any of the shares of our Series A preferred stock are outstanding, unless the issuance is for:

- a common stock offering prior to August 5, 2001 in which the selling price is equal to or greater than $55.87, subject to certain adjustments;
- a common stock offering after August 5, 2001 in which the selling price is equal to or greater than the price that would imply a 25% or greater internal rate of return, compounded quarterly, on the conversion price; or
- an issuance of equity in connection with an acquisition if the issuance is equal to or less than 10% of our outstanding common stock, calculated on post-issuance of the shares of common stock.

If the issuance of equity securities meets any of the requirements described above, only the affirmative vote of the finance committee is required.

REGISTRATION RIGHTS AGREEMENTS

In connection with the issuance of our Series A preferred stock, we entered into registration rights agreements with the Apollo entities and RC Acquisition Corp., an affiliate of Bear, Stearns & Co. The registration rights agreement with the Apollo entities grants the Apollo entities the right to request that their shares be registered, subject to our right, upon the advice of our managing underwriter, to reduce the number of shares proposed to be registered by the demanding holders and other holders. We will be obligated to effect only two registrations upon one of these requests by holders of registration rights. The registration rights agreements with the Apollo entities and RC Acquisition Corp. grant the holders of our Series A preferred stock the unlimited right to request that their shares be included in any company-initiated registration of shares other than registrations relating primarily to employee benefit plans, exchange offers or rights offerings to existing stockholders. In subsequent registrations, the underwriters may, if in their opinion inclusion of the shares would materially and adversely affect the success of the registration, exclude all or part of the shares requested to be registered by the holders of these registration rights. In addition, we must pay for legal expenses incurred by of the holders of our Series A preferred stock in exercising their registration rights under the registration rights agreements.

CERTAIN ANTI-TAKEOVER MATTERS

Advance Notice Requirements. Our bylaws require that, to be considered at the annual meeting, notice of stockholder proposals relating to the nomination of candidates for election of directors must be timely delivered to us in writing not less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. The notice must also contain certain information specified in our bylaws. The advance notice requirements, by prescribing the types of business that could be presented to stockholders during annual meetings, could discourage takeover bids initiated by hostile tender offer, proxy contest or the removal of the existing board of directors and management.

Authorized but Unissued or Undesignated Capital Stock. We are authorized to issue 5,000,000 shares of preferred stock, of which 284,412 were outstanding as of March 31, 2001. Our certificate of incorporation grants our board of directors broad power to establish the rights, preferences and privileges of authorized and unissued shares of preferred stock and to issue the shares in one or more transactions. The issuance of shares of preferred stock under the board of directors' authority described above may have the effect of delaying, deferring or preventing a change in control of our company and could decrease the amount of earnings and assets available for distribution to the holders of our common stock. In addition, the issuance of large blocks of common stock may have the effect of delaying, deferring or preventing a change in control of our company. Our board of directors does not currently intend to seek stockholder approval prior to any issuance of common stock or preferred stock, unless otherwise required by law.

Change in Control Provisions. Some of our material agreements contain change in control provisions which, in the event of a change in control, would result in events of default, accelerate payment obligations, or require redemptions. These agreements include:

- our certificate of designations governing our Series A preferred stock, which would require us to redeem the outstanding shares of Series A preferred stock in the event of a change in control;

- our senior credit facilities, which state that a change in control constitutes an event of default and would permit the applicable lenders to accelerate our then outstanding indebtedness; and

- our indenture governing our subordinated notes, which would require us to offer to redeem all of the outstanding notes at 101% of their principal amount, plus accrued interest to the date of repurchase in the event of a change in control.

The change in control provisions in these material agreements may discourage, delay, defer or prevent a change in control of our company.

Delaware Anti-Takeover Statute. We are a Delaware corporation subject to Section 203 of the Delaware General Corporation Law. In general Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless

- prior to that date, the corporation's board of directors approved either the business combination or the transaction which resulted in the person becoming an interested stockholder; or

- upon consummation of the transaction which resulted in the person becoming an interested stockholder, the interested stockholder owned at least 85% of the corporation's voting stock outstanding at the time the transaction commenced (excluding shares owned by persons who are directors and also officers and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or

- on or subsequent to that date, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

For purposes of Section 203, "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder and an "interested stockholder" is a person who, together with affiliates and associates, beneficially owns 15% or more of the corporation's outstanding voting stock.

Limitation of Director Liability. Our certificate of incorporation limits the liability of directors (in their capacity as directors but not in their capacity as officers) to us and our stockholders to the fullest extent permitted by Delaware law. Specifically, directors will not be personally liable for monetary damages for breach of his or her fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;

- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- violations under Section 174 of the Delaware General Corporation Law, which relates to unlawful payments of dividends or unlawful stock repurchases or redemptions; or

- any transaction from which the director derived an improper personal benefit.

These provisions in our certificate of incorporation may have the effect of reducing the likelihood of derivative litigation against our directors and may discourage or deter stockholders or management from bringing a lawsuit against our directors for breach of their duty of care, even though the action, if successful, might otherwise have benefited us and our stockholders. These provisions do not limit or affect a stockholder's ability to seek and obtain relief under the federal securities laws.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock and Series A preferred stock is Mellon Investor Services LLC.

SHARES ELIGIBLE FOR FUTURE SALE

The 3,200,000 shares of our common stock sold in this offering will be freely tradable without restriction under the Securities Act of 1933, as amended, except for any such shares which may be acquired by an "affiliate" of ours as that term is defined in Rule 144 promulgated under the Securities Act, which shares will remain subject to the resale limitations of Rule 144.

The shares of our common stock that will continue to be held by our affiliates, including Apollo, after the offering constitute "restricted securities" within the meaning of Rule 144, and will be eligible for sale by them in the open market after the offering, subject to certain contractual lockup provisions and the applicable requirements of Rule 144, both of which are described below. We have previously granted certain registration rights to the holders of our Series A preferred stock.

Generally, Rule 144 provides that a person who has beneficially owned "restricted" shares for at least one year will be entitled to sell on the open market in brokers' transactions within any three month period a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of common stock; and

- the average weekly trading volume in the common stock on the open market during the four calendar weeks preceding the sale.

Sales under Rule 144 are also subject to post-sale notice requirements and the availability of current public information about the company.

In the event that any person who is deemed to be an affiliate for Rule 144 purposes purchases shares of our common stock in this offering or acquires shares of our common stock under an employee benefit plan of ours, the shares held by such person are required under Rule 144 to be sold in brokers' transactions, subject to the volume limitations described above. Shares properly sold in reliance upon Rule 144 to persons who are not affiliates are thereafter freely tradable without restriction.

Sales of substantial amounts of our common stock in the open market, or the availability of such shares for sale, could adversely affect the price of our common stock. Any shares distributed by Apollo will be eligible for immediate resale in the public market without restrictions by persons other than our affiliates for Rule 144 purposes. Our affiliates would be subject to the restrictions of Rule 144 described above other than the one-year holding period requirement.

Our directors, officers and certain of our 5% stockholders have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, they will not, during the period ending 90 days after the date of this prospectus, sell or otherwise dispose of any shares of our common stock, subject to certain exceptions.

An aggregate of 6,200,000 shares of our common stock are reserved for issuance under the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan. We have filed registration statements on Form S-8 covering the issuance of shares of our common stock under our Long-Term Incentive Plan. Accordingly, the shares issued under our Long-Term Incentive Plan will be freely tradable, subject to the restrictions on resale by affiliates under Rule 144. We intend to increase the number of shares reserved for issuance under our Long Term Incentive Plan from 6,200,000 to 7,900,000.

We have previously entered into registration rights agreements with Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and RC Acquisition Corp., an affiliate of Bear, Stearns & Co. Inc. These agreements provide Apollo and RC Acquisition Corp. with the right, subject to certain exceptions, to include our common stock in any registration of common stock made by us for our own account or for the account of our other stockholders. We currently do not have any other registration rights outstanding.

UNDERWRITERS

Under the terms and subject to the conditions contained in the underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and The Robinson-Humphrey Company, LLC are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have severally agreed to sell to them, the number of shares of our common stock indicated.

NAME	NUMBER OF SHARES
Morgan Stanley & Co. Incorporated........................	
Bear, Stearns & Co. Inc.	
Lehman Brothers Inc.	
The Robinson-Humphrey Company, LLC.......................	
Total...	3,200,000

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the selling stockholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the delivery of legal opinions by their counsel as well as other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any shares are taken. However, the underwriters are not required to take or pay for the shares covered by the over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. No underwriter will allow, and no dealer will reallow, a concession to other underwriters or to dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives of the underwriters.

We and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 480,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. To the extent the option is exercised, each underwriter will become obligated to purchase approximately the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriters' over-allotment option is exercised in full, the total price to the public would be $, the total underwriters' discounts and commissions would be $ and the total proceeds to would be $ before deducting estimated offering expenses of $485,500.

We, our directors and executive officers and the selling stockholders have each agreed, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, during the period ending 90 days after the date of this prospectus, subject to certain exceptions, not to, directly or indirectly:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, distribute to members or partners or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock (whether such shares or any such securities are then owned by such person or thereafter acquired directly from us); or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The foregoing restrictions do not apply to:

- the sale of shares to the underwriters;

- bona fide gifts, provided the recipient agrees to be bound to the foregoing restrictions;

- transactions relating to shares of our common stock or other securities acquired in open market transactions after the completion of this offering;

- the common stock issuable upon conversion of our Series A preferred stock;

- options granted or stock issued upon the exercise of outstanding stock options or otherwise under our stock incentive or employee stock purchase plans;

- the sale or transfer of shares of securities, in connection with a sale of the company pursuant to an offer made on substantially the same terms to all stockholders and of which the underwriters have been notified in writing; or

- with the consent of Morgan Stanley & Co. Incorporated, securities issued by us in connection with an acquisition of a business or assets.

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The lead manager will make allocations to underwriters that may make Internet distributions on the same basis as it makes other allocations.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

From time to time, certain of the underwriters have provided, and may continue to provide, investment banking services to us. In August 1998, we issued to an affiliate of Bear, Stearns & Co. Inc., a member of the underwriting syndicate in this offering, 5,377 shares of Series A preferred stock and 4,623 shares of Series B preferred stock (since converted into Series A preferred stock), at $1,000 per share, resulting in aggregate proceeds to us of $10 million.

We, the selling stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered by this prospectus will be passed upon for us by Winstead Sechrest & Minick P.C., Dallas, Texas. Davis Polk & Wardwell, Menlo Park, California, is representing the underwriters.

EXPERTS

The financial statements as of December 31, 1999 and 2000, and for each of the three years in the period ended December 31, 2000, included and incorporated in this prospectus have been so included and incorporated in reliance on the report of Grant Thornton LLP, independent certified public accountants, given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. You may read this information at the SEC's public reference room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549.

Please call the SEC at 1-800-SEC-0330 for further information on its regional public reference rooms. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Our SEC filings are also available to the public at the SEC's web site at http://www.sec.gov. You may also inspect reports, proxy statements and other information about us at the offices of The Nasdaq Stock Market, Inc. National Market System, 1735 K Street, N.W., Washington, D.C. 20006-1500.

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference in this prospectus is considered to be part of this prospectus, and later information filed with the SEC or contained in this prospectus updates and supersedes this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until our offering is completed:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2000;

- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001;

- The portions of our proxy statement for our 2001 annual meeting of our stockholders that have been incorporated by reference into our annual report; and

- The description of the common stock contained in our Form 8-A (file no. 0-25370), filed with the SEC under Section 12(g) of the Securities Exchange Act of 1934, as updated in any amendment or report filed for such purpose.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Rent-A-Center, Inc.
Attention: Corporate Secretary
5700 Tennyson Parkway
Third Floor
Plano, Texas 75024
Telephone: (972) 801-1100

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Rent-A-Center, Inc. and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rent-A-Center, Inc. and Subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Dallas, Texas
February 9, 2001

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 1999	DECEMBER 31, 2000	MARCH 31, 2001 (UNAUDITED)
ASSETS			
Cash and cash equivalents	$ 21,679	$ 36,495	$ 27,541
Accounts receivable--trade	3,883	3,254	3,654
Prepaid expenses and other assets	27,867	31,805	37,330
Rental merchandise, net			
On rent	425,469	477,095	515,395
Held for rent	105,754	110,137	110,869
Property assets, net	82,657	87,168	89,920
Deferred income taxes	110,367	32,628	24,331
Intangible assets, net	707,324	708,328	702,537
	$1,485,000	$1,486,910	$1,511,577
LIABILITIES			
Accounts payable--trade	$ 53,452	$ 65,696	$ 77,332
Accrued liabilities	106,796	89,560	104,652
Senior debt	672,160	566,051	528,135
Subordinated notes payable	175,000	175,000	175,000
	1,007,408	896,307	885,119
COMMITMENTS AND CONTINGENCIES	--	--	--
PREFERRED STOCK			
Redeemable convertible voting preferred stock, net of placement costs, $.01 par value; 5,000,000 shares authorized; 271,426 and 281,756 shares issued and outstanding in 1999 and 2000, respectively, and 284,412 shares at March 31, 2001	270,902	281,232	283,888
STOCKHOLDERS' EQUITY			
Common stock, $.01 par value; 50,000,000 shares authorized; 25,297,458 and 25,700,058 shares issued in 1999 and 2000, respectively, and 26,175,413 shares at March 31, 2001	253	257	262
Additional paid-in capital	105,627	115,607	129,346
Accumulative comprehensive loss	--	--	(2,888)
Retained earnings	125,810	218,507	240,850
Treasury stock, 990,099 shares at cost	(25,000)	(25,000)	(25,000)
	206,690	309,371	342,570
	$1,485,000	$1,486,910	$1,511,577

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)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	
Revenues					
Store					
Rentals and fees	$711,443	$1,270,885	$1,459,664	$350,320	$393,123
Merchandise sales	41,456	88,516	81,166	27,339	30,759
Other	7,282	2,177	3,018	492	1,330
Franchise					
Merchandise sales	44,365	49,696	51,769	12,891	13,027
Royalty income and fees	5,170	5,893	5,997	1,484	1,463
	809,716	1,417,167	1,601,614	392,526	439,702
Operating expenses					
Direct store expenses					
Depreciation of rental merchandise	164,651	265,486	299,298	71,728	80,812
Cost of merchandise sold	32,056	74,027	65,332	22,830	21,555
Salaries and other expenses	423,750	770,572	866,234	208,525	242,219
Franchise cost of merchandise sold	42,886	47,914	49,724	12,441	12,494
	663,343	1,157,999	1,280,588	315,524	357,080
General and administrative expenses	28,715	42,029	48,093	11,475	12,869
Amortization of intangibles	15,345	27,116	28,303	6,975	7,268
Class action litigation settlements	11,500	--	(22,383)	--	--
Total operating expenses	718,903	1,227,144	1,334,601	333,974	377,217
Operating profit	90,813	190,023	267,013	58,552	62,485
Interest expense	39,144	75,673	74,324	19,008	16,510
Non-recurring financing costs	5,018	--	--	--	--
Interest income	(2,004)	(904)	(1,706)	(257)	(361)
Earnings before income taxes	48,655	115,254	194,395	39,801	46,336
Income tax expense	23,897	55,899	91,368	18,912	21,338
Net earnings	24,758	59,355	103,027	20,889	24,998
Preferred dividends	3,954	10,039	10,420	2,554	2,630
Net earnings allocable to common stockholders	$ 20,804	$ 49,316	$ 92,607	$ 18,335	$ 22,368
Basic earnings per common share	$ 0.84	$ 2.04	$ 3.79	$ 0.75	$ 0.90
Diluted earnings per common share	$ 0.83	$ 1.74	$ 2.96	$ 0.61	$ 0.69

The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(IN THOUSANDS)

	COMMON STOCK		ADDITIONAL PAID-IN	RETAINED	TREASURY	ACCUMULATIVE COMPREHENSIVE INCOME	
	SHARES	AMOUNT	CAPITAL	EARNINGS	STOCK	(LOSS)	TOTAL
Balance at January 1, 1998	24,905	$249	$ 99,381	$53,123	$ --	$ --	$152,753
Net earnings	--	--	--	24,758	--	--	24,758
Purchase of treasury stock--990 shares	--	--	--	--	(25,000)	--	(25,000)
Exercise of stock options	169	2	1,872	--	--	--	1,874
Tax benefits related to exercise of stock options	--	--	528	--	--	--	528
Balance at December 31, 1998	25,074	251	101,781	77,881	(25,000)	--	154,913
Net earnings	--	--	--	59,355	--	--	59,355
Preferred dividends	--	--	--	(11,426)	--	--	(11,426)
Exercise of stock options	223	2	3,318	--	--	--	3,320
Tax benefits related to exercise of stock options	--	--	528	--	--	--	528
Balance at December 31, 1999	25,297	253	105,627	125,810	(25,000)	--	206,690
Net earnings	--	--	--	103,027	--	--	103,027
Preferred dividends	--	--	--	(10,330)	--	--	(10,330)
Issuance of stock options for services	--	--	65	--	--	--	65
Exercise of stock options	403	4	8,430	--	--	--	8,434
Tax benefits related to exercise of stock options	--	--	1,485	--	--	--	1,485
Balance at December 31, 2000	25,700	257	115,607	218,507	(25,000)	--	309,371
Net earnings	--	--	--	24,998	--	--	24,998
Other comprehensive income (loss):							
Unrealized gain on derivatives held as cash flow hedges:							
Cumulative effect of adoption of SFAS 133	--	--	--	--	--	1,378	1,378
Change in unrealized gain (loss) during the period	--	--	--	--	--	(3,535)	(3,535)
Reclassification adjustment for gain included in net earnings	--	--	--	--	--	(731)	(731)
Other comprehensive loss	--	--	--	--	--	(2,888)	(2,888)
Comprehensive income							22,110
Preferred dividends	--	--	--	(2,655)	--	--	(2,655)
Issuance of stock options for service	--	--	84	--	--	--	84
Exercise of stock options	475	5	11,068	--	--	--	11,073
Tax benefits related to exercise of stock options	--	--	2,587	--	--	--	2,587
Balance at March 31, 2001 (Unaudited)	26,175	$262	$129,346	$240,850	$(25,000)	$(2,888)	$342,570

The accompanying notes are an integral part of this statement.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	
Cash flows from operating activities					
Net earnings	$ 24,758	$ 59,355	$ 103,027	$ 20,889	$ 24,998
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities					
Depreciation of rental merchandise	164,651	265,486	299,298	71,728	80,812
Depreciation of property assets	17,482	31,313	33,144	8,103	8,805
Amortization of intangibles	15,345	27,116	28,303	6,975	7,268
Non-recurring charges--loss on assets related to name change	2,451	--	--	--	--
Amortization of financing fees	1,326	2,608	2,705	652	690
Changes in operating assets and liabilities, net of effects of acquisitions					
Rental merchandise	(171,263)	(387,903)	(342,233)	(98,726)	(118,461)
Accounts receivable--trade	(155)	(587)	629	(747)	(400)
Prepaid expenses and other assets	5,240	6,522	(6,624)	560	(6,250)
Deferred income taxes	20,565	64,231	77,738	--	10,709
Accounts payable--trade	(27,508)	9,584	12,197	7,520	11,636
Accrued liabilities	(46,492)	(106,975)	(16,621)	28,599	12,239
Net cash provided by (used in) operating activities	6,400	(29,250)	191,563	45,553	32,046
Cash flows from investing activities					
Purchase of property assets	(21,860)	(36,211)	(37,937)	(8,613)	(11,846)
Proceeds from sale of property assets	740	8,563	1,403	188	524
Acquisitions of businesses, net of cash acquired	(947,655)	--	(42,538)	(1,596)	(2,835)
Net cash used in investing activities	(968,775)	(27,648)	(79,072)	(10,021)	(14,157)
Cash flows from financing activities					
Purchase of treasury stock	(25,000)	--	--	--	--
Financing fees paid	(24,017)	--	--	--	--
Proceeds from issuance of preferred stock, net of issuance costs	259,476	--	--	--	--
Exercise of stock options	1,874	3,320	8,434	92	11,073
Proceeds from debt	1,258,464	320,815	242,975	20,980	--
Repayments of debt	(479,369)	(279,355)	(349,084)	(64,190)	(37,916)
Net cash provided by (used in) financing activities	991,428	44,780	(97,675)	(43,118)	(26,843)
Net increase (decrease) in cash and cash equivalents	29,053	(12,118)	14,816	(7,586)	(8,954)
Cash and cash equivalents at beginning of period	4,744	33,797	21,679	21,679	36,495
Cash and cash equivalents at end of period	$ 33,797	$ 21,679	$ 36,495	$ 14,093	$ 27,541

The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
				(UNAUDITED)	
Supplemental cash flow information					
Cash paid during the year for:					
Interest	$ 26,091	$ 76,653	$75,956	$23,482	$19,676
Income taxes	$ 10,212	$ 4,631	$ 9,520	$ 421	$ 750
Supplemental schedule of non-cash investing and financing activities					
Fair value of assets acquired, including cash of $56,027 in 1998	$ 1,340,480	$ --	$ --	$ --	$ --
Cash paid	(1,003,682)	--	--	--	--
Liabilities assumed	$ 336,798	$ --	$ --	$ --	$ --

During the years ended December 31, 1999 and 2000 and the three months ended March 31, 2000 and 2001, the Company paid preferred dividends of approximately $11.4 million, $10.3 million, $2.5 million and $2.6 million, respectively, by issuing 11,426, 10,330, 2,554 and 2,655 shares of preferred stock, respectively.

The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

PRINCIPLES OF CONSOLIDATION AND NATURE OF OPERATIONS

The accompanying financial statements include the accounts of Rent-A-Center, Inc. (Rent-A-Center), and its wholly-owned subsidiaries (collectively, the Company). All significant intercompany accounts and transactions have been eliminated. Rent-A-Center's sole operating segment consists of leasing household durable goods to customers on a rent-to-own basis. At December 31, 2000, the Company operated 2,158 stores which were located throughout the 50 United States, the District of Columbia and the Commonwealth of Puerto Rico.

ColorTyme, Inc. (ColorTyme), the only subsidiary with substantive operations, is a nationwide franchisor of 364 franchised rent-to-own stores operating in 42 states. These rent-to-own stores offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories. ColorTyme's primary source of revenues is the sale of rental merchandise to its franchisees, who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenues are generated primarily from royalties based on franchisees' monthly gross revenues.

RENTAL MERCHANDISE

Rental merchandise is carried at cost, net of accumulated depreciation. Depreciation is provided using the income forecasting method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise, and assumes no salvage value. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental-purchase agreement period, generally 18 to 36 months. Under the income forecasting method, merchandise held for rent is not depreciated, and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity based method similar to the units of production method.

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

CASH EQUIVALENTS

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

RENTAL REVENUE AND FEES

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

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

PROPERTY ASSETS AND RELATED DEPRECIATION

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

INTANGIBLE ASSETS AND AMORTIZATION

Intangible assets are stated at cost less accumulated amortization calculated by the straight-line method.

ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

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

INCOME TAXES

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

EARNINGS PER COMMON SHARE

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

ADVERTISING COSTS

Costs incurred for producing and communicating advertising are expensed when incurred. Advertising expense was $37.2 million, $55.8 million, $61.2 million, $14.7 million (unaudited) and $17.7 million (unaudited) for each of the three years ended 1998, 1999 and 2000 and for the three months ended March 31, 2000 and 2001, respectively.

STOCK-BASED COMPENSATION

The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire that stock. Option grants to non-employees are expensed at the time of grant.

USE OF ESTIMATES

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses interest rate swap agreements to manage interest rate risk on its variable rate debt. Amounts due to or from counterparties are recorded in interest income or expense as incurred.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities. In June 1999, the FASB issued Statement No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133. In June 2000, the FASB issued Statement 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133.

Effective January 1, 2001, the Company 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 three months ended March 31, 2001, accumulative other comprehensive loss at the end of the period was $2.9 million after taxes.

INTERIM FINANCIAL STATEMENTS

In the opinion of management, the unaudited interim consolidated financial statements as of March 31, 2001 and for the three months ended March 31, 2000 and 2001 include all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly the Company's consolidated financial position as of March 31, 2001 and the results of their consolidated operations and cash flows for the three-month periods ended March 31, 2000 and 2001. The results of operations for the three months ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year financial information in order to conform to the 2000 presentation.

NOTE B--ACQUISITIONS

On August 5, 1998, the Company acquired all of the outstanding common stock of Thorn Americas, Inc. (Thorn), which operated 1,409 stores, for approximately $900 million in cash. The acquisition, together with the increased working capital requirements of the combined entity, was financed via $720 million in variable-rate senior debt maturing in 6 to 8.5 years, $175 million of 11% senior subordinated debt maturing in 10 years, and $260 million of redeemable convertible voting preferred stock. The purchase price exceeded the fair value of net assets acquired, as adjusted below, by approximately $596 million, which has been recorded as goodwill and is being amortized over 30 years.

During 1999, goodwill relating to the Thorn acquisition was increased by approximately $5.4 million as a result of downward adjustments to the fair value of the net assets acquired, the largest of which was a $3.8 million decrease in deferred tax assets (Note J).

In conjunction with the Thorn acquisition, the Company terminated substantially all of the existing Thorn home office employees (approximately 550), and discontinued using Thorn's distribution facilities. As a result, at acquisition the Company recorded liabilities for employee termination costs, primarily related to severance agreements, of approximately $21.4 million and costs associated with the discontinued use of leased distribution and store facilities of approximately $18.4 million. As of December 31, 2000, all of the termination costs and $15.5 million of the costs associated with the discontinued use of the leased distribution and store facilities had been paid.

At acquisition, the Company recorded an accrual of approximately $125 million for estimated probable losses on Thorn litigation, including $34.5 million related to Fogie v. Thorn Americas, Inc. and Willis v. Thorn Americas, Inc. The Company was indemnified by the seller for losses relating to the Fogie and Willis cases, and had recorded a corresponding receivable. As of December 31, 2000 approximately $115 million has been paid in settlement of certain of the acquired litigation and for legal fees. Details regarding acquired litigation, related settlements and accrued litigation costs are described in Note K.

In May 1998, the Company acquired substantially all of the assets of Central Rents, Inc. (Central Rents), which consisted of 176 stores, for approximately $100 million in cash. The purchase price exceeded the fair value of assets acquired by approximately $72 million, which has been recorded as goodwill and is being amortized over 30 years.

The Company also acquired the assets of 52 stores in 14 separate transactions during 1998 for approximately $26.4 million. All acquisitions have been accounted for as purchases, and the operating results of the acquired businesses have been included in the financial statements of the Company since their date of acquisition.

For the year ending December 31, 2000 the Company acquired 74 stores in 19 separate transactions for an aggregate of approximately $42.5 million in cash.

NOTE C--RENTAL MERCHANDISE

	DECEMBER 31, 1999	DECEMBER 31, 2000
	(IN THOUSANDS)	
On rent		
Cost	$633,360	$768,590
Less accumulated depreciation	207,891	291,495
	$425,469	$477,095
Held for rent		
Cost	$122,984	$136,850
Less accumulated depreciation	17,230	26,713
	$105,754	$110,137

NOTE D--PROPERTY ASSETS

	DECEMBER 31, 1999	DECEMBER 31, 2000
	(IN THOUSANDS)	
Furniture and equipment	$ 57,879	$ 71,024
Transportation equipment	29,498	29,500
Building and leasehold improvements	43,009	61,439
Construction in progress	786	3,300
	131,172	165,263
Less accumulated depreciation	48,515	78,095
	$ 82,657	$ 87,168

NOTE E--INTANGIBLE ASSETS

	AMORTIZATION PERIOD	DECEMBER 31, 1999	DECEMBER 31, 2000
		(IN THOUSANDS)	
Noncompete agreements	2-5 years	$ 5,152	$ 5,152
Franchise network	10 years	3,000	3,000
Goodwill	20-30 years	748,251	775,797
Other	Various	142	1,899
		756,545	785,848
Less accumulated amortization		49,221	77,520
		$707,324	$708,328

NOTE F--SENIOR DEBT

In conjunction with the acquisition of Thorn, the Company entered into a Senior Credit Facility (the Facility) with a syndicate of banks. The Company also has other debt facilities. Senior debt consists of the following:

	FACILITY MATURITY	DECEMBER 31, 1999 MAXIMUM FACILITY	DECEMBER 31, 1999 AMOUNT OUTSTANDING	DECEMBER 31, 1999 AMOUNT AVAILABLE	DECEMBER 31, 2000 MAXIMUM FACILITY	DECEMBER 31, 2000 AMOUNT OUTSTANDING	DECEMBER 31, 2000 AMOUNT AVAILABLE
		(IN THOUSANDS)					
Senior Credit Facility:							
Term Loan "A"	2004	$ 99,443	$ 99,443	$ --	$ --	$ --	$ --
Term Loan "B"	2006	222,918	222,918	--	203,300	203,300	--
Term Loan "C"	2007	272,639	272,639	--	248,815	248,815	--
Term Loan "D"(2)	2007	--	--	--	113,936	113,936	--
Revolver(1)	2004	120,000	16,500	64,800	120,000	--	76,272
Letter of Credit/Multi-Draw		85,000	59,950	25,050	--	--	--
		800,000	671,450	89,850	686,051	566,051	76,272
Other Indebtedness:							
Line of credit		5,000	710	4,290	5,000	--	5,000
Total Debt Facilities		$805,000	$672,160	$94,140	$691,051	$ 566,051	$81,272

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(1) As at December 31, 1999 and 2000 the amounts available under the Company's revolver facility were reduced by approximately $38.7 million and $43.7 million, respectively, for outstanding letters of credit. These letters of credit are used to support the Company's insurance obligations.

(2) On June 29, 2000, we refinanced a portion of our senior credit facility by adding a new $125 million Term D tranche to our existing facility. No significant mandatory principal repayments are required on the Term D facility until the tranche becomes due in 2007.

Borrowings under the Facility bear interest at varying rates equal to 0.25% to 1.75% over the designated prime rate (9.50% per annum at December 31, 2000) or 1.25% to 2.75% over LIBOR (6.55% at December 31, 2000) at the Company's option, and are subject to quarterly adjustments based on certain leverage ratios. At December 31, 1999 and 2000, the average rate on outstanding borrowings was 8.78% and 8.95%, respectively. A commitment fee equal to 0.25% to 0.50% of the unused portion of the Facility is payable quarterly.

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

During 1998, the Company entered into three interest rate swap agreements to limit the effect of increases in interest rates. These agreements expire in 2001 and 2003, and have an aggregate notional principal amount of $500 million. The effect of these agreements is to limit the Company's interest rate exposure by fixing the LIBOR rate at 5.59%. The agreements had no cost to the Company, and at December 31, 1999 and 2000 they had aggregate fair values of $14.5 million and $2.6 million, respectively.

The following are scheduled maturities of senior debt at December 31, 2000:

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2001	$ 2,651
2002	2,651
2003	2,651
2004	38,977
2005	147,955
Thereafter	371,166
	$566,051

NOTE G--SUBORDINATED NOTES PAYABLE

During 1998, the Company issued $175.0 million of subordinated notes, maturing on August 15, 2008. The notes require semi-annual interest-only payments at 11%, and are guaranteed by the Company's two principal subsidiaries. The notes are redeemable at the Company's option, at any time on or after August 15, 2003, at a set redemption price that varies depending upon the proximity of the redemption date to final maturity. In addition, prior to August 15, 2001, the Company may redeem up to 33.33% of the original aggregate principal with the cash proceeds of one or more equity offerings, at a redemption price of 111%. Upon a change of control, the holders of the subordinated notes have the right to require the Company to redeem the notes.

The notes contain restrictive covenants, as defined therein, including a consolidated interest coverage ratio and limitations on additional indebtedness and restricted payments.

The $5.0 million non-recurring financing costs expensed during 1998, relate to fees paid for bridge financing necessary to complete the Thorn acquisition, which was subsequently replaced with the subordinated notes.

The Company's direct and wholly-owned subsidiaries, consisting of ColorTyme, Inc. and Advantage Companies, Inc. (collectively, the Guarantors), have fully, jointly and severally, and unconditionally guaranteed the obligations of the Company with respect to these notes. The only direct or indirect subsidiaries of the Company that are not Guarantors are inconsequential subsidiaries. There are no restrictions on the ability of any of the Guarantors to transfer funds to the Company 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 December 31, 1999 and 2000 and March 31, 2001, and for each of the three years in the period ended December 31, 2000 and for the three months ended March 31, 2000 and 2001. The financial information includes the Guarantors from the dates they were acquired or formed by the Company and is presented using the push-down basis of accounting.

	PARENT COMPANY	SUBSIDIARY GUARANTORS	CONSOLIDATING ADJUSTMENTS	TOTAL
		(IN THOUSANDS)		
CONDENSED CONSOLIDATING BALANCE SHEETS				
DECEMBER 31, 1999				
Rental merchandise, net	$ 531,223	$ --	$ --	$ 531,223
Intangible assets, net	337,486	369,838	--	707,324
Other assets	601,229	10,261	(365,037)	246,453
Total assets	$1,469,938	$380,099	$(365,037)	$1,485,000
Senior debt	$ 672,160	$ --	$ --	$ 672,160
Other liabilities	328,714	6,534	--	335,248
Preferred stock	270,902	--	--	270,902
Stockholders' equity	198,162	373,565	(365,037)	206,690
Total liabilities and equity	$1,469,938	$380,099	$(365,037)	$1,485,000
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
MARCH 31, 2001 (UNAUDITED)				
Rental merchandise, net	$ 626,264	$ --	$ --	$ 626,264
Intangibles, net	348,960	353,577	--	702,537
Other assets	519,347	14,660	(351,231)	182,776
Total assets	$1,494,571	$368,638	$(351,231)	$1,511,577
Senior debt	$ 528,135	$ --	$ --	$ 528,135
Other liabilities	352,788	4,196	--	356,984
Preferred stock	283,888	--	--	283,888
Stockholders' equity	329,760	364,041	(351,231)	342,570
Total liabilities and equity	$1,494,571	$368,237	$(351,231)	$1,511,577

	PARENT COMPANY	SUBSIDIARY GUARANTORS	TOTAL
		(IN THOUSANDS)	
CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS			
YEAR ENDED DECEMBER 31, 1998			
Total revenues	$ 760,181	$49,535	$ 809,716
Direct store expenses	620,457	--	620,457
Other	121,615	42,886	164,501
Net earnings	$ 18,109	$ 6,649	$ 24,758
YEAR ENDED DECEMBER 31, 1999			
Total revenues	$1,361,578	$55,589	$1,417,167
Direct store expenses	1,110,085	--	1,110,085
Other	187,156	60,571	247,727
Net earnings (loss)	$ 64,337	$(4,982)	$ 59,355
YEAR ENDED DECEMBER 31, 2000			
Total revenues	$1,543,848	$57,766	$1,601,614
Direct store expenses	1,230,864	--	1,230,864
Other	205,342	62,381	267,723
Net earnings (loss)	$ 107,642	$(4,615)	$ 103,027
THREE MONTHS ENDED MARCH 31, 2000 (UNAUDITED)			
Total revenues	$ 378,151	$14,375	$ 392,526
Direct store expenses	303,083	--	303,083
Other	52,948	15,606	68,554
Net earnings (loss)	$ 22,120	$(1,231)	$ 20,889
THREE MONTHS ENDED MARCH 31, 2001 (UNAUDITED)			
Total revenues	$ 425,212	$14,490	$ 439,702
Direct store expenses	344,586	--	344,586
Other	54,459	15,659	70,118
Net earnings (loss)	$ 26,167	$(1,169)	$ 24,998

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

	PARENT COMPANY	SUBSIDIARY GUARANTORS	TOTAL
		(IN THOUSANDS)	
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS			
YEAR ENDED DECEMBER 31, 1998			
Net cash provided by operating activities	$ 3,795	$ 2,605	$ 6,400
Cash flows from investing activities			
Purchase of property assets	(21,782)	(78)	(21,860)
Acquisitions of businesses, net of cash acquired	(947,655)	--	(947,655)
Other	740	--	740
Net cash used in investing activities	(968,697)	(78)	(968,775)
Cash flows from financing activities			
Proceeds from issuance of preferred stock, net of issuance costs	259,476	--	259,476
Proceeds from debt	1,258,464	--	1,258,464
Repayments of debt	(479,369)	--	(479,369)
Intercompany advances	3,472	(3,472)	--
Other	(47,143)	--	(47,143)
Net cash provided by (used in) financing activities	994,900	(3,472)	991,428
Net increase (decrease) in cash and cash equivalents	29,998	(945)	29,053
Cash and cash equivalents at beginning of year	3,799	945	4,744
Cash and cash equivalents at end of year	$ 33,797	$ --	$ 33,797
YEAR ENDED DECEMBER 31, 1999			
Net cash provided by (used in) operating activities	$ (34,426)	$ 5,176	$ (29,250)
Cash flows from investing activities			
Purchase of property assets	(35,979)	(232)	(36,211)
Proceeds from sale of property assets	8,563	--	8,563
Net cash used in investing activities	(27,416)	(232)	(27,648)
Cash flows from financing activities			
Proceeds from debt	320,815	--	320,815
Repayments of debt	(279,355)	--	(279,355)
Intercompany advances	4,944	(4,944)	--
Other	3,320	--	3,320
Net cash provided by (used in) financing activities	49,724	(4,944)	44,780
Net decrease in cash and cash equivalents	(12,118)	--	(12,118)
Cash and cash equivalents at beginning of year	33,797	--	33,797
Cash and cash equivalents at end of year	$ 21,679	$ --	$ 21,679
YEAR ENDED DECEMBER 31, 2000			
Net cash provided by operating activities	$ 185,719	$ 5,844	$ 191,563
Cash flows from investing activities			
Purchase of property assets	(37,843)	(94)	(37,937)
Acquisitions of businesses, net of cash acquired	(42,538)	--	(42,538)
Other	1,403	--	1,403
Net cash used in investing activities	(78,978)	(94)	(79,072)
Cash flows from financing activities			
Proceeds from debt	242,975	--	242,975
Repayments of debt	(349,084)	--	(349,084)
Intercompany advances	5,750	(5,750)	--
Other	8,434	--	8,434
Net cash used in financing activities	(91,925)	(5,750)	(97,675)
Net increase in cash and cash equivalents	14,816	--	14,816
Cash and cash equivalents at beginning of year	21,679	--	21,679
Cash and cash equivalents at end of year	$ 36,495	$ --	$ 36,495

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

	PARENT COMPANY	SUBSIDIARY GUARANTORS	TOTAL
	(IN THOUSANDS)		
THREE MONTHS ENDED MARCH 31, 2000 (UNAUDITED)			
Net cash provided by (used in) operating activities	$ 45,814	$ (261)	$ 45,553
Cash flows from investing activities			
Purchase of property assets	(8,604)	(9)	(8,613)
Acquisitions of businesses, net of cash acquired	(1,596)	--	(1,596)
Other	188	--	188
Net cash used in investing activities	(10,012)	(9)	(10,021)
Cash flows from financing activities			
Proceeds from debt	20,980	--	20,980
Repayments of debt	(64,190)	--	(64,190)
Intercompany advances	(270)	270	--
Other	92	--	92
Net cash provided by (used in) financing activities	(43,388)	270	(43,118)
Net decrease in cash and cash equivalents	(7,586)	--	(7,586)
Cash and cash equivalents at beginning of period	21,679	--	21,679
Cash and cash equivalents at end of period	$ 14,093	$ --	$ 14,093
THREE MONTHS ENDED MARCH 31, 2001 (UNAUDITED)			
Net cash provided by operating activities	$ 31,226	$ 820	$ 32,046
Cash flows from investing activities			
Purchase of property assets	(11,836)	(10)	(11,846)
Acquisitions of businesses, net of cash acquired	(2,835)	--	(2,835)
Other	524	--	524
Net cash used in investing activities	(14,147)	(10)	(14,157)
Cash flows from financing activities			
Exercise of stock options	11,073	--	11,073
Repayments of debt	(37,916)	--	(37,916)
Intercompany advances	810	(810)	--
Net cash used in financing activities	(26,033)	(810)	(26,843)
Net decrease in cash and cash equivalents	(8,954)	--	(8,954)
Cash and cash equivalents at beginning of period	36,495	--	36,495
Cash and cash equivalents at end of period	$ 27,541	$ --	$ 27,541

NOTE H--ACCRUED LIABILITIES

	DECEMBER 31, 1999	DECEMBER 31, 2000
	(IN THOUSANDS)	
Taxes other than income	$ 19,228	$20,306
Accrued litigation costs	19,163	14,753
Accrued insurance costs	22,473	28,929
Accrued compensation and other	45,932	25,572
	$106,796	$89,560

NOTE I--REDEEMABLE CONVERTIBLE VOTING PREFERRED STOCK

During 1998, the Company issued 260,000 shares of redeemable convertible voting preferred stock at $1,000 per share, resulting in aggregate proceeds of $260.0 million. Placement costs of approximately $0.5 million were charged against these proceeds to arrive at the original carrying value.

The preferred stock is convertible, at any time, into shares of the Company's common stock at a conversion price equal to $27.935 per share, and has a liquidation preference of $1,000 per share, plus all accrued and unpaid dividends. No distributions may be made to holders of common stock until the holders of the preferred stock have received the liquidation preference. Dividends accrue on a quarterly basis, at the rate of $37.50 per annum, per share. A restriction under the Facility requires the Company to pay all distributions with additional shares of preferred stock until August 2003 at which time distributions must be paid in cash. During 1999 and 2000, the Company paid approximately $11.4 million and $10.3 million in preferred dividends by issuing 11,426 and 10,330 shares of preferred stock, respectively.

The preferred stock is not redeemable until 2002, after which time the Company may, at its option, redeem the shares at 105% of the liquidation preference plus accrued and unpaid dividends. Holders of the preferred stock have the right to require the Company to redeem the preferred stock upon a change of control, if the Company ceases to be listed on a United States national securities exchange or the Nasdaq National Market System, or upon the eleventh anniversary of the issuance of the preferred stock, at a price equal to the liquidation preference value.

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

NOTE J--INCOME TAXES

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

	YEAR ENDED DECEMBER 31, 1998	1999	2000
	(IN THOUSANDS)		
Tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	5.1%	5.5%	5.5%
Effect of foreign operations, net of foreign tax credits	0.3%	0.3%	0.2%
Goodwill amortization	7.3%	6.4%	5.0%
Other, net	1.4%	1.3%	1.3%
Total	49.1%	48.5%	47.0%

The components of the income tax provision are as follows:

	YEAR ENDED DECEMBER 31, 1998	1999	2000
	(IN THOUSANDS)		
Current expense (benefit)			
Federal	$ --	$(10,770)	$ 6,099
State	1,756	815	5,637
Foreign	1,576	1,623	1,894
Total current	3,332	(8,332)	13,630
Deferred expense			
Federal	18,377	57,342	68,406
State	2,188	6,889	9,332
Total deferred	20,565	64,231	77,738
Total	$23,897	$ 55,899	$91,368

Deferred tax assets and liabilities consist of the following:

	DECEMBER 31, 1999	DECEMBER 31, 2000
Deferred tax assets		
Net operating loss carryforwards	$ 91,232	$ 41,515
Accrued expenses	27,005	25,667
Intangible assets	25,285	22,119
Property assets	17,530	18,644
Other tax credit carryforwards	2,835	5,436
Other	311	--
	164,198	113,381
Deferred tax liability		
Rental merchandise	(53,831)	(80,753)
Net deferred tax asset	$110,367	$ 32,628

The Company has Federal net operating loss carryforwards of approximately $104 million at December 31, 2000, including $10.8 million of Federal net operating loss carryforwards which were acquired in connection with purchased companies. The utilization of the acquired losses is limited to approximately $3.5 million per year. The Company also has various state net operating loss carryforwards. If not utilized, all net operating loss carryforwards will expire between 2005 and 2019.

The Company has alternative minimum tax credit carryforwards and foreign tax credit carryforwards aggregating approximately $5.4 million.

During 1999, the Company completed its analysis of the tax bases of assets and liabilities acquired in the Thorn acquisition, resulting in a decrease in its deferred tax asset of $3.8 million and a corresponding increase in goodwill.

NOTE K--COMMITMENTS AND CONTINGENCIES

The Company leases its office and store facilities and certain delivery vehicles. Rental expense was $51.4 million, $96.8 million and $105.6 million for 1998, 1999 and 2000, respectively. Future minimum rental payments under operating leases with remaining non-cancelable lease terms in excess of one year at December 31, 2000 are as follows:

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2001	$102,713
2002	101,358
2003	97,323
2004	96,121
2005	92,219
Thereafter	7,800
	$497,534

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

Murray v. Rent-A-Center, Inc. In May 1999, the plaintiffs filed this class action lawsuit in Missouri, alleging that the Company discriminated against African Americans in its hiring, compensation, promotion and termination policies. Plaintiffs alleged no specific amount of damages in their complaint. The Company believes that the plaintiffs' claims are without merit and intends to vigorously defend this action. However, given the early stage of this proceeding, there can be no assurance that the Company will prevail without liability.

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

Wisconsin Attorney General Proceeding. In August 1999, the Wisconsin Attorney General filed suit against the Company and its subsidiary ColorTyme in Wisconsin, alleging that its rent-to-rent transaction violates the Wisconsin Consumer Act and the Wisconsin Deceptive Advertising Statute. The Attorney General seeks injunctive relief, restoration of any losses suffered by any Wisconsin Consumer harmed and civil forfeitures and penalties. The Company intends to vigorously defend itself in this matter, and while there can be no assurance that the Company will prevail without liability, the Company believes the ultimate resolution will not have a material adverse effect.

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 the Company in federal court in East St. Louis, Illinois by Claudine Wilfong and sixteen plaintiffs, alleging that it engaged in class-wide gender discrimination following its acquisition of Thorn Americas. In December 2000, a similar suit filed by Margaret Bunch in federal court in the Western District of Missouri was amended to allege similar class action claims. The allegations underlying these matters involve charges of wrongful termination, constructive discharge, disparate treatment and disparate impact. The Company intends to vigorously defend itself in this matter. However, given the early stage of these proceedings, there can be no assurance that the Company will prevail without liability.

An adverse ruling in one or more of the aforementioned cases could have a material and adverse effect on the Company's consolidated financial statements; however, the Company believes its accrual for litigation costs of $14.8 million at December 31, 2000 is sufficient for its expected liabilities for the aforementioned cases and other cases.

During 1999, the Company funded the $11.5 million settlement of its two existing class action lawsuits in New Jersey, together with the $48.5 million settlement of Robinson v. Thorn Americas, Inc. The settlement of the Company's existing litigation resulted in a charge to earnings in 1998, classified as class action legal settlements. In addition, the Company settled and funded Anslono v. Thorn Americas, Inc. during 2000. Both the Robinson and Anslono cases were acquired in the Thorn acquisition, and the Company made appropriate purchase accounting adjustments for liabilities associated with this litigation. Under the terms of these settlements the Company was entitled to receive refunds for unlocated class members. During 2000, the Company received refunds totaling approximately $22.4 million which are presented as class action litigation settlements.

In addition, Fogie v. Thorn Americas, Inc., was acquired in the Thorn acquisition; however, the Company received full indemnification from the seller for any incurred losses. In December 1991, the plaintiffs filed this class action in Minnesota alleging that Thorn's rent-to-own contracts violated Minnesota's Consumer Credit Sales Act and the Minnesota General Usury Statute. In April 1998, the court entered a final judgment against

Thorn for approximately $30.0 million. Following an unsuccessful appeal in August 1999, Thorn plc deposited the judgment amount in an escrow account supervised by plaintiff's counsel and the court in October 1999.

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

As part of the ongoing financing arrangement with a credit corporation, ColorTyme's franchisees can obtain debt financing. ColorTyme provides a limited guarantee for amounts outstanding under this arrangement.

NOTE L--STOCK BASED COMPENSATION

The Company's 1994 long-term incentive plan (the Plan) for the benefit of certain key employees and directors provides the Board of Directors broad discretion in creating employee equity incentives. Under the plan, up to 6,200,000 shares of the Company's common shares may be reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to employees under the plan become exercisable over a period of one to five years from the date of grant and may be exercised up to a maximum of 10 years from date of grant. Options granted to directors are exercisable immediately. There have been no grants of stock appreciation rights and all options have been granted with fixed prices. At December 31, 2000, there were 873,163 options available for issuance under the Plan.

Information with respect to stock option activity is as follows:

	1998		1999		2000	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	1,324,250	$16.39	3,493,763	$23.96	3,590,038	$23.57
Granted	2,680,000	26.65	2,042,250	24.42	1,782,500	24.40
Exercised	(168,862)	8.95	(173,875)	12.05	(427,700)	21.34
Forfeited	(341,625)	18.28	(1,772,100)	24.81	(1,154,563)	23.60
Outstanding at end of year	3,493,763	$23.96	3,590,038	$23.57	3,790,275	$24.32
Options exercisable at end of year	377,263	$16.43	819,739	$20.78	1,097,961	$23.04

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The weighted average fair value per share of options granted during 1998, 1999 and 2000 was $15.22 $14.38, and $14.97, respectively, all of which were granted at market value. Information about stock options outstanding at December 31, 2000 is summarized as follows:

	OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$3.34 to $6.67	95,450	4.32 years	$ 6.53
$6.68 to $18.50	660,250	8.28 years	$16.27
$18.51 to $28.50	2,319,450	8.21 years	$24.75
$28.51 to $33.88	715,125	9.21 years	$32.73
	3,790,275		

	OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$3.34 to $6.67	96,650	$ 6.53
$6.68 to $18.50	169,300	$16.35
$18.51 to $28.50	747,636	$25.85
$28.51 to $30.50	84,375	$30.50
	1,097,961	

During 2000 the Company charged $65,000 to expense as a result of 25,000 options granted to non-employees for services.

The Company has adopted only the disclosure provisions of SFAS 123 for employee stock options and continues to apply APB 25 for stock options granted under the Plan. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. Compensation costs for all other stock-based compensation is accounted for under SFAS 123. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for options under the Plan consistent with the methodology prescribed by SFAS 123, the Company's 1998, 1999 and 2000 net earnings and earnings per common share would be reduced to the pro forma amounts indicated as follows:

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net earnings allocable to common stockholders			
As reported	$20,804	$49,316	$92,607
Pro forma	17,580	41,011	82,335
Basic earnings per common share			
As reported	$ 0.84	$ 2.04	$ 3.79
Pro forma	0.71	1.69	3.37
Diluted earnings per common share			
As reported	$ 0.83	$ 1.74	$ 2.96
Pro forma	0.70	1.50	2.67

The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected volatility of 50% to 70%; risk-free interest rates of 5.55%, 6.50% and 6.0% to 6.77% in 1998, 1999, and 2000, respectively; no dividend yield; and expected lives of seven years.

NOTE M--401(k) PLAN

The Company sponsors a defined contribution pension plan under Section 401(k) of the Internal Revenue Code for all employees who have completed three months of service. Employees may elect to contribute up to 20% of their eligible compensation on a pre-tax basis, subject to limitations. The Company may make discretionary matching contributions to the plan. During 1998, 1999 and 2000, the Company made matching contributions of $1,393,386, $2,283,575, and $2,453,639, respectively, which represents 50% of the employees' contributions to the plan up to an amount not to exceed 4% of each employee's respective compensation.

NOTE N--FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, senior debt and subordinated notes payable. The carrying amount of cash and cash equivalents approximates fair value at December 31, 1999 and 2000, because of the short maturities of these instruments. The Company's senior debt is variable rate debt that reprices frequently and entails no significant change in credit risk, and as a result, fair value approximates carrying value. The fair value of the subordinated notes payable is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. At December 31, 2000 the fair value of the subordinated notes was $169.8 million, which is $5.2 million below their carrying value of $175.0 million. Information relating to the fair value of the Company's interest rate swap agreements is set forth in Note F.

NOTE O--EARNINGS PER COMMON SHARE

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

	NET EARNINGS	SHARES	PER SHARE
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
YEAR ENDED DECEMBER 31, 1998			
Basic earnings per common share	$ 20,804	24,698	$ 0.84
Effect of dilutive stock options	--	405	
Diluted earnings per common share	$ 20,804	25,103	$ 0.83
YEAR ENDED DECEMBER 31, 1999			
Basic earnings per common share	$ 49,316	24,229	$ 2.04
Effect of dilutive stock options	--	319	
Effect of preferred dividend	10,039	9,583	
Diluted earnings per common share	$ 59,355	34,131	$ 1.74
YEAR ENDED DECEMBER 31, 2000			
Basic earnings per common share	$ 92,607	24,432	$ 3.79
Effect of dilutive stock options	--	433	
Effect of preferred dividend	10,420	9,947	
Diluted earnings per common share	$103,027	34,812	$ 2.96

	NET EARNINGS	SHARES	PER SHARE
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
THREE MONTHS ENDED MARCH 31, 2000 (UNAUDITED)			
Basic earnings per common share	$ 18,335	24,311	$ 0.75
Effect of dilutive stock options	--	117	
Effect of preferred dividend	2,554	9,808	
Diluted earnings per common share	$ 20,889	34,236	$ 0.61
THREE MONTHS ENDED MARCH 31, 2001 (UNAUDITED)			
Basic earnings per common share	$ 22,368	24,959	$ 0.90
Effect of dilutive stock options	--	1,235	
Effect of preferred dividend	2,630	10,181	
Diluted earnings per common share	$ 24,998	36,375	$ 0.69

The assumed conversion of the redeemable convertible preferred stock issued in 1998 would have an anti-dilutive effect on diluted earnings per common share for 1998 and accordingly has been excluded from the computation thereof.

For the three years ended December 31, 1998, 1999 and 2000 and for the three months ended March 31, 2000 and 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 the common stock and, therefore anti-dilutive, was 498,201, 1,707,947, 1,485,118, 3,183,500 and 0, respectively.

NOTE P--UNAUDITED QUARTERLY DATA

Summarized quarterly financial data for 1999 and 2000 is as follows:

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
YEAR ENDED DECEMBER 31, 1999				
Revenues	$344,697	$351,421	$350,420	$370,629
Operating profit	41,702	45,788	48,960	53,573
Net earnings	12,027	13,891	15,597	17,840
Basic earnings per common share	0.40	0.47	0.54	0.63
Diluted earnings per common share	0.35	0.41	0.46	0.52

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
YEAR ENDED DECEMBER 31, 2000(1)				
Revenues	$392,526	$392,245	$404,968	$411,875
Operating profit	58,552	84,184	63,720	60,557
Net earnings	20,889	34,621	23,901	23,616
Basic earnings per common share	0.75	1.32	0.87	0.85
Diluted earnings per common share	0.61	1.00	0.68	0.67

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(1) Includes the effects of a pre-tax, non-recurring legal reversion of $22.4 million associated with the settlement of three class action lawsuits in the state of New Jersey in the second quarter of 2000.

NOTE Q--RELATED PARTY TRANSACTIONS

On August 18, 1998, the Company repurchased 990,099 shares of its common stock for $25 million from J. Ernest Talley, its Chairman of the Board and Chief Executive Officer. The repurchase of Mr. Talley's stock was approved by the Company's Board of Directors on August 5, 1998. The price was determined by a pricing committee, and was approved by the Board of Directors of the Company, with Mr. Talley abstaining. The pricing committee met on August 17, 1998, after the close of the markets, and Mr. Talley's shares were repurchased at the price of $25.25 per share, the closing price of the Company's common stock on August 17, 1998.

[RENT-A-CENTER, INC. LOGO]

PART II: INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is a statement of estimated expenses we have incurred in connection with this offering, other than underwriting discounts and commissions.

	AMOUNT
SEC registration fee	$ 47,517
NASD filing fee	19,507
Printing and engraving fees and expenses	90,000
Legal fees and expenses	275,000
Accounting fees and expenses	25,000
Blue Sky fees and expenses	7,500
Nasdaq National Market listing fee	10,000
Miscellaneous	10,976
Total	$485,500

ITEM 15. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

DELAWARE GENERAL CORPORATION LAW ("DGCL")

Subsection (a) of Section 145 of the Delaware General Corporation Law, or DGCL, empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Subsection (b) of Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145 further provides that to the extent a director or officer of a corporation has been successful on the merits or otherwise in the defense of any such action, suit or proceeding referred to in subsections (a) and (b) of Section 145 or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith; that the indemnification provided for by Section 145 shall not be deemed exclusive of any other rights which the indemnified party may be entitled; that indemnification provided by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators; and empowers the corporation to purchase and maintain insurance on behalf of a director or officer of the corporation against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liabilities under Section 145.

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

Our certificate of incorporation provides that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to us or our stockholders,

- for acts or occasions not in good faith or which involve intentional misconduct or a knowing violation of law,

- in respect of certain unlawful dividend payments or stock purchases or redemptions; or

- for any transaction from which the director derived an improper personal benefit.

If the DGCL is amended to authorize the further elimination or limitation of the liability of directors, then the liability of our directors, in addition to the limitation on personal liability provided in our certificate of incorporation, will be limited to the fullest extent permitted by the DGCL. Further, such provision of our certificate of incorporation is repealed or modified by your stockholders, such repeal or modification will be prospective only, and will not adversely affect any limitation on the personal liability of our directors arising from an act or omission occurring prior to the time of such repeal or modification.

AMENDED AND RESTATED BYLAWS

Our bylaws provide that we shall indemnify and hold harmless our directors threatened to be or made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was our director, whether the basis of such a proceeding is alleged action in such person's official capacity or in another capacity while holding such office, to the fullest extent authorized by the DGCL or any other applicable law, against all expense, liability and loss actually and reasonably incurred or suffered by such person in connection with such proceeding, so long as a majority of a quorum of disinterested directors, the stockholders or legal counsel through a written opinion determines that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interests, and in the case of a criminal proceeding, such person had no reasonable cause to believe his conduct was unlawful. Such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity thereunder and shall inure to the benefit of his or her heirs, executors and administrators. Our bylaws also contain certain provisions designed to facilitate receipt of such benefits by any such persons, including the prepayment of any such benefit.

INDEMNIFICATION AGREEMENTS

We have also entered into Indemnification Agreements in which we have agreed to indemnify some of our directors and officers against judgments, claims, damages, losses and expenses incurred as a result of the fact that any director or officer, in his capacity as such, is made or threatened to be made a party to any suit or proceeding. Such directors and officers will be indemnified to the fullest extent now or hereafter permitted by the DGCL. The Indemnification Agreements also permit us to advance certain expenses to such directors and officers in connection with any such suit or proceeding.

INSURANCE

We have obtained a directors' and officers' liability insurance policy insuring our directors and officers against certain losses resulting from wrongful acts committed by them as our directors and officers, including liabilities arising under the Securities Act.

ITEM 16. EXHIBITS.

(1) Exhibits

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
1.1*	-- Form of underwriting agreement.
4.1(1)	-- Form of Certificate evidencing Common Stock
5.1*	-- Form of opinion of Winstead Sechrest & Minick P.C. regarding legality of the securities offered
23.1*	-- Consent of Grant Thornton LLP
23.2*	-- Consent of Winstead Sechrest & Minick P.C. (included in Exhibit 5.1 hereto)
24.1	-- Power of Attorney (included on signature page of this registration statement)

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* Filed herewith

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

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim of indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(i) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective; and

(ii) For purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offering therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Plano, State of Texas, on May 10, 2001.

RENT-A-CENTER, INC.

By: /s/ J. ERNEST TALLEY
J. Ernest Talley
Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ J. ERNEST TALLEY J. Ernest Talley	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	May 10, 2001
* Mitchell E. Fadel	Director	May 10, 2001
* L. Dowell Arnette	Director	May 10, 2001
/s/ ROBERT D. DAVIS Robert D. Davis	Senior Vice President--Finance, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	May 10, 2001
* Laurence M. Berg	Director	May 10, 2001
* Peter P. Copses	Director	May 10, 2001
J.V. Lentell	Director	
Joseph V. Mariner, Jr.	Director	
* Mark E. Speese	Director	May 10, 2001

*By: /s/ ROBERT D. DAVIS
Power of Attorney

EXHIBIT INDEX

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24.1	-- Power of Attorney (included on signature page of this registration statement)

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

* Filed herewith

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

EXHIBIT 1.1

3,200,000 SHARES

RENT-A-CENTER, INC.

COMMON STOCK, PAR VALUE $.01 PER SHARE

UNDERWRITING AGREEMENT

___________, 2001

_____________, 2001

Morgan Stanley & Co. Incorporated
Bear Stearns & Co. Inc.
Lehman Brothers Inc.
The Robinson-Humphrey Company, LLC
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Ladies and Gentlemen:

Rent-A-Center, Inc., a Delaware corporation (the "COMPANY"), proposes to issue and sell to the several Underwriters named in Schedule II hereto (the "UNDERWRITERS"), and certain shareholders of the Company (the "SELLING SHAREHOLDERS") named in Schedule I hereto severally propose to sell to the several Underwriters, an aggregate of 3,200,000 shares of the Common Stock, par value $.01 per share, of the Company (the "FIRM SHARES"), of which 1,000,000 shares are to be issued and sold by the Company and 2,200,000 shares are to be sold by the Selling Shareholders, each Selling Shareholder selling the amount set forth opposite such Selling Shareholder's name in Schedule I hereto.

The Company also proposes to issue and sell to the several Underwriters, and certain Selling Shareholders named in Schedule I hereto severally propose to sell to the several Underwriters an aggregate of not more than an additional 480,000 shares of the Common Stock, par value $.01 per share (the "ADDITIONAL SHARES"), if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. To the extent the Underwriters elect to purchase the full number of Additional Shares, up to 150,000 shares will be issued and sold by the Company and up to 330,000 shares will be sold by the Selling Shareholders as set forth in Schedule I. To the extent the Underwriters elect to purchase less than the full number of Additional Shares, such shares shall be sold pro rata, subject to rounding, by each of the Company and the Selling Shareholders selling Additional Shares. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES." The shares of Common Stock, par value $.01 per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "COMMON STOCK." The Company and the Selling Shareholders are hereinafter sometimes collectively referred to as the "SELLERS."

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES ACT"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "PROSPECTUS" (all references herein to the Registration Statement and the Prospectus shall include all documents incorporated therein by reference (the "INCORPORATED DOCUMENTS")). If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement.

1. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and, in the case of the Incorporated Documents, the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) Each subsidiary of the Company named in Schedule III hereto (each, a "SUBSIDIARY") has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole; all of the issued shares of capital stock of each Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims, except those liens and encumbrances securing the Company's obligations under that certain Credit Agreement, dated August 5, 1999, as amended and restated as of June 29, 2000, among the Company, and the lenders and the agents named therein, as amended from time to time (the "SENIOR CREDIT FACILITIES").

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(g) The shares of Common Stock (including the Shares to be sold by the Selling Shareholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable.

(h) The Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(i) Except for the provisions of certain agreements that have been duly and properly waived by the parties thereto, the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its Subsidiaries that is material to the Company and its Subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any Subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body, agency or court is required for the execution, delivery and performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(j) Since the date as of which information is given in the Prospectus, except as otherwise stated therein, (i) there has been no material adverse change or any development involving a prospective material adverse change in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company or any of its Subsidiaries, whether or not arising in the ordinary course of business, (ii) the Company and its Subsidiaries have not incurred any material liability or obligation, direct or contingent, other than in the ordinary course of business, (iii) the Company and its Subsidiaries have not entered into any material transaction other than in the ordinary course of business and (iv) there has not been any change in the capital stock or long-term debt of the Company or any of its Subsidiaries, or any dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(k) There are no legal or governmental proceedings pending or threatened to which the Company or any of its Subsidiaries is a party or to which any of the properties of the Company or any of its Subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the

Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(l) The financial statements, including the notes thereto, included in the Registration Statement and the Prospectus present fairly in all material respects the financial position of the entities purported to be shown thereby at the respective dates indicated and the results of operations for the respective periods specified, and, except as otherwise stated in the Registration Statement, such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(m) The Company and its Subsidiaries possess all material licenses, certificates, authorizations and permits issued by, and have made all declarations and filings with, the appropriate federal, state or foreign regulatory agencies or bodies that are necessary or desirable for the ownership of their respective properties or the conduct of their respective businesses as described in the Prospectus, except where the failure to possess or make the same would not, singularly or in the aggregate, have a material adverse effect on the Company and its Subsidiaries taken as a whole, and neither the Company nor any of its Subsidiaries has received notification of any revocation or modification of any such license, certificate, authorization or permit or has any reason to believe that any such license, certificate, authorization or permit will not be renewed in the ordinary course.

(n) The Company and its Subsidiaries have filed all federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof and have paid all taxes due thereon, except such returns, which individually or in the aggregate, do not involve material amounts or where the failure to file such returns by the Company and its Subsidiaries, as the case may be, would not, individually or in the aggregate have a material adverse effect on such entity, and no tax deficiency has been determined adversely to the Company or any of its Subsidiaries, as the case may be, which has had (nor does the Company or any of its Subsidiaries have any knowledge of any tax deficiency which, if determined adversely to the Company or any of its Subsidiaries, as the case may be, could reasonably be expected to have) a material adverse effect on the Company and its Subsidiaries taken as a whole, except to the extent that the validity thereof is being contested in good faith pursuant to appropriate proceedings.

(o) Each preliminary prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act (each, a "PRELIMINARY PROSPECTUS"), complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(p) The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(q) The Company and its Subsidiaries maintain insurance of the types and in the amounts generally deemed adequate for their businesses and consistent with insurance coverage maintained by similar companies and businesses, all of which insurance is in full force and effect.

(r) The Company and its Subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses; and the Company and its Subsidiaries have not received any notice of any claim of conflict with, any such rights of others, except for such notices of conflicts, which, if individually or in the aggregate determined adversely to the Company or any of its Subsidiaries, as the case may be, would not have a material adverse effect on the Company and its Subsidiaries taken as a whole.

(s) The Company and its Subsidiaries have good and marketable title to, or have valid rights to lease or otherwise use, all items of real and personal property which are material to the business of the Company and, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except such as (i) do not materially interfere with the use made and proposed to be made of such property by the Company and its Subsidiaries, (ii) could not reasonably be expected to have a material adverse effect on the Company and its Subsidiaries taken as a whole or (iii) are securing the Senior Credit Facilities.

(t) No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in a Preliminary Prospectus or the Prospectus has been made or reaffirmed without, in light of the circumstances under which such statements were made, a reasonable basis or has been disclosed other than in good faith or (iii) are securing the Company's and the Subsidiaries' obligations under the Senior Credit Facilities.

(u) There are no costs or liabilities associated with any applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS") (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

(v) Except as otherwise disclosed in the Registration Statement or the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or, except to the extent properly waived, to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

2. Representations and Warranties of the Selling Shareholders. Each of the Selling Shareholders severally represents and warrants to and agrees with each of the Underwriters that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Shareholder.

(b) The execution and delivery by such Selling Shareholder of, and the performance by such Selling Shareholder of its obligations under, this Agreement, the Custody Agreement signed by such Selling Shareholder and Mellon Investor Services LLC, as Custodian, relating to the deposit of the Shares to be sold by such Selling Shareholder (the "CUSTODY AGREEMENT") and the Power of Attorney appointing certain individuals as such Selling Shareholder's attorneys-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the "POWER OF ATTORNEY") will not contravene any provision of applicable law, or the certificate of incorporation or by-laws of such Selling Shareholder (if such Selling Shareholder is a corporation), or the limited partnership agreement of such Selling Shareholder (if such Selling Shareholder is a limited partnership) or any agreement or other instrument binding upon such Selling Shareholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c) Such Selling Shareholder has, and on the Closing Date will have, valid title to the Shares to be sold by such Selling Shareholder and the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Custody Agreement and the Power of Attorney and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder.

(d) The Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by such Selling Shareholder and are valid and binding agreements of such Selling Shareholder.

(e) Delivery of the Shares to be sold by such Selling Shareholder pursuant to this Agreement will pass title to such Shares free and clear of any security interests, claims, liens, equities and other encumbrances.

(f) (i) To the knowledge of such Selling Shareholder, the Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and, in the case of the Incorporated Documents, the Exchange Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph 2(f) do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

3. Agreements to Sell and Purchase. Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter,

upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from such Seller at $______ a share (the "PURCHASE PRICE") the number of Firm Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the number of Firm Shares to be sold by such Seller as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Sellers, severally agree to sell to the Underwriters the Additional Shares as set forth on Schedule I, and the Underwriters shall have a one-time right to purchase, severally and not jointly, such Additional Shares at the Purchase Price. To the extent the Underwriters elect to purchase less than the full number of Additional Shares, such shares shall be sold pro rata, subject to rounding, by each of the Company and the Selling Shareholders selling Additional Shares. If you, on behalf of the Underwriters, elect to exercise such option, you shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

Each Seller hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, distribute to members or partners or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) transactions by any person other than the

Company relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the offering of the Shares, (C) the Common Stock issuable upon conversion of the Company's Series A preferred stock, par value $.01 per share (the "SERIES A PREFERRED STOCK"), (D) options granted or stock issued upon the exercise of outstanding stock options or otherwise pursuant to the Company's stock incentive or employee stock purchase plans, (E) bona fide gifts of Common Stock; provided that each recipient of any such gift shall deliver an executed copy of this Agreement to the Underwriters prior to or contemporaneously with such transaction, (F) the sale or transfer of shares of securities, in connection with a sale of the Company pursuant to an offer made on substantially the same terms to all Company shareholders of which the Underwriters have been advised in writing or (G) with the prior consent of Morgan Stanley & Co. Incorporated, securities issued by the Company in connection with an acquisition of a business or assets; provided that Morgan Stanley & Co. Incorporated agrees to respond to any request for its consent pursuant to this clause (G) as soon as reasonably practicable after its Equity Capital Markets Desk has been notified of such request. In addition, each Selling Shareholder, agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

4. Terms of Public Offering. The Sellers are advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Sellers are further advised by you that the Shares are to be offered to the public initially at $___ a share (the "PUBLIC OFFERING PRICE") and to certain dealers selected by you at a price that represents a concession not in excess of $____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may allow, a concession, not in excess of $___ a share, to any Underwriter or to certain other dealers.

5. Payment and Delivery. Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on ____________, 2001, or at such other time on the same or such other date, not later than _________, 2001, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "CLOSING DATE."

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at

10:00 a.m., New York City time, on the date specified in the notice described in Section 3 or at such other time on the same or on such other date, in any event not later than _______, 2001, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "OPTION CLOSING DATE."

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

6. Conditions to the Underwriters' Obligations. The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 4:00 p.m. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its Subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 6(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Winstead Sechrest & Minick P.C., outside counsel for the Company, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole;

(ii) each Subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole;

(iii) the authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus;

(iv) the shares of Common Stock (including the Shares to be sold by the Selling Shareholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable;

(v) all of the issued shares of capital stock of each Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims, except those liens and encumbrances securing the Company's obligations under the Senior Credit Facilities;

(vi) the Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights;

(vii) this Agreement has been duly authorized, executed and delivered by the Company;

(viii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its Subsidiaries that is material to the Company and its Subsidiaries, taken as a whole, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any Subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(ix) the statements (A) in the Prospectus under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Senior Credit Facilities," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Senior Subordinated

Notes," "Business-Government Regulation," "Business-Legal Proceedings," "Description of Capital Stock," and "Underwriters" and (B) in the Registration Statement in Item 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein pertaining to the Company or any of its Subsidiaries, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(x) such counsel shall also state, after due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company or any of its Subsidiaries is a party or to which any of the properties of the Company or any of its Subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(xi) that the Company and its Subsidiaries possess all material licenses, certificates, authorizations and permits issued by, and have made all declarations and filings with, the appropriate federal, state or foreign regulatory agencies or bodies which are necessary or desirable for the ownership of their respective properties or the conduct of their respective businesses as described in the Prospectus, except where the failure to possess or make the same would not, singularly or in the aggregate, have a material adverse effect on the Company and its Subsidiaries taken as a whole, and neither the Company nor any of its Subsidiaries has received notification of any revocation or modification of any such license, certificate, authorization or permit or has any reason to believe that any such license, certificate, authorization or permit will not be renewed in the ordinary course;

(xii) the Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(xiii) such counsel shall also state that (A) such counsel believes that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any belief) comply as to form in all material respects with the Securities Act and, in the case of the Incorporated Documents, the Exchange Act and the applicable rules and regulations of the Commission thereunder, (B) such counsel has no reason to believe that (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any belief) the Registration Statement and the Prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) such counsel has no reason to believe that (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(xiv) the Conversion Price (as defined in the Certificate of Designations, Preferences and Relative Rights and Limitations relating to the Series A Preferred Stock) as of the date hereof is $27.935.

(d) The Underwriters shall have received on the Closing Date an opinion of Winstead Sechrest & Minick P.C., counsel for the Selling Shareholders, dated the Closing Date, to the effect that:

(i) this Agreement has been duly authorized, executed and delivered by or on behalf of each of the Selling Shareholders;

(ii) the execution and delivery by each Selling Shareholder of, and the performance by such Selling Shareholder of its obligations under, this Agreement and the Custody Agreement and Powers of Attorney of such Selling Shareholder will not contravene any provision of applicable law, or the certificate of incorporation or by-laws of such Selling Shareholder (if such Selling Shareholder is a corporation), or the limited partnership agreement of such Selling Shareholder (if such Selling Shareholder is a limited partnership) or, to the best of such counsel's knowledge, any agreement or other instrument binding upon such Selling Shareholder or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with offer and sale of the Shares;

(iii) each of the Selling Shareholders has valid title to the Shares to be sold by such Selling Shareholder and the legal right and power, and all authorization and approval required by law, to enter into this Agreement and the Custody Agreement and Power of Attorney of such Selling Shareholder and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder;

(iv) the Custody Agreement and the Power of Attorney of each Selling Shareholder have been duly authorized, executed and delivered by such Selling Shareholder and are valid and binding agreements of such Selling Shareholder;

(v) delivery of the Shares to be sold by each Selling Shareholder pursuant to this Agreement will pass title to such Shares free and clear of any security interests, claims, liens, equities and other encumbrances; and

(vi) such counsel shall also state that (A) such counsel believes that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any belief) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) such counsel has no reason to believe that (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any belief) the Registration Statement and the Prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) such counsel has no reason to believe that (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The Underwriters shall have received on the Closing Date an opinion of Davis Polk & Wardwell, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 6(c)(vi), 6(c)(vii), 6(c)(ix) (but only as to the statements in the Prospectus under "Description of Capital Stock" and "Underwriters") and 6(c)(xiii)(B) and (C) above.

With respect to Section 6(c)(xiii) above, Winstead Sechrest & Minick P.C. and Davis Polk & Wardwell and with respect to Section 6(d)(vi) above, Winstead Schrest & Minick P.C., may state that their opinion and belief are based upon their participation in the preparation of the Incorporated Documents (in the case of Winstead Sechrest & Minick P.C.), the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified. With respect to Section 4(c) above, Winstead Sechrest & Minick P.C. may, with respect to factual matters and to the extent such counsel deems appropriate, upon representations of the Company contained herein and in the Custody Agreement of officers of the Company. With respect to Section 6(d) above, Winstead Sechrest & Minick P.C. may rely upon an opinion or opinions of counsel for any Selling Shareholders and, with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of each Selling Shareholder contained herein and in the Custody Agreement and Power of Attorney of such Selling Shareholder and in other documents and instruments; provided that (A) each such counsel for the Selling Shareholders is satisfactory to your counsel, (B) a copy of each opinion so relied upon is delivered to you and is in form and substance satisfactory to your counsel, (C) copies of such Custody Agreements and Powers of Attorney and of any such other documents and instruments shall be delivered to you and shall be in form and substance satisfactory to your counsel and (D)Winstead Sechrest & Minick P.C. shall state in their opinion that they are justified in relying on each such other opinion.

The opinions of Winstead Sechrest & Minick P.C. described in Sections 6(c) and 6(d) above (and any opinions of counsel for any Selling Shareholder referred to in the immediately preceding paragraph) shall be rendered to the Underwriters at the request of the Company or one or more of the Selling Shareholders, as the case may be, and shall so state therein.

(f) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Grant Thornton LLP, independent certified public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof; provided further that such letter shall include as an attachment a copy of a report issued by such accountants under Standards for Attestation Engagements 8 on the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Prospectus.

(g) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, executive officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(h) The Underwriters shall have received on the Closing Date (i) a letter from the holders of the Series A Preferred Stock stating that no conversion of the Company's Series B Preferred Stock into Series A Preferred Stock prior to the date hereof has constituted or will constitute an event triggering an adjustment to the Conversion Price (as defined in the Certificate of Designations, Preferences and Relative Rights and Limitations relating to the Series A Preferred Stock) and that payment-in-kind dividends issued to such holders with respect to such Series A Preferred Stock have not constituted and will not constitute an event triggering an adjustment to the Conversion Price, which letter shall contain an undertaking by the holders of outstanding shares of the Series A Preferred Stock as of the date hereof to inform all subsequent holders thereof.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

7. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, four signed copies of the Registration Statement (including exhibits thereto and the Incorporated Documents) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto but including the Incorporated Documents) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(c) below, as many copies of the Prospectus, any Incorporated Documents and any supplements and amendments thereto or to the Registration Statement as you may reasonably request. The terms "supplement" and "amendment" or "amend" as used in this Agreement shall include the Incorporated Documents.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending June 30, 2002 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

8. Expenses. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Sellers agree to pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel, the Company's accountants and counsel for the Selling Shareholders in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, and (ix) all other costs and expenses incident to the performance of the obligations of the Company

hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 9 entitled "Indemnity and Contribution", and the last paragraph of Section 11 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

The provisions of this Section shall not supersede or otherwise affect any agreement that the Sellers may otherwise have for the allocation of such expenses among themselves.

9. Indemnity and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein; provided that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company, with Section 7(a) hereof.

(b) Each Selling Shareholder agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement, the Underwriters, and each person, if any, who controls the Company or the Underwriters, as the case may be, within the meaning of either

Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Selling Shareholder furnished in writing by or on behalf of such Selling Shareholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Shareholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any Selling Shareholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), 9(b) or 9(c), such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Selling Shareholders and all persons, if any, who control any Selling Shareholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons of any Underwriters, such firm shall be designated in writing by Morgan Stanley & Co. Incorporated. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Shareholders and such control persons of any Selling Shareholders, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Shareholders under the Powers of Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(e) To the extent the indemnification provided for in Section 9(a), 9(b) or 9(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 9(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(e)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Sellers on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Sellers or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(f) The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company and the Selling Shareholders contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, any Selling Shareholder or any person controlling any Selling Shareholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. Termination. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses 10(a)(i) through 10(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

11. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you, the Company and the Selling Shareholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholders. In any such case either you or the relevant Sellers shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement, the Sellers will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

12. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

RENT-A-CENTER, INC.

By: -------------------------------------
Name:
Title:

The Selling Shareholders named in Schedule I hereto, acting severally

By: -------------------------------------
Attorney-in-Fact

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
Bear, Stearns & Co. Inc.
Lehman Brothers Inc.
The Robinson-Humphrey Company, LLC

Acting severally on behalf of themselves and the several Underwriters named in Schedule II hereto.

By: Morgan Stanley & Co. Incorporated

By: ------------------------------------
Name:
Title:

SCHEDULE I

SELLING SHAREHOLDER	NUMBER OF FIRM SHARES TO BE SOLD	NUMBER OF ADDITIONAL SHARES TO BE SOLD
Mr. J. Ernest Talley	700,000	255,000
Talley Partners, Ltd.	1,000,000	0
Mr. Mark E. Speese	500,000	75,000
Total:..........................	2,200,000	330,000

SCHEDULE II

UNDERWRITER	NUMBER OF FIRM SHARES TO BE PURCHASED
Morgan Stanley & Co. Incorporated	
Bear, Stearns & Co. Inc.	
Lehman Brothers Inc.	
The Robinson-Humphrey Company, LLC	
[NAMES OF OTHER UNDERWRITERS]..........	
Total:..........................	[3,200,000]

SCHEDULE III

SUBSIDIARIES

Advantage Companies, Inc.

ColorTyme, Inc.

EXHIBIT A

[FORM OF LOCK-UP LETTER]

____________, 2001

Morgan Stanley & Co. Incorporated
Bear Stearns & Co. Inc.
Lehman Brothers Inc.
The Robinson-Humphrey Company, LLC
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("MORGAN STANLEY") proposes to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") with Rent-A-Center, Inc., a Delaware corporation (the "COMPANY"), providing for the public offering (the "PUBLIC OFFERING") by the several Underwriters, including Morgan Stanley (the "UNDERWRITERS"), of 3,200,000 shares (the "SHARES") of the Common Stock , $.01 par value per share, of the Company (the "COMMON STOCK").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the final prospectus relating to the Public Offering (the "PROSPECTUS"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, distribute to members or partners or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold pursuant to the Underwriting Agreement, (B) shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering,

(C) bona fide gifts of Common Stock by the undersigned; provided that each recipient of any such gift shall deliver an executed copy of this Agreement to the Underwriters prior to or contemporaneously with such transaction, (D) the sale or transfer of shares of securities, in connection with a sale of the Company pursuant to an offer made on substantially the same terms to all Company shareholders of which the Underwriters have been advised in writing or (E) with the prior consent of Morgan Stanley, securities issued by the Company in connection with an acquisition of a business or assets; provided that Morgan Stanley agrees to respond to any request for its consent pursuant to this clause (E) as soon as reasonably practicable after its Equity Capital Markets Desk has been notified of such request. In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's share of Common Stock except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters. Notwithstanding anything to the contrary herein, this Lock-Up Agreement shall expire if the Public Offering is not consummated on or before July 31, 2001.

Very truly yours,

(Name)

(Address)

EXHIBIT 5.1

[WSM LETTERHEAD]

_______, 2001

Rent-A-Center, Inc.
5700 Tennyson Parkway
Third Floor
Plano, Texas 75024

Re: Rent-A-Center, Inc. - Registration Statement on Form S-3
(File No. 333-58302)

Ladies and Gentlemen:

We have acted as counsel for Rent-A-Center, Inc., a Delaware corporation (the "COMPANY"), in connection with the registration statement on Form S-3 and the amendments thereto (the "REGISTRATION STATEMENT") filed by the Company with the Securities and Exchange Commission (the "COMMISSION") under the Securities Act of 1933, as amended (the "SECURITIES ACT"), covering the offering and sale by the Company of 1,150,000 shares (including the 150,000 shares subject to the over-allotment option granted by the Company, the "PRIMARY SHARES") of the Company's common stock, par value $.01 per share (the "COMMON STOCK"), and by J. Ernest Talley, Mark E. Speese and Talley Partners, Ltd. (the "SELLING STOCKHOLDERS") of 2,530,000 shares (including the 330,000 shares subject to the over-allotment option, the "SECONDARY SHARES") pursuant to the terms of the underwriting agreement (the "UNDERWRITING AGREEMENT") to be executed by the Company, the Selling Stockholders, Morgan Stanley Dean Witter, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and The Robinson-Humphrey Company, LLC, as representatives of the underwriters listed on Schedule I to such agreement (the "UNDERWRITERS").

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary or appropriate for the purposes of our opinion, including: (i) the Registration Statement; (ii) the form of the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement; (iii) the Amended and Restated Certificate of Incorporation of the Company; (iv) the Amended and Restated Bylaws of the Company; and (v) certain resolutions adopted by the Finance Committee of the Board of Directors of the Company and the Board of Directors of the Company, in each case relating to the Registration Statement, the issuance and sale of the Primary Shares, the issuance of the Secondary Shares and related matters.

Based on the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

(i) The Primary Shares have been duly and validly authorized and, when issued and delivered by the Company, and paid for by the Underwriters in accordance with the terms of the Underwriting Agreement, will be validly issued, fully paid and nonassessable; and

(ii) The Secondary Shares have been duly and validly authorized and are validly issued, fully paid and nonassessable.

Our opinions herein are limited in all respects to the General Corporation Law of the State of Delaware, which includes those statutory provisions as well as all applicable provisions of the Delaware Constitution and the reported judicial decisions interpreting such laws, and the federal laws of the United States of America, and we do not express any opinion as to the applicability of or the effect thereon of the laws of any jurisdiction. We express no opinion as to any matter other than as set forth herein, and no opinion may be inferred or implied herefrom.

We are aware that we are referred to under the heading "Legal Matters" in the prospectus forming a part of the Registration Statement, and we hereby consent to such use of our name therein and the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

Very truly yours,

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 9, 2001, accompanying the consolidated financial statements of Rent-A-Center, Inc. and Subsidiaries contained in the Registration Statement on Form S-3 and Prospectus. We consent to the use of the aforementioned report in this Registration Statement on Form S-3 and Prospectus, and to the use of our name as it appears under the caption "Experts."

GRANT THORNTON LLP

Dallas, Texas

May 9, 2001