UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2004

Commission File Number 0-25370

RENT-A-CENTER, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

YES [X]   NO [ ]

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

YES [X]   NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 2004:

Class	Outstanding
Common stock, $.01 par value per share	80,421,963

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Second Supplemental Indenture
Second Amendment to Financing Agreement
Subsidiaries
Certification Pursuant to Section 302
Certification Pursuant to Section 302
Certification Pursuant to Section 906
Certification Pursuant to Section 906

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Three months ended March 31,	
	2004	2003
	Unaudited	
Revenues		
Store		
Rentals and fees	$ 504,290	$ 493,419
Merchandise sales	59,423	52,664
Installment sales	6,698	6,045
Other	1,080	715
Franchise		
Merchandise sales	12,464	12,072
Royalty income and fees	1,425	1,491
	585,380	566,406
Operating expenses		
Direct store expenses		
Depreciation of rental merchandise	108,315	106,660
Cost of merchandise sold	39,611	36,548
Cost of installment sales	3,145	3,231
Salaries and other expenses	309,084	292,496
Franchise cost of merchandise sold	11,892	11,551
	472,047	450,486
General and administrative expenses	18,186	16,756
Amortization of intangibles	2,488	2,873
Total operating expenses	492,721	470,115
Operating profit	92,659	96,291
Interest expense	10,359	13,523
Interest income	(1,503)	(771)
Earnings before income taxes	83,803	83,539
Income tax expense	31,594	32,580
NET EARNINGS	52,209	50,959
Preferred dividends	—	—
Net earnings allocable to common stockholders	$ 52,209	$ 50,959
Basic earnings per common share	$ 0.65	$ 0.58
Diluted earnings per common share	$ 0.63	$ 0.57

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	March 31, 2004	December 31, 2003
	Unaudited	
ASSETS		
Cash and cash equivalents	$ 273,391	$ 143,941
Accounts receivable, net	15,506	14,949
Prepaid expenses and other assets	42,444	70,702
Rental merchandise, net		
On rent	557,484	542,909
Held for rent	140,418	139,458
Property assets, net	120,831	121,909
Goodwill, net	796,779	788,059
Intangible assets, net	7,821	9,375
	$1,954,674	$ 1,831,302
LIABILITIES		
Accounts payable – trade	$ 96,124	$ 72,708
Accrued liabilities	208,798	132,844
Deferred income taxes	108,383	132,918
Senior debt	397,000	398,000
Subordinated notes payable, net of discount	300,000	300,000
Redeemable convertible voting preferred stock	2	2
	1,110,307	1,036,472
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 125,000,000 shares authorized; 101,571,531 and 101,148,417 shares issued in 2004 and 2003, respectively	1,016	1,012
Additional paid-in capital	578,318	572,628
Retained earnings	662,139	609,930
Treasury stock, 21,292,591 and 21,020,041 shares at cost in 2004 and 2003, respectively	(397,106)	(388,740)
	844,367	794,830
	$1,954,674	$ 1,831,302

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three months ended March 31, 2004	2003
	Unaudited	
Cash flows from operating activities		
Net earnings	$ 52,209	$ 50,959
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	108,315	106,660
Depreciation of property assets	11,249	10,120
Amortization of intangibles	2,488	2,873
Amortization of financing fees	212	262
Deferred income taxes	(24,535)	(10,430)
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(119,650)	(117,896)
Accounts receivable, net	(557)	(3,525)
Prepaid expenses and other assets	28,294	15,422
Accounts payable – trade	23,416	35,931
Accrued liabilities	75,954	34,414
Net cash provided by operating activities	157,395	124,790
Cash flows from investing activities		
Purchase of property assets	(13,418)	(9,245)
Proceeds from sale of property assets	3,246	223
Acquisitions of businesses, net of cash acquired	(14,101)	(91,065)
Net cash used in investing activities	(24,273)	(100,087)
Cash flows from financing activities		
Purchase of treasury stock	(8,366)	(13,438)
Exercise of stock options	5,694	6,163
Repayments of debt	(1,000)	—
Net cash used in financing activities	(3,672)	(7,275)
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,450	17,428
Cash and cash equivalents at beginning of period	143,941	85,723
Cash and cash equivalents at end of period	$ 273,391	$ 103,151
Supplemental cash flow information		
Cash paid during the period for:		
Interest	$ 3,727	$ 20,839
Income taxes	$ 592	$ 2,569
Supplemental schedule of non-cash investing and financing activities		
Fair value of assets acquired	$ 14,101	$ 91,065
Cash paid	$ 14,101	$ 91,065

During the first three months of 2004 and 2003, the Company paid dividends on its preferred stock of approximately $19 in cash.

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

   At March 31, 2004, we operated 2,671 company-owned stores nationwide and in Canada and Puerto Rico, including 22 stores in Wisconsin operated by a subsidiary, Get It Now, LLC, under the name "Get It Now", and five stores in Canada operated by a subsidiary, Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Rent-A-Center's primary operating segment consists of leasing household durable goods to customers on a rent-to-own basis. Get It Now offers merchandise on an installment sales basis in Wisconsin.

   ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At March 31, 2004, ColorTyme had 323 franchised stores operating in 40 states. ColorTyme's primary source of revenues is the sale of rental merchandise to its franchisees, who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenues is generated primarily from royalties based on franchisees' monthly gross revenues.

4. *Reconciliation of Rental Merchandise*.

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
	(in thousands)	
Beginning merchandise value	$ 682,367	$ 631,724
Inventory additions through acquisitions	4,200	50,364
Purchases	177,261	172,500
Depreciation of rental merchandise	(108,315)	(106,660)
Cost of goods sold	(42,756)	(39,779)
Skips and stolens	(12,613)	(10,469)
Other inventory deletions[1]	(2,242)	(4,356)
Ending merchandise value	$ 697,902	$ 693,324

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

5. *Intangibles.*

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

Intangibles consist of the following (in thousands):

		March 31, 2004		December 31, 2003	
	Avg. Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets					
Franchise network	10	$ 3,000	$ 2,325	$ 3,000	$ 2,250
Non-compete agreements	4	5,014	1,984	5,275	1,788
Customer relationships	1.5	21,893	17,777	20,699	15,561
Total		29,907	22,086	28,974	19,599
Intangible assets not subject to amortization					
Goodwill		895,941	99,162	887,221	99,162
Total intangibles		$925,848	$ 121,248	$916,195	$118,761

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

	Estimated Amortization Expense
	(In thousands)
2004	$ 4,398
2005	2,116
2006	1,216
2007	91
2008	—
Total	$ 7,821

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

	At March 31, 2004	At December 31, 2003
	(in thousands)	
Balance as of January 1,	$ 788,059	$ 736,395
Additions from acquisitions	8,594	48,445
Post purchase price allocation adjustments	126	3,219
Balance as of the end of the period	$ 796,779	$ 788,059

6. *Stock Based Compensation*.

Rent-A-Center's Amended and Restated Long-Term Incentive Plan (the "Plan") for the benefit of certain employees, consultants and directors provides the Board of Directors broad discretion in creating equity incentives. Under the Plan, 14,562,865 shares of Rent-A-Center's common stock were reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to our employees under the Plan generally become exercisable over a period of one to four years from the date of grant and may be exercised up to a maximum of 10 years from the date of grant. Options granted to directors are immediately exercisable. There have been no grants of stock appreciation rights and all options have been granted with fixed prices. At March 31, 2004, there were 10,308,850 shares available for issuance under the Plan, of which 5,811,540 shares were allocated to options currently outstanding. However, pursuant to the terms of the Plan, when an optionee leaves our employ, unvested options granted to that employee terminate and become available for re-issuance under the Plan. Vested options not exercised within 90 days from the date the optionee leaves the Company's employ terminate and become available for re-issuance under the Plan.

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

	Three months ended March 31,	
	2004	2003
	(In thousands, except per share data)	
Net earnings allocable to common stockholders		
As reported	$ 52,209	$ 50,959
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related tax expense	3,176	3,704
Pro forma	$ 49,033	$ 47,255
Basic earnings per common share		
As reported	$ 0.65	$ 0.58
Pro forma	$ 0.61	$ 0.54
Diluted earnings per common share		
As reported	$ 0.63	$ 0.57
Pro forma	$ 0.59	$ 0.53

The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected volatility of 55.2%, risk-free interest rates of 2.9% and 3.7% and expected lives of four years and seven years in 2004 and 2003, respectively, and no dividend yield.

7. *Earnings Per Share.*

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

(In thousands, except per share data)	Three months ended March 31, 2004		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 52,209	80,285	$ 0.65
Effect of dilutive stock options		2,602	
Diluted earnings per common share	$ 52,209	82,887	$ 0.63

	Three months ended March 31, 2003		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 50,959	87,240	$ 0.58
Effect of dilutive stock options	—	2,600	
Diluted earnings per common share	$ 50,959	89,840	$ 0.57

For the three months ended March 31, 2004 and 2003, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 64,750 and 2,330,000, respectively.

8. *Subsidiary Guarantors.*

11% Senior Subordinated Notes. In December 2001, Rent-A-Center East issued $100.0 million of 11% senior subordinated notes (the “11% Notes”), maturing on August 15, 2008, under an indenture dated as of December 19, 2001 among Rent-A-Center East, its subsidiary guarantors and The Bank of New York, as trustee. On May 2, 2002, Rent-A-Center East closed an exchange offer for, among other things, approximately $175.0 million of senior subordinated notes issued by it under a previous indenture, such that, on that date, all senior subordinated notes were governed by the terms of the 2001 indenture. The 2001 indenture contained covenants that limited Rent-A-Center East’s ability to, among other things, incur additional debt, grants liens to third parties, and pay dividends or repurchase stock. On May 6, 2003, Rent-A-Center East repurchased approximately $183.0 million of its then outstanding 11% Notes. On August 15, 2003, Rent-A-Center East redeemed the remaining outstanding 11% Notes.

7 ½% Senior Subordinated Notes. On May 6, 2003, Rent-A-Center issued $300.0 million in senior subordinated notes due 2010, bearing interest at 7½% (the “7½% Notes”), pursuant to an indenture dated May 6, 2003, among Rent-A-Center, Inc., its subsidiary guarantors (the “Subsidiary Guarantors”) and The Bank of New York, as trustee. The proceeds of this offering were used to fund the repurchase and redemption of the then outstanding 11% Notes.

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

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

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that Rent-A-Center defaults in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $50.0 million.

RENT-A-CENTER, INC. AND SUBSIDIARIES

8. *Subsidiary Guarantors* – (continued)

The 7½% Notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The 7½% Notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require Rent-A-Center to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facility.

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

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

Condensed Consolidating Statements of Operations – (in thousands)

	Parent Company	Subsidiary Guarantors	Total
Three Months Ended March 31, 2004 (unaudited)			
Total revenues	$ —	$ 585,380	$ 585,380
Direct store expenses	—	460,155	460,155
Other expenses	—	73,016	73,016
Net earnings	$ —	$ 52,209	$ 52,209

	Parent Company	Rent-A-Center East	Subsidiary Guarantors	Total
Three Months Ended March 31, 2003 (unaudited)				
Total revenues	$ —	$ 400,263	$ 166,143	$ 566,406
Direct store expenses	—	297,466	141,469	438,935
Other expenses	—	50,274	26,238	76,512
Net earnings (loss)	$ —	$ 52,523	$ (1,564)	$ 50,959

RENT-A-CENTER, INC. AND SUBSIDIARIES

8. *Subsidiary Guarantors* – (continued)

Condensed Consolidating Balance Sheets – (in thousands)

	Parent Company	Subsidiary Guarantors	Consolidating Adjustments	Totals
March 31, 2004 (unaudited)				
Rental merchandise, net	$ —	$ 697,902	$ —	$ 697,902
Intangible assets, net	—	804,600	—	804,600
Other assets	878,977	307,465	(734,270)	452,172
Total assets	$ 878,977	$ 1,809,967	$ (734,270)	$ 1,954,674
Senior debt	$ 397,000	$ —	$ —	$ 397,000
Other liabilities	300,002	805,833	(392,528)	713,307
Stockholders' equity	181,975	1,004,134	(341,742)	844,367
Total liabilities and equity	$ 878,977	$ 1,809,967	$ (734,270)	$ 1,954,674

	Parent Company	Subsidiary Guarantors	Consolidating Adjustments	Totals
December 31, 2003				
Rental merchandise, net	$ —	$ 682,367	$ —	$ 682,367
Intangible assets, net	—	797,434	—	797,434
Other assets	882,876	231,893	(763,268)	351,501
Total assets	$ 882,876	$ 1,711,694	$ (763,268)	$ 1,831,302
Senior debt	$ 398,000	$ —	$ —	$ 398,000
Other liabilities	300,002	759,996	(421,526)	638,472
Stockholders' equity	184,874	951,698	(341,742)	794,830
Total liabilities and equity	$ 882,876	$ 1,711,694	$ (763,268)	$ 1,831,302

RENT-A-CENTER, INC. AND SUBSIDIARIES

8. *Subsidiary Guarantors* – (continued)

Condensed Consolidating Statements of Cash Flows – (in thousands)

	Parent Company	Subsidiary Guarantors	Total
Three months ended March 31, 2004 (unaudited)			
Net cash provided by operating activities	$ —	$ 157,395	$157,395
Cash flows from investing activities			
Purchase of property assets	—	(13,418)	(13,418)
Acquisitions of businesses, net of cash acquired	—	(14,101)	(14,101)
Proceeds from sale of property assets	—	3,246	3,246
Net cash used in investing activities	—	(24,273)	(24,273)
Cash flows from financing activities			
Purchase of treasury stock	(8,366)	—	(8,366)
Exercise of stock options	5,694	—	5,694
Repayments of debt	(1,000)	—	(1,000)
Intercompany advances	139,585	(139,585)	—
Net cash provided by (used in) financing activities	135,913	(139,585)	(3,672)
Net increase (decrease) in cash and cash equivalents	135,913	(6,463)	129,450
Cash and cash equivalents at beginning of period	61,006	82,935	143,941
Cash and cash equivalents at end of period	$196,919	$ 76,472	$ 273,391

	Parent Company	Rent-A-Center East	Subsidiary Guarantors	Total
Three months ended March 31, 2003 (unaudited)				
Net cash provided by operating activities	$ —	$ 89,864	$ 34,926	$ 124,790
Cash flows from investing activities				
Purchase of property assets	—	(6,730)	(2,515)	(9,245)
Acquisitions of businesses, net of cash acquired	—	(60,504)	(30,561)	(91,065)
Other	—	163	60	223
Net cash used in investing activities	—	(67,071)	(33,016)	(100,087)
Cash flows from financing activities				
Purchase of treasury stock	(13,438)	—	—	(13,438)
Exercise of stock options	6,163	—	—	6,163
Intercompany advances	7,275	(5,365)	(1,910)	—
Net cash used in financing activities	—	(5,365)	(1,910)	(7,275)
Net increase in cash and cash equivalents	—	17,428	—	17,428
Cash and cash equivalents at beginning of period	—	85,723	—	85,723
Cash and cash equivalents at end of period	$ —	$103,151	$ —	$ 103,151

9. *Comprehensive Income.*

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

	Three months ended March 31, (in thousands) 2004	2003
Net earnings	$ 52,209	$ 50,959
Other comprehensive (loss) income:		
Unrealized gain on derivatives held as cash flow hedges:		
Change in unrealized gain during period	—	3,986
Reclassification adjustment for loss included in net earnings	—	(2,611)
Other comprehensive income	—	1,375
Comprehensive income	$ 52,209	$ 52,334

10. *Common and Preferred Stock Transactions.*

In April 2000, we announced that our Board of Directors had authorized a program to repurchase, from time to time, in the open market and in privately negotiated transactions up to an aggregate of $25.0 million of our common stock. In October 2002, our Board of Directors increased the amount of repurchases authorized under our common stock repurchase program from $25.0 million to $50.0 million. In March 2003, our Board of Directors again increased such amount from $50.0 million to $100.0 million. On August 1, 2003, we agreed to purchase an aggregate of 440,000 shares of our common stock (on a pre-split basis) at $73 per share (on a pre-split basis), 200,000 of which were repurchased from Mark E. Speese, our Chairman of the Board and Chief Executive Officer, 200,000 of which were repurchased from Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (“Apollo”), and 40,000 of which were repurchased from Mitchell E. Fadel, our President and Chief Operating Officer. On October 24, 2003 we announced our Board of Directors had rescinded our old common stock repurchase program and authorized a new $100 million common stock repurchase program. Through that date, we repurchased a total of 1.6 million shares (on a pre-split basis) of our common stock for an aggregate of $91.5 million under the old common stock repurchase program. Under our new common stock repurchase program, we have the ability to repurchase up to $100 million in aggregate purchase price of our common stock, from time to time, in open market and privately negotiated transactions. As of March 31, 2004, we had purchased a total of 1,101,900 shares of our common stock for an aggregate of $35.2 million under our new common stock repurchase program. Please see “Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities” later in this report.

11. *Acquisitions.*

On February 8, 2003, we completed the acquisition of substantially all of the assets of 295 rent-to-own stores from Rent-Way, Inc. for an aggregate purchase price of $100.4 million in cash. Of the aggregate purchase price, we held back $10.0 million to pay for various indemnified liabilities and expenses, if any, of which $5.0 million was remitted in the second quarter of 2003 and the remaining amount, up to $5.0 million, will be remitted in August 2004. We funded the acquisition entirely from cash on hand. Of the 295 stores, 176 were subsequently merged with our existing store locations. We entered into this transaction seeing it as an opportunistic acquisition that would allow us to expand our store base in conjunction with our strategic growth plans. The acquisition price was determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total. We utilized a third party to review the valuation of certain intangible assets, which resulted in a $4.0 million decrease in the value assigned to customer relationships and a $4.0 million increase in the value placed on the non-compete agreement as compared to our original estimates as disclosed in our 2002 annual report on Form 10-K. The table below summarizes the allocation of the purchase price based on the fair values of the assets acquired:

RENT-A-CENTER, INC. AND SUBSIDIARIES

	Fair Values (in thousands)
Inventory	$ 50,100
Property assets	4,300
Customer relationships	7,900
Non-compete agreement	4,300
Goodwill	33,800
Total assets acquired	$ 100,400

Customer relationships are amortized utilizing the straight-line method over an 18 month period. The non-compete agreement is amortized using the straight-line method over a four year period and, in accordance with SFAS 142, the goodwill associated with the acquisition will not be amortized, but will be deductible for tax purposes.

On February 4, 2004, we announced that we entered into a definitive agreement to acquire Rainbow Rentals, Inc., a rent-to-own operator, for $16.00 in cash per share of Rainbow common stock. The acquisition consists of 124 rent-to-own stores in 15 states. The agreement also provides that each holder of options of Rainbow will receive an amount equal to the difference between $16.00 and the exercise price of the option. We intend to fund the acquisition primarily with cash on hand. The acquisition, which is expected to be completed in the second quarter of 2004, is conditioned upon customary closing conditions for a transaction of this nature, including the receipt of requisite regulatory approval and approval of Rainbow's shareholders.

On March 5, 2004, we completed the purchase of five Canadian rent-to-own stores for $3.2 million Canadian dollars ($2.4 million U.S dollars). The five stores are located in the cities of Edmonton and Calgary in the province of Alberta. This acquisition marked the commencement of our business operations in Canada.

Furthermore, during the first quarter of 2004, we acquired 18 additional stores, accounts from 19 additional locations, opened 22 new stores, and closed 22 stores. Of the closed stores, 16 were merged with existing store locations, and six stores were sold. The additional stores and acquired accounts were the result of 14 separate transactions for an aggregate price of approximately $11.7 million in cash.

13. *Guarantees.*

In November 2002, the FASB issued Interpretation No. 45, "*Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Guarantees of Indebtedness of Others*." FIN 45 requires a liability be recorded on the guarantor's balance sheet upon issuance of a guarantee and requires disclosures about the guarantees that an entity has issued. The adoption of FIN 45 did not have a material impact on our results of operations, financial condition or cash flows.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., who provides $50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional $15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $65.0 million, of which $30.1 million was outstanding as of March 31, 2004.

We also provide assurance to our insurance providers that if they are not able to draw funds from us for claims paid, they have the ability to draw against our letters of credit. One of our letters of credit is renewed automatically every year unless we notify the institution not to renew. The other letter of credit expires in August 2004. At March 31, 2004, we had $109.7 million in outstanding letters of credit. Of the $109.7 million, $80.0 million is supported by our additional term loan facility. Under this additional term loan facility, in the event that a letter of credit is drawn upon, we have the right to either repay the additional term loan facility lenders the amount withdrawn or request a loan in that amount. Interest on any requested additional term loan facility accrues at the adjusted prime rate plus 1.25% or, at our option, at the Eurodollar Rate plus 2.25%, with the entire amount of the additional term loan facility due on May 28, 2009. The remaining $29.7 million reduces the amount available under our $120.0 million revolving facility.

RENT-A-CENTER, INC. AND SUBSIDIARIES

14. *Recapitalization.*

In April 2003, we announced and commenced a program to recapitalize a portion of our financial structure in a series of transactions. The recapitalization consisted of the tender offer for all of Rent-A-Center East's $272.25 million 11% Notes, the redemption of the 11% Notes, the issuance of $300.0 million 7½% Notes, the refinancing of our senior debt and the repurchase of shares of our common stock.

On May 6, 2003, we repurchased approximately $183.0 million principal amount of 11% Notes pursuant to a debt tender offer announced on April 23, 2003. On August 15, 2003, we redeemed all of the remaining outstanding 11% Notes in accordance with the terms of the indenture governing the 11% Notes, at the applicable redemption price of 105.5% of the principal amount, plus accrued and unpaid interest to that date. The total aggregate redemption price for the 11% Notes was approximately $93.75 million, including $4.65 million in accrued interest and $4.65 million in redemption premium. Proceeds from the offering of $300 million in 7½% Notes were used to pay for the redemption.

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

On May 6, 2003, Rent-A-Center issued $300.0 million in 7½% Notes, the proceeds of which were used, in part, to fund the repurchase and redemption of the 11% Notes.

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

15. *Subsequent Events.*

On April 28, 2004, we announced that we had entered into a definitive agreement to acquire Rent Rite, Inc., a Tennessee corporation, which currently operates approximately 90 stores in 11 states. The agreement provides for the merger of Rent Rite with and into a newly-formed subsidiary of ours. Pursuant to the agreement, we have agreed to acquire Rent Rite for 12.75 times Rent Rite's average three month recurring revenue, or approximately $58.4 million based on Rent Rite's recurring revenue for the three month period ended March 31, 2004. Under the terms of the agreement, we have agreed to assume the debt and other liabilities of Rent Rite. Approximately one half the purchase price will be paid in our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite's stock options and retirement of Rent Rite's outstanding debt. We intend to fund the acquisition primarily with cash on hand for the portion of the purchase price to be paid in cash. The acquisition, which is expected to be completed in early May 2004, is conditioned upon customary closing conditions for a transaction of the nature, including the receipt of approval of Rent Rite's shareholders.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

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

- uncertainties regarding the ability to open new stores;
- our ability to acquire additional rent-to-own stores on favorable terms;
- our ability to enhance the performance of these acquired stores;
- our ability to control store level costs;
- our ability to realize benefits from our margin enhancement initiatives;
- the results of our litigation;
- the passage of legislation adversely affecting the rent-to-own industry;
- interest rates;
- our ability to collect on our rental purchase agreements;
- changes in our effective tax rate;
- changes in our stock price and the number of shares of common stock that we may or may not repurchase; and
- the other risks detailed from time to time in our SEC reports.

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

Our Business

We are the largest rent-to-own operator in the United States with an approximate 32% market share based on store count. At March 31, 2004, we operated 2,671 company-owned stores nationwide and in Puerto Rico, including 22 stores located in Wisconsin and operated by our subsidiary Get It Now, LLC under the name "Get It Now" and five stores located in Canada and operated by our subsidiary Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Another of our subsidiaries, ColorTyme, is a national franchisor of rent-to-own stores. At March 31, 2004, ColorTyme had 323 franchised stores in 40 states, 311 of which operated under the ColorTyme name and 12 stores of which operated under the Rent-A-Center name. Our stores generally offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. These rental purchase agreements are designed to appeal to a wide variety of customers by allowing them to obtain merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. These agreements also cater to customers who only have a temporary need or who simply desire to rent rather than purchase the merchandise.

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

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

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

Recent Developments

Rent Rite Acquisition. On April 28, 2004, we announced that we had entered into a definitive agreement to acquire Rent Rite, Inc., a Tennessee corporation, which currently operates approximately 90 stores in 11 states. The agreement provides for the merger of Rent Rite with and into a newly-formed subsidiary of ours. Pursuant to the agreement, we have agreed to acquire Rent Rite for 12.75 times Rent Rite’s average three month recurring revenue, or approximately $58.4 million based on Rent Rite’s recurring revenue for the three month period ended March 31, 2004. Under the terms of the agreement, we have agreed to assume the debt and other liabilities of Rent Rite. Approximately one half the purchase price will be paid in our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite’s stock options and retirement of Rent Rite’s outstanding debt. We intend to fund the acquisition primarily with cash on hand for the portion of the purchase price to be paid in cash. The acquisition, which is expected to be completed in early May 2004, is conditioned upon customary closing conditions for a transaction of the nature, including the receipt of approval of Rent Rite’s shareholders.

As of April 30, 2004, we have acquired one additional store and accounts from three additional locations, opened four new stores and merged two stores into existing locations during the second quarter of 2004. It is our intention to increase the number of stores we operate by an average of approximately 5 to 10% per year over the next several years.

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

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

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

In preparing our financial statements at any point in time, we are also periodically faced with uncertainties, the outcomes of which are not within our control and will not be known for prolonged periods of time. As discussed in Part II, Item 1 “Legal Proceedings” and the notes to our consolidated financial statements included in our Annual Report on Form 10-K/A, we are involved in actions relating to claims that our rental purchase agreements constitute installment sales contracts, violate state

usury laws or violate other state laws enacted to protect consumers, claims asserting violations of wage and hour laws in our employment practices, as well as claims we violated the federal securities laws. We, together with our counsel, make estimates of our probable liabilities, if determinable or reasonably estimatable, and record such amounts in our consolidated financial statements. These estimates represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to liabilities to reflect current facts and circumstances.

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

Other Significant Accounting Policies

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

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

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

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

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

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

Results of Operations

Three Months Ended March 31, 2004 compared to Three Months Ended March 31, 2003

Store Revenue. Total store revenue increased by $18.7 million, or 3.4%, to $571.5 million for the three months ended March 31, 2004 as compared to $552.8 million for the three months ended March 31, 2003. The increase in total store revenue is primarily attributable to an increase in cash sales and early purchase options, new stores, and incremental revenues related to acquisitions, offset by a decrease in same store sales of 1.3%.

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, 2004 and 2003, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues decreased by $6.1 million, or 1.3%, to $455.2 million for the three months ended March 31, 2004 as compared to $461.3 million in 2003. The decrease in same store revenues was primarily attributable to a decrease in the average number of customers on a per store basis during the first quarter of 2004 versus the first quarter of 2003 offset by an increase in the average revenue per customer. Merchandise sales for all stores increased $6.7 million, or 12.8%, to $59.4 million for the three months ended March 31, 2004 as compared to $52.7 million in 2003. The increase in merchandise sales was primarily attributable to an increase in the number of items sold in the first quarter of

2004 (approximately 348,000) from the number of items sold in 2003 (approximately 318,000). This increase in the number of items sold in 2004 versus the same period in 2003 was primarily the result of an increase in the number of stores operating during the first quarter of 2004 as compared to 2003.

Franchise Revenue. Total franchise revenue increased by $326,000, or 2.4%, to $13.9 million for the three months ended March 31, 2004 as compared to $13.6 million in 2003. This increase was primarily attributable to an increase in merchandise sales to franchise locations as a result of more franchised locations operating in the first quarter of 2004 as compared to the first quarter of 2003.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $1.6 million, or 1.6%, to $108.3 million for the three months ended March 31, 2004 as compared to $106.7 million in 2003. Depreciation of rental merchandise expressed as a percentage of store rentals and fees revenue decreased to 21.5% in 2004 from 21.6% for the same period in 2003. The slight decrease was primarily attributable to a more normalized depreciation rate in the first quarter of 2004 as compared to 2003, which included the effect of the Rent-Way acquisition and the terms of their product.

Cost of Merchandise Sold. Cost of merchandise sold increased by $3.1 million, or 8.4%, to $39.6 million for the three months ended March 31, 2004 as compared to $36.5 million in 2003. This increase was primarily a result of an increase in the number of items sold during the first quarter of 2004 as compared to the first quarter 2003. The gross margin percent of merchandise sales increased to 33.3% in 2004 from 30.6% in 2003. This percentage increase was primarily attributable to the sale of merchandise acquired from Rent-Way in February 2003, which caused a lower gross margin to occur in 2003 versus 2004.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 54.1% for the three months ended March 31, 2004 from 52.9% for the three months ended March 31, 2003. This increase was primarily attributable to the decrease in same store sales coupled with an increase in the average salary and other expenses in the first quarter of 2004 compared to the first quarter of 2003. In the first quarter of 2004, there were 31 more new stores and 77 more acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $341,000 or 3.0%, to $11.9 million for the three months ended March 31, 2004 as compared to $11.6 million in 2003. This increase was primarily attributable to an increase in merchandise sales to franchise locations as a result of more franchised locations operating in the first quarter of 2004 as compared to the first quarter of 2003.

General and Administrative Expenses. General and administrative expenses expressed as a percentage of total revenue increased to 3.1% for the three months ending March 31, 2004 as compared to 3.0% for the three months ending March 31, 2003.

Amortization of Intangibles. Amortization of intangibles decreased by $385,000, or 13.4%, to $2.5 million for the three months ended March 31, 2004 as compared to $2.9 million for the three months ended March 31, 2003. This decrease was primarily attributable to the completed amortization of some intangibles.

Operating Profit. Operating profit decreased by $3.6 million, or 3.8%, to $92.7 million for the three months ended March 31, 2004 as compared to $96.3 million in 2003. Operating profit as a percentage of total revenue decreased to 15.8% for the three months ended March 31, 2004, from 17.0% in 2003. These decreases were primarily attributable to the increase in salaries and other expenses and the decrease in same store sales during the first quarter of 2004 versus 2003 as discussed above. In the first quarter of 2004, there were 31 more new stores and 77 more acquired stores open as compared to 2003, which are not yet performing at the level of a mature store.

Net Earnings. Net earnings increased by $1.2 million, or 2.5%, to $52.2 million for the three months ended March 31, 2004 as compared to $51.0 million in 2003. This increase is primarily attributable to growth in total revenues, a decrease in interest expense, and a lower effective tax rate during the first quarter of 2004 as compared to 2003.

Liquidity and Capital Resources

Cash provided by operating activities increased by $32.6 million to $157.4 million for the three months ending March 31, 2004 as compared to $124.8 million in 2003. This increase resulted primarily from a greater increase in accrued liabilities during the first quarter of 2004 as compared to 2003, consisting primarily of income taxes accrued for but not yet paid.

Cash used in investing activities decreased by $75.8 million to $24.3 million during the three month period ending March 31, 2004 as compared to $100.1 million in 2003. This decrease is primarily attributable to the acquisition of 295 stores from Rent-Way in February 2003.

Cash used in financing activities decreased by $3.6 million to $3.7 million during the three month period ending March 31, 2004 as compared to $7.3 million in 2003. This decrease is a result of fewer stock repurchases effected during the first quarter of 2004 as compared to 2003, offset by the $1.0 million repayment on our term loans in 2004.

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

We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, rental merchandise purchases, capital expenditures and our store expansion programs into 2005. Our revolving credit facilities provide us with revolving loans in an aggregate principal amount not exceeding $130.0 million, of which $90.3 million was available at April 30, 2004. At April 30, 2004, we had approximately $184.6 million in cash, of which approximately $130.0 million we expect to be utilized to fund the Rainbow and Rent Rite acquisitions anticipated in May 2004. To the extent we have available cash that is not necessary for store openings or acquisitions, we intend to repurchase additional shares of our common stock as well as make payments to service our existing debt. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect.

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

Deferred Taxes. On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30 percent of the basis of qualifying property is deductible in the year the property is placed in service, with the remaining 70 percent of the basis depreciated under the normal tax depreciation rules. For assets placed in service between May 6, 2003 and December 31, 2004, the Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the percent of the basis of qualifying property deductible in the year the property is placed in service from 30% to 50%. Accordingly, our cash flow will benefit from having a lower current cash tax obligation, which in turn will provide additional cash flows from operations until the deferred tax liabilities begin to reverse. We estimate that our operating cash flow will have increased by approximately $103.4 million through 2004 before the deferred tax liabilities begin to reverse over a three year period beginning in 2005.

Rental Merchandise Purchases. We purchased $177.3 million and $172.5 million of rental merchandise during the three month periods ending March 31, 2004 and 2003, respectively.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent $13.4 million and $9.2 million on capital expenditures during the three month periods ending March 31, 2004 and 2003, respectively, and expect to spend approximately $40.0 million for the remainder of 2004.

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Acquisitions and New Store Openings. For the first three months of 2004, we spent approximately $14.1 million on acquiring stores and accounts. For the entire year ending December 31, 2004, we intend to add approximately 5-10% to our store base by opening approximately 80-120 new store locations as well as pursuing opportunistic acquisitions.

On February 4, 2004, we announced that we entered into a definitive agreement to acquire Rainbow Rentals, Inc., a rent-to-own operator, for $16.00 in cash per share of Rainbow common stock. The acquisition consists of 124 rent-to-own stores in 15 states. The agreement also provides that each holder of options of Rainbow will receive an amount equal to the difference between $16.00 and the exercise price of the option. We intend to fund the acquisition primarily with cash on hand. The acquisition, which is expected to be completed in mid to late May 2004, is conditioned upon customary closing conditions for a transaction of this nature, including the receipt of requisite regulatory approval and approval of Rainbow's shareholders.

On March 5, 2004, we completed the purchase of five Canadian rent-to-own stores for approximately $3.2 million Canadian dollars ($2.4 million U.S dollars). The five stores are located in the cities of Edmonton and Calgary in the province of Alberta. This acquisition marked the commencement of our business operations in Canada.

Furthermore, during the first quarter of 2004, we acquired 18 additional stores, accounts from 19 additional locations, opened 22 new stores, and closed 22 stores. Of the closed stores, 16 were merged with existing store locations, and six stores were sold. The additional stores and acquired accounts were the result of 14 separate transactions for an aggregate price of approximately $11.7 million in cash. As of April 30, 2004, we have acquired one additional store and accounts from three additional locations, opened four new stores and merged two stores into existing locations during the second quarter of 2004. It is our intention to increase the number of stores we operate by an average of approximately 5 to 10% per year over the next several years.

On April 28, 2004, we announced that we had entered into a definitive agreement to acquire Rent Rite, Inc., a Tennessee corporation, which currently operates approximately 90 stores in 11 states. The agreement provides for the merger of Rent Rite with and into a newly-formed subsidiary of ours. Pursuant to the agreement, we have agreed to acquire Rent Rite for 12.75 times Rent Rite's average three month recurring revenue, or approximately $58.4 million based on Rent Rite's recurring revenue for the three month period ended March 31, 2004. Under the terms of the agreement, we have agreed to assume the debt and other liabilities of Rent Rite. Approximately one half the purchase price will be paid in our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite's stock options and retirement of Rent Rite's outstanding debt. We intend to fund the acquisition primarily with cash on hand for the portion of the purchase price to be paid in cash. The acquisition, which is expected to be completed in early May 2004, is conditioned upon customary closing conditions for a transaction of the nature, including the receipt of approval of Rent Rite's shareholders.

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

Borrowings. The table below shows the scheduled maturity dates of our senior debt outstanding at March 31, 2004.

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2004	$ 3,000
2005	4,000
2006	4,000
2007	4,000
2008	192,000
Thereafter	190,000
	$ 397,000

Senior Credit Facilities. On May 28, 2003, we entered into a new senior credit facility provided by a syndicate of banks and other financial institutions led by Lehman Commercial Paper, Inc., as administrative agent. At March 31, 2004, we had a total of $397.0 million outstanding under our senior credit facilities related to our term loans and $90.3 million of availability under the revolving credit line portion of our senior credit facilities.

The senior credit facility also includes an $80.0 million additional term loan facility. This facility is currently held to support our outstanding letters of credit. In the event that a letter of credit is drawn upon, we have the right to either repay the additional term loan facility lenders the amount withdrawn or request a loan in that amount. Interest on any requested

additional term loan facility loan accrues at an adjusted prime rate plus 1.25% or, at our option, at the Eurodollar base rate plus 2.25%, with the entire amount of the additional term loan facility due on May 28, 2009.

Borrowings under our senior credit facilities bear interest at varying rates equal to 2.25% over the Eurodollar rate, which was 1.09% at March 31, 2004. We also have a prime rate option under the facilities, but have not exercised it to date. We have not entered into any interest rate protection agreements with respect to the term loans under our senior credit facilities.

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

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

- incur additional debt (including subordinated debt) in excess of $35 million at any one time outstanding;
- repurchase our capital stock and 7½% notes;
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all our property or business;
- sell assets, other than inventory in the ordinary course of business;
- make investments or acquisitions unless we meet financial tests and other requirements;
- make capital expenditures; or
- enter into a new line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio and a minimum fixed charge coverage ratio. At March 31, 2004, the maximum consolidated leverage ratio was 2.75:1, the minimum consolidated interest coverage ratio was 4.0:1, and the minimum fixed charge coverage ratio was 1.50:1. On that date, our actual ratios were 1.53:1, 6.73:1 and 2.51:1, respectively. In addition, we are generally required to use 25% of the net proceeds from equity offerings to repay our term loans.

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

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

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

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

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $50.0 million.

The 7½% Notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The 7½% Notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate

principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. If we do not comply with this repurchase obligation, this would trigger an event of default under our senior credit facilities.

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

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., who provides $50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional $15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, not considering the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $65.0 million, of which $30.1 million was outstanding as of March 31, 2004. Mark E. Speese, Rent-A-Center's Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

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, 2004, we have paid approximately $125.0 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, as well as from cash flow from operations.

Additional settlements or judgments against us on our existing litigation could affect our liquidity. Please refer to Note L of our consolidated financial statements included in our Annual Report on Form 10-K/A.

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

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

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

In April 2000, we announced that our Board of Directors had authorized a program to repurchase, from time to time, in the open market and in privately negotiated transactions up to an aggregate of $25.0 million of our common stock. In October 2002, our Board of Directors increased the amount of repurchases authorized under our common stock repurchase program from $25.0 million to $50.0 million. In March 2003, our Board of Directors again increased such amount from $50.0 million to $100.0 million. On August 1, 2003, we agreed to purchase an aggregate of 440,000 shares of our common stock (on a pre-split basis) at $73 per share (on a pre-split basis), 200,000 of which were repurchased from Mark E. Speese, our Chairman of the Board and Chief Executive Officer, 200,000 of which were repurchased from Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P., and 40,000 of which were repurchased from Mitchell E. Fadel, our President and Chief Operating Officer. On October 24, 2003 we announced our Board of Directors had rescinded our old common stock repurchase program and authorized a new $100 million common stock repurchase program. Through that date, we repurchased a total of 1.6 million shares (on a pre-split basis) of our common stock for an aggregate of $91.5 million under

the old common stock repurchase program. Under our new common stock repurchase program, we have the ability to repurchase up to $100 million in aggregate purchase price of our common stock, from time to time, in open market and privately negotiated transactions. As of March 31, 2004, we had purchased a total of 1,101,900 shares of our common stock for an aggregate of $35.2 million under our new common stock repurchase program. Please see "Changes in Securities, Use of Proceeds and Issuer Purchase of Equity Securities" later in this report.

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

Seasonality. Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year, primarily related to federal income tax refunds. Generally, our customers will more frequently exercise their early purchase option on their existing rental purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year. We expect this trend to continue in future periods. Furthermore, we tend to experience slower growth in the number of rental purchase agreements on rent in the third quarter of each fiscal year when compared to other quarters throughout the year. As a result, we would expect revenues for the third quarter of each fiscal year to remain relatively flat or slightly below the prior quarter. We expect this trend to continue in future periods unless we add significantly to our store base during the third quarter of future fiscal years as a result of new store openings or opportunistic acquisitions.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

As of March 31, 2004, we had $300.0 million in subordinated notes outstanding at a fixed interest rate of 7½% and $397.0 million in term loans outstanding at interest rates indexed to the Eurodollar rate. The fair value of the subordinated notes is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of the 7½% subordinated notes at March 31, 2004 was $318.5 million which is $18.5 million above their carrying value. Unlike the subordinated notes, the $397.0 million in term loans have variable interest rates indexed to current Eurodollar rates. As of March 31, 2004, we have not entered into any interest rate swap agreements with respect to term loans under our senior credit facilities.

Market Risk

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

Interest Rate Risk

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

Item 4. Controls and Procedures

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

PART II – Other Information

Item 1. Legal Proceedings

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

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

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

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

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

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

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

On September 30, 2003, the court granted our motion to dismiss without prejudice, dismissed without prejudice the outside directors' and underwriters' separate motions to dismiss and denied our motion to transfer venue. In its order on the motions to dismiss, the court granted the lead plaintiffs leave to replead the case within certain parameters. However, on October 9, 2003, the lead plaintiffs filed a motion for reconsideration with the court with respect to the Securities Act claims. In that motion, they indicated they intend to replead their claims. We filed our response to this motion on October 24, 2003. No decision on the lead plaintiffs' motion has been entered by the court.

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

Gregory Griffin, et. al. v. Rent-A-Center, Inc. On June 25, 2002, a suit originally filed by Gregory Griffin in state court in Philadelphia, Pennsylvania was amended to seek relief both individually and on behalf of a class of customers in Pennsylvania, alleging that we violated the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. The amended complaint asserted that our rental purchase transactions are, in fact, retail installment sales transactions, and as such, are not governed by the Pennsylvania Rental-Purchase Agreement Act, which was enacted after the adoption of the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices Act. Griffin's suit sought class-wide remedies, including injunctive relief, unspecified statutory, actual and treble damages, as well as attorney's fees and costs.

On December 13, 2002, the trial court dismissed the plaintiffs' claims in this matter. The plaintiffs subsequently appealed. On December 2, 2003, the appellate court issued an opinion finding that the trial court properly ruled that our rental purchase agreements are governed by the Pennsylvania Rental-Purchase Agreement Act and not the Pennsylvania Goods and Services Installment Sales Act. In doing so, the appellate court reversed the trial court's dismissal of the plaintiffs' amended complaint and remanded the case back to the trial court to allow the plantiffs an opportunity to file an amended complaint under the Pennsylvania Rental-Purchase Agreement Act. In April 2004, we settled this matter in principle with the plaintiffs for a nominal amount.

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

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

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

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

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

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

On October 17, 2003, the plaintiffs filed their motion for class certification. On October 24, 2003, we filed a motion to dismiss certain of the plaintiffs' claims and on October 31, 2003, filed our opposition to the plaintiffs' motion for class certification. The hearing on our motion to dismiss and plaintiffs' motion for class certification was held on November 14, 2003. On December 4, 2003, the court denied our motion to dismiss and granted the plaintiffs' motion for class certification. The class definition includes our customers in California from February 1, 1999 through January 31, 2002, and encompasses customers who entered into approximately 400,000 rental purchase agreements. Such customers also purchased approximately 167,000 memberships. With respect to such rental purchase agreements, we believe that twenty-five percent of the total amount of payments to obtain ownership (the maximum percentage applicable to statutory damages) was approximately $600 per agreement on average. On February 20, 2004, the court ruled that it would enter an order certifying the class described above and, with respect to the cash price claims, a sub-class of our customers during the same time period who rented electronic appliances and entertainment equipment. We believe this sub-class encompasses customers who entered into approximately 245,000 of the 400,000 rental purchase agreements, with an average revenue of approximately $500 per agreement. On March 16, 2004, the court entered the certification order.

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

A mediation with the plaintiffs' counsel was held on April 23, 2004, and discovery in the case is continuing. At the hearing on April 2, the court, at the request of the parties, indicated a willingness to postpone the currently scheduled June 18, 2004 trial date to a later date.

In light of the recent decisions by the court, we are reviewing various options, including the prospect of seeking a writ of review from the California Court of Appeal on certain of the trial court's recent rulings, reviewing the extent to which the trial court rulings, such as that regarding permissible "cash prices," indicate a predominance of individualized claims justifying decertification of the class and exploring opportunities for a reasonable settlement of the case. In addition, we anticipate seeking a ruling from the trial court that any allowable statutory damages are limited to rental purchase agreements entered into within the one-year period prior to the plaintiffs' January 31, 2002 filing date, rather than the three-year period contended by plaintiffs due to California law provisions so limiting the imposition of mandatory civil penalties.

We continue to believe the claims in the plaintiffs' complaint are unfounded, that we have meritorious defenses to the allegations made and that a class should not have been certified by the court. We will continue to vigorously defend ourselves in this case, while seeking reasonable opportunities to resolve this matter. Nevertheless, we cannot assure you that we will be found to have no liability in this matter.

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

When this matter was filed, we promptly investigated Duron's allegations, including the formula we use to calculate late fees in Texas. While we do not believe the formula utilized by us during this time period violated Texas law, in late 2003, we sent written notice to approximately 29,500 of our Texas customers for whom we had records and who were potentially adversely impacted by our calculation. We also refunded approximately $37,000 in the aggregate to the customers we could

locate. In taking these measures, we believe we complied with the curative measures provided for under the Texas statute. We also reprogrammed our computer system in Texas to modify the formula by which late fees are calculated.

On November 26, 2003, we filed a motion for summary judgment in this matter. On December 4, 2003, Duron filed her motion for class certification. On March 11, 2004, we were notified that the court denied our summary judgment motion and granted Duron's motion for class certification. The certified class includes our customers in Texas from August 29, 1999 through March 5, 2004 who were charged and paid a late fee in excess of the amount permitted by Texas law.

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

We believe the claims in Duron's complaint are unfounded and that we have meritorious defenses to the allegations made. We further believe that a class should not have been certified by the court, and have appealed the court's certification order, which we are entitled to do as a matter of right under applicable Texas law. This matter has been stayed pending the decision on appeal. Although we intend to vigorously defend ourselves in this case, we cannot assure you that we will be found to have no liability in this matter.

State Wage and Hour Class Actions. We are subject to various actions filed against us in the states of Oregon, California and Washington alleging we violated the wage and hour laws of such states. As of March 31, 2004, we operated 24 stores in Oregon, 161 stores in California and 41 stores in Washington.

Rob Pucci, et. al. v. Rent-A-Center, Inc. On August 20, 2001, this putative class action was filed against us in state court in Multnomah County, Oregon alleging we violated various provisions of Oregon state law regarding overtime, lunch and work breaks, that we failed to pay all wages due to our Oregon employees, and various contract claims that we promised but failed to pay overtime. Pucci seeks to represent a class of all present and former executive assistants, inside/outside managers and account managers employed by us within the six year period prior to the filing of the complaint as to the contract claims, and three years as to the statutory claims, and seeks class certification, payments for all unpaid wages under Oregon law, statutory and civil penalties, costs and disbursements, pre- and post-judgment interest in the amount of 9% per annum and attorneys fees. On July 25, 2002, the plaintiffs filed a motion for class certification and on July 31, 2002, we filed our motion for summary judgment. On January 15, 2003, the court orally granted our motion for summary judgment in part, ruling that the plaintiffs were prevented from recovering overtime payments at the rate of "time and a half," but stated that the plaintiffs may recover "straight-time" to the extent plaintiffs could prove purported class members worked in excess of forty hours in a work week but were not paid for such time worked. The court denied our motion for summary judgment on the remaining claims. We strongly disagree with the court's rulings against our positions and requested that the court grant us interlocutory appeal on those matters. The plaintiffs filed a motion for summary judgment seeking to resolve certain factual issues related to the purported class, which was denied on July 1, 2003. On October 10, 2003, the court issued an opinion letter stating that it would certify a class and not permit an interlocutory appeal, and issued its written order to that effect on December 9, 2003. We subsequently filed a petition for a writ of mandamus with the Oregon Supreme Court, which was denied on January 24, 2004. We intend to continue to challenge the appropriateness of the court's class certification. Although we believe the court's certification ruling is inappropriate and that the claims remaining in this case are without merit, we cannot assure you we will be found to have no liability in this matter.

Jeremy Burdusis, et al. v. Rent-A-Center, Inc., et al./Israel French, et al. v. Rent-A-Center, Inc. These matters pending in Los Angeles, California were filed on October 23, 2001, and October 30, 2001, respectively, and allege similar violations of the wage and hour laws of California as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in *Burdusis*. The *Burdusis* and *French* proceedings are pending before the same judge in California. On March 24, 2003, the *Burdusis* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On April 25, 2003, the plaintiffs in *Burdusis* filed a notice of appeal of that ruling, and on May 8, 2003, the *Burdusis* court, at our request, stayed further proceedings in *Burdusis* and *French* pending the resolution on appeal of the court's denial of class certification in *Burdusis*. On October 30, 2003, the plaintiffs' counsel in *Burdusis* and *French* filed a new non-class lawsuit in Orange County, California entitled *Kris Corso, et al. v. Rent-A-Center, Inc.* The plaintiffs' counsel later amended this complaint to add additional plaintiffs, totaling approximately 339 individuals. The claims made are substantially the same as those in *Burdusis*. On January 16, 2004, we

filed a demurrer to the complaint, arguing, among other things, that the plaintiffs in *Corso* were misjoined. On February 19, 2004, the court granted our demurrer on the misjoinder argument, with leave for the plaintiffs to replead. On March 8, 2004, the plaintiffs filed an amended complaint in *Corso*, increasing the number of plaintiffs to approximately 540. The claims in the amended complaint are substantially the same as those in *Burdusis*. We filed a demurrer with respect to the amended complaint on April 12, 2004.

Kevin Rose, et al. v. Rent-A-Center, Inc. et al. This matter pending in Clark County, Washington was filed on June 26, 2001, and alleges similar violations of the wage and hour laws of Washington as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in this matter. On May 14, 2003, the *Rose* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On June 3, 2003, the plaintiffs in *Rose* filed a notice of appeal. On September 8, 2003, the Commissioner appointed by the Court of Appeals denied review of the *Rose* court decision. On October 10, 2003, the *Rose* plaintiffs filed a motion seeking to modify the Commissioner's ruling, to which we responded on October 30, 2003. The Court of Appeals denied the plaintiffs' motion on November 26, 2003. Following the denial by the Court of Appeals, the plaintiffs' counsel filed 14 county-wide putative class actions in Washington with substantially the same claims as in *Rose*. The purported classes in these county-wide class actions range from approximately 20 individuals to approximately 100 individuals. In December 2003, we filed motions to dismiss the class allegations in each of the county-wide actions, arguing that the plaintiffs were collaterally estopped by virtue of the previous ruling in *Rose* denying state-wide class certification. Three of these motions were subsequently granted and one is still pending before the court. Accordingly, ten of the county-wide claims are proceeding as putative class actions, three are proceeding on an individual plaintiff basis and one has not been decided by the court. The plaintiffs have not filed motions to certify a class in any of the putative county-wide class actions. In the event they do so, we intend to vigorously oppose class certification.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

In October 2003, we eliminated our then current stock repurchase program and adopted a new stock repurchase program which allows us to repurchase up to $100.0 million in aggregate purchase price of our common stock. As of March 31, 2004, we had repurchased $35.2 million in aggregate purchase price of our common stock under our new stock repurchase program. In the first quarter of 2004, we effected the following repurchases of our common stock:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31	0	$ 0.0000	0	$ 73,163,267
February 1 through February 29	266,300	$ 31.4663	266,300	$ 64,783,791
March 1 through March 31	0	$ 0.0000	0	$ 64,783,791
Total	266,300	$ 31.4663	266,300	$ 64,783,791

Item 6. Exhibits and Reports on Form 8-K.

Current Reports on Form 8-K

None.

Exhibits

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

By: /s/ Robert D. Davis
Robert D. Davis
Senior Vice President-Finance,
Chief Financial Officer and Treasurer

Date: May 3, 2004

RENT-A-CENTER, INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description
2.1(1)	— Asset Purchase Agreement, dated as of December 17, 2002, by and among Rent-A-Center East, Inc. and Rent-Way, Inc., Rent-Way of Michigan, Inc. and Rent-Way of TTIG, L.P. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
2.2(2)	— Letter Agreement, dated December 31, 2002
2.3(3)	— Letter Agreement, dated January 7, 2003
2.4(4)	— Letter Agreement, dated February 7, 2003
2.5(5)	— Letter Agreement, dated February 10, 2003 (Pursuant to the rules of the SEC, the exhibit has been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.)
2.6(6)	— Letter Agreement, dated March 10, 2003 (Pursuant to the rules of the SEC, the exhibit has been omitted. Upon the request of the SEC, Rent-A-Center will supplementally supply such exhibit to the SEC.)
2.7(7)	— Agreement and Plan of Merger, dated as of February 4, 2004, by and between Rent-A-Center, Inc., Eagle Acquisition Sub, Inc. and Rainbow Rentals, Inc. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
2.8*	— Agreement and Plan of Merger, dated as of April 28, 2004, by and between Rent-A-Center, Inc., RAC RR, Inc. and Rent Rite, Inc. d/b/a Rent Rite Rental Purchase (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.)
3.1(8)	— Certificate of Incorporation of Rent-A-Center, Inc., as amended
3.2(9)	— Amended and Restated Bylaws of Rent-A-Center, Inc.
4.1(10)	— Form of Certificate evidencing Common Stock
4.2(11)	— Certificate of Elimination of Series A Preferred Stock
4.3(12)	— Certificate of Designations, Preferences and relative Rights and Limitations of Series C Preferred Stock of Rent-A-Center, Inc.
4.4(13)	— Form of Certificate evidencing Series C Preferred Stock
4.5(14)	— Indenture, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and The Bank of New York, as Trustee
4.6(15)	— First Supplemental Indenture, dated as of December 4, 2003, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee
4.7*	— Second Supplemental Indenture, dated as of April 26, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee
4.8(16)	— Form of 2003 Exchange Note
10.1(17)+	— Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan
10.2(18)	— Amended and Restated Credit Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, among Rent-A-Center, Inc., Rent-A-Center East, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent, and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent
10.3(19)	— First Amendment, dated as of April 22, 2003, to the Amended and Restated Credit Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, among Rent-A-Center, Inc., Rent-A-Center East, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent, and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent

10.4(20)	— Credit Agreement, dated as of May 28, 2003, among Rent-A-Center, Inc., Morgan Stanley Senior Funding Inc., as Documentation Agent, JPMorgan Chase Bank and Bear, Stearns & Co. Inc., each as Syndication Agent, and Lehman Commercial Paper Inc., as Administrative Agent
10.5(21)	— Guarantee and Collateral Agreement, dated as of August 5, 1998, as amended and restated as of December 31, 2002, made by Rent-A-Center, Inc., Rent-A-Center East, Inc. and certain of its

RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit Number	Exhibit Description
	Subsidiaries in favor of JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent
10.6(22)	— Guarantee and Collateral Agreement, dated as of May 28, 2003, made by Rent-A-Center, Inc., Rent-A-Center East, Inc. and certain of its Subsidiaries in favor of Lehman Commercial Paper Inc., as Administrative Agent
10.7(23)	— First Amendment, dated as of May 28, 2003, to the Credit Agreement and the Guarantee and Collateral Agreement, both dated as of May 28, 2003, among Rent-A-Center, Inc., Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Remco America, Inc., Get It Now LLC, Rent-A-Center Texas, L.P., Rent-A-Center Texas, L.L.C. and Lehman Commercial Paper, Inc., as administrative agent.
10.8(24)	— Second Amended and Restated Stockholders Agreement, dated as of August 5, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.9(25)	— Third Amended and Restated Stockholders Agreement, dated as of December 31, 2002, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.10(26)	— Fourth Amended and Restated Stockholders Agreement, dated as of July 11, 2003, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons
10.11(27)	— Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P.
10.12(28)	— Second Amendment to Registration Rights Agreement, dated as of August 5, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
10.13(29)	— Third Amendment to Registration Rights Agreement, dated as of December 31, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
10.14(30)	— Fourth Amendment to Registration Rights Agreement, dated as of July 11, 2003, by and between Rent-A-Center, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P.
10.15(31)	— Registration Rights Agreement, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and Lehman Commercial Paper Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., UBS Warburg LLC and Wachovia Securities, Inc., as Initial Purchasers
10.16(32)	— Amended and Restated Franchisee Financing Agreement, dated March 27, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.17(33)	— Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc.
10.18(34)	— First Amendment to Franchisee Financing Agreement, dated July 23, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.19(35)	— Second Amendment to Franchisee Financing Agreement, dated September 30, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.20(36)	— Third Amendment to Franchisee Financing Agreement, dated March 24, 2003, but effective as of December 31, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc.
10.21(37)	— Supplemental Letter Agreement to Franchisee Financing Amendment, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc.
10.22(38)	— Amended and Restated Franchise Financing Agreement, dated October 1, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc.
10.23(39)	— First Amendment to Amended and Restated Franchisee Financing Agreement, dated December 15, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc.
10.24*	— Second Amendment to Amended and Restated Franchisee Financing Agreement, dated as of March 1, 2004, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc.

10.25(40) — Purchase Agreement, dated May 1, 2003, among Rent-A-Center, Inc., Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P., Rent-A-

RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit Number	Exhibit Description
	Center Texas, L.L.C., Lehman Brothers Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., UBS Warburg LLC and Wachovia Securities, Inc. (Pursuant to the rules of the SEC, the schedules and annexes have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and annexes to the SEC.)
10.25(41)	— Stock Purchase and Exchange Agreement, dated April 25, 2003, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and Rent-A-Center, Inc.
21.1*	— Subsidiaries of Rent-A-Center, Inc.
31.1*	— Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
31.2*	— Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis
32.1*	— Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
32.2*	— Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

* Filed herewith.

\+ Management contract or compensatory plan or arrangement

(1) Incorporated herein by reference to Exhibit 2.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(2) Incorporated herein by reference to Exhibit 2.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(3) Incorporated herein by reference to Exhibit 2.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(4) Incorporated herein by reference to Exhibit 2.5 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(5) Incorporated herein by reference to Exhibit 2.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(6) Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(7) Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003

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

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

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

(11) Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003

(12) Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

RENT-A-CENTER, INC. AND SUBSIDIARIES

(13) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

(14) Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003

(15) Incorporated herein by reference to Exhibit 4.6 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003

(16) Incorporated herein by reference to Exhibit 4.11 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

(17) Incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003

(18) Incorporated herein by reference to Exhibit 10.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(19) Incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on form 10-Q for the quarter ended March 31, 2003

(20) Incorporated herein by reference to Exhibit 10.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

(21) Incorporated herein by reference to Exhibit 10.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(22) Incorporated herein by reference to Exhibit 10.6 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

(23) Incorporated herein by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003

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

(25) Incorporated herein by reference to Exhibit 10.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(26) Incorporated herein by reference to Exhibit 10.15 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

(27) Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(28) Incorporated herein by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(29) Incorporated herein by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(30) Incorporated herein by reference to Exhibit 10.10 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

(31) Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

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

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

(36) Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003

(37) Incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002

(38) Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003

(39) Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003

(40) Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003

(41) Incorporated herein by reference to Exhibit 99(d)(1) to the registrant's Schedule TO filed on April 28, 2003

Execution Copy

EXHIBIT 2.8

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

BY AND AMONG

RENT-A-CENTER, INC.,

RAC RR, INC.

AND

RENT RITE, INC.
d/b/a RENT RITE RENTAL PURCHASE

DATED AS OF APRIL 27, 2004

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AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

THIS AGREEMENT AND PLAN OF MERGER AND REORGANIZATION (this "AGREEMENT") is made and entered into as of April 27, 2004, by and among Rent-A-Center, Inc., a Delaware corporation ("PARENT"), RAC RR, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Parent ("MERGER SUB"), and Rent Rite, Inc. d/b/a Rent Rite Rental Purchase, a Tennessee corporation (the "COMPANY").

RECITALS

A. Parent, Merger Sub and the Company intend to effect a merger of the Company with and into Merger Sub in accordance with Title 48 of the Tennessee Code (the "TENNESSEE CORPORATE STATUTES"), the Delaware General Corporation Law (the "DGCL") and this Agreement (the "MERGER"). Upon consummation of the Merger, the separate existence of the Company shall cease.

B. It is intended that the Merger qualify as a federal income Tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "CODE").

C. The respective boards of directors of Parent, Merger Sub and the Company have approved this Agreement and approved the Merger.

D. Unless the context clearly indicates otherwise, capitalized terms used in this Agreement are defined in Appendix A to this Agreement, which is incorporated herein by reference.

AGREEMENT

In consideration of the foregoing, the representations, warranties and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement, intending to be legally bound, agree as follows:

ARTICLE I

DESCRIPTION OF TRANSACTION

Section 1.1 Merger of the Company into Merger Sub. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, the Company shall be merged with and into Merger Sub, and the separate existence of the Company shall cease. Following the Effective Time, Merger Sub shall continue as the surviving corporation (the "SURVIVING CORPORATION").

Section 1.2 Effect of the Merger. The Merger shall have the effects set forth in this Agreement and in the applicable provisions of the Tennessee Corporate Statutes and the DGCL.

Section 1.3 Closing; Effective Time. The consummation of the transactions contemplated by this Agreement (the "CLOSING") shall take place at the offices of Winstead Sechrest & Minick P.C., 5400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270, at 10:00 a.m., local time, on a date to be mutually agreed to by the parties (the "CLOSING DATE"), which shall be no later than the fifth Business Day after the satisfaction or waiver of the last to be satisfied or waived of the conditions set forth in ARTICLE VIII, ARTICLE IX, and ARTICLE X (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions). Subject to the provisions of this Agreement, (i) a certificate of merger (the "CERTIFICATE OF MERGER") satisfying the applicable requirements of the DGCL; and (ii) articles of merger (the "ARTICLES OF MERGER") satisfying the applicable requirements of the Tennessee Corporate Statutes shall be duly executed by Merger Sub and/or the Company and, simultaneously with or as soon as practicable following the Closing, filed with the Secretary of State of Delaware and the Secretary of State of Tennessee, respectively. The Merger shall become effective on such date and at such time as specified in each of the Certificate of Merger and the Articles of Merger, as agreed by the parties hereto (the "EFFECTIVE TIME").

Section 1.4 Certificate of Incorporation and Bylaws; Directors and Officers. At the Effective Time:

(a) the Certificate of Incorporation of Merger Sub immediately prior to the Effective Time will be the Certificate of Incorporation of the Surviving Corporation;

(b) the Bylaws of Merger Sub immediately prior to the Effective Time will be the Bylaws of the Surviving Corporation; and

(c) the directors and officers of Merger Sub immediately prior to the Effective Time shall be the directors and officers of the Surviving Corporation immediately after the Effective Time.

Section 1.5 Noncompetition and Nonsolicitation Agreements. Concurrently with the execution and delivery of this Agreement, Parent, Merger Sub, and the persons identified in Section 1.5 of the Company Disclosure Schedules shall execute and deliver Noncompetition and Nonsolicitation Agreements, dated as of the date hereof and effective as of the Effective Time, in a form reasonably acceptable to Parent (the "NONCOMPETITION AGREEMENTS"), pursuant to which the persons listed in Section 1.5 of the Company Disclosure Schedules agree to refrain from competing or interfering with the business of the Company as continued by Parent and Merger Sub for the time period specified therein.

Section 1.6 Voting Agreement. Concurrently with the execution and delivery of this Agreement, Parent, all of the officers and directors of the Company, and the persons listed on Section 1.6 of the Company Disclosure Schedules shall execute and deliver a Voting Agreement, dated as of the date hereof, in the form attached hereto as Exhibit A (the "VOTING AGREEMENT"), pursuant to which all of the officers and directors of the Company and the persons listed in Section 1.6 of the Company Disclosure Schedules agree to vote the Company Common Stock held by each such Person in favor of the Merger, this Agreement and the Contemplated Transactions.

Section 1.7 Tax Consequences. For federal income Tax purposes, the

Merger is intended to constitute a reorganization within the meaning of Section 368 of the Code. The parties to this Agreement hereby adopt this Agreement as a "plan of reorganization" within the meaning of Sections 1.368-2(g) and 1.368-3(a) of the United States Treasury Regulations.

Section 1.8 Further Action. If, at any time after the Effective Time, any further action is determined by Parent to be necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full right, title and possession of and to all rights and property of Merger Sub and the Company, the officers and directors of the Surviving Corporation and Parent shall be fully authorized (in the name of Merger Sub, the Company and otherwise) to take such action.

ARTICLE II

CANCELLATION AND CONVERSION OF SHARES; MERGER CONSIDERATION

Section 2.1 Cancellation and Conversion of Shares; Merger Consideration. At the Effective Time, by virtue of the Merger and without any further action on the part of Parent, Merger Sub, the Company or any shareholder of the Company (each a "SHAREHOLDER" and collectively, the "SHAREHOLDERS"):

(a) Cancellation of Company Stock Held by the Company or its Subsidiaries. Any shares of Company Common Stock then held by the Company or any wholly owned Subsidiary of the Company shall be canceled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(b) Cancellation of Parent Owned Stock. Any shares of Company Common Stock then held by Parent, Merger Sub or any other direct or indirect Subsidiary of Parent shall be canceled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(c) Conversion of Company Common Stock. Except as provided in Section 2.1(a) and Section 2.1(b) above and subject to Section 2.2, Section 2.4, Section 2.5, and Section 2.6(i), each issued and outstanding share of Company Common Stock shall be converted into the right to receive a pro rata portion of the Merger Consideration as adjusted pursuant to Section 2.3(e).

(d) Cancellation and Retirement of Company Common Stock. As of the Effective Time, all shares of Company Common Stock (other than shares to be canceled in accordance with Section 2.1(a) and Section 2.1(b) above) shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares of Company Common Stock (other than Dissenting Shares) shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, as adjusted pursuant to Section 2.4 and Section 2.5, without interest, upon surrender of such certificate in accordance with Section 2.6.

(e) Merger Consideration.

(i) Subject to Section 2.4, Section 2.5, and Section 2.6(i), the aggregate consideration paid to the Shareholders of the Company in exchange for such Shareholders' Company Common Stock shall be an amount equal to the Enterprise Value, minus the Merger Consideration Reductions (the "MERGER CONSIDERATION"). Subject to Section 2.5, the Merger Consideration shall be paid first in Parent Common Stock (the "STOCK CONSIDERATION") up to an amount (the "STOCK CONSIDERATION AMOUNT") equal to 50% of the Enterprise Value (not to exceed the Merger Consideration), and the remaining portion of the Merger Consideration, if any, shall be paid in

cash (the "CASH CONSIDERATION"). The number of shares of Parent Common Stock included in the Stock Consideration (the "TOTAL PARENT SHARES") shall be the Stock Consideration Amount divided by the average of the last reported sale prices per share of the Parent Common Stock on the Nasdaq National Market for each of the 15 consecutive trading days preceding the date of this Agreement (the "AVERAGE PER SHARE VALUE"); provided, however, that the Total Parent Shares shall not exceed the Stock Consideration Amount divided by $31.00 (the "STOCK CONSIDERATION CAP") and to the extent the Average Per Share Value is less than $31.00 per share of Parent Common Stock, the difference between the Stock Consideration Amount and the product of the Stock Consideration Cap and the Average Per Share Value shall be added to the Cash Consideration. For purposes of this Agreement, "ENTERPRISE VALUE" means 12.75 multiplied by the Company's average Monthly Recurring Revenue, calculated for the three full calendar months of January, February and March 2004, so long as the Closing occurs on or before May 7, 2004; provided, however, that if the Closing occurs after May 7, 2004, "ENTERPRISE VALUE" means 12.75 multiplied by the Closing Three Month Recurring Revenue.

(ii) Notwithstanding Section 2.1(e)(i), for each Shareholder of the Company for which Parent does not receive at least one Business Day prior to the Closing Date an Investor Questionnaire and Consent completed by such Shareholder, and for each Shareholder of the Company for which, upon Parent's review of such Shareholder's completed and executed Investor Questionnaire and Consent, Parent is unable to form a reasonable belief that such Shareholder constitutes an Accredited Investor, Parent shall pay such Shareholder's pro rata portion of the Merger Consideration in cash only and no Stock Consideration shall be issued to such Shareholder.

Section 2.2 No Fractional Shares. In calculating the Stock Consideration to which each Shareholder of the Company is entitled to receive pursuant to Section 2.1(e) above, the shares of Parent Common Stock issuable to such Shareholder shall be rounded to the next lowest whole number. No fractional shares of Parent Common Stock shall be issued in connection with the Merger, and no certificates or scrip for any such fractional shares shall be issued.

Section 2.3 Company Stock Options. At the Effective Time, each of the Company Stock Options listed in Section 4.3 of the Company Disclosure Schedules held by a Person who Parent reasonably believes to be an Accredited Investor and for which Parent received a completed and executed Option Questionnaire and Consent shall be assumed by Parent on the terms set forth herein and converted automatically into an option to purchase shares of Parent Common Stock (each, a "CONVERTED OPTION") in an amount and at an exercise price determined as provided below:

(a) The number of shares of Parent Common Stock to which a Converted Option shall be entitled to purchase shall be equal to the number of shares of Company Common Stock to which such Converted Option would be entitled to purchase as of the date of this Agreement under the original Company Stock Option, as set forth in Section 4.3 of the Company Disclosure Schedules; and

(b) The exercise price per share of Parent Common Stock under a Converted Option shall be equal to the (i) Average Per Share Value, less (ii) the quotient of the Merger Consideration (assuming, for this Section 2.3(b), the General Holdback was paid in full to the Shareholders and the Adjustment Holdback was paid in full to Parent) divided by the number of shares of Company Common Stock outstanding on the Closing Date, plus (iii) the exercise price per share of Company

Common Stock under the original Company Stock Option immediately prior to the Effective Time; provided, however, that such exercise price shall be rounded up to the nearest cent.

(c) At the Effective Time, Parent shall assume the Stock Option Plan in order to effect the provisions of this Section 2.2 and shall keep the Stock Option Plan in effect until December 31, 2009 or such earlier time as all of the Converted Options are no longer exercisable.

(d) After the Effective Time, each Converted Option shall be exercisable and vested as provided in the original Company Stock Option agreement, as amended in accordance with this Agreement. Within 45 days after the Closing Date, Parent shall use its commercially reasonable efforts to file with the SEC a registration statement to register the issuance of the shares of Parent Common Stock issuable upon exercise of the Converted Options, and use all reasonable efforts to have such registration statement (or a successor or replacement registration statement) become effective with respect thereto as promptly as practicable thereafter and to remain in effect while any of the Converted Options remain exercisable. At or prior to the Effective Time, Parent shall take all corporate action necessary to reserve for issuance in connection with the exercise of the Converted Options such number of shares of Parent Common Stock as shall be required to be issued upon exercise.

(e) The Option Administration Fee (as defined below) shall be borne only by the Shareholders of the Company who also receive Converted Options ("CONVERTED OPTION SHAREHOLDERS"). The number of shares of Parent Common Stock receivable by a Shareholder of the Company pursuant to Section 2.1 shall be adjusted as follows:

(i) the number of shares of Parent Common Stock receivable by a Converted Option Shareholder shall be reduced by a number of shares equal to (A) the percentage of the total number of Converted Options which such Converted Option Shareholder shall receive, multiplied by (B) the Option Administration Fee divided by the Average Per Share Value (the "REALLOCATED PARENT SHARES"); and

(ii) the number of shares of Parent Common Stock receivable by each Shareholder of the Company (including the Converted Option Shareholders) shall then be increased by their pro rata portion of the Reallocated Parent Shares.

Section 2.4 Reduction in Merger Consideration. After deducting the Holdback Amount pursuant to Section 2.5, in calculating the Merger Consideration, the following shall be subtracted from the Enterprise Value (each, a "MERGER CONSIDERATION REDUCTION" and together, the "MERGER CONSIDERATION REDUCTIONS"):

(a) with respect to the Company Stock Options, (i) $200,000 to cover all reasonable fees, costs and expenses incurred by or on behalf of Parent in connection with converting and exchanging the Company Stock Options into the Converted Options pursuant to Section 2.3 and fulfilling its obligations thereunder (the "OPTION ADMINISTRATION FEE"); and (ii) the aggregate in-the-money value for all Converted Options;

(b) the Severance Payments payable pursuant to Section 11.4;

(c) the Existing Liabilities, less cash and specified accounts receivable reflected on the Closing Balance Sheet, calculated as set forth in Section 2.4(c) of the Parent Disclosure Schedules (the "ADJUSTMENT AMOUNT").

(d) $100,000 to cover Registration Expenses incurred in connection with Parent's obligations under Section 11.5;

(e) the insurance premiums paid pursuant to Section 7.3; and

(f) with respect to the failure to satisfy the condition set forth in Section 9.6, the amount equal to $19,500,000 less the Closing Inventory; provided, however, that in the event that the Closing Inventory shall be equal to or less than $19,000,000 (the "CLOSING INVENTORY MINIMUM"), then, at the option of Parent, Parent may terminate this Agreement pursuant to Section 12.1(i).

Section 2.5 Holdback.

(a) General Holdback. At the Effective Time, Parent shall withhold from the Merger Consideration for payment of claims that may be brought pursuant to Section 11.2(b) and Section 11.3, for payment of the Company's share of the compensation of certain transitional employees of the Company pursuant to Section 3.4, for payment of any excess amounts payable by the Surviving Corporation as a result of the payments due for Dissenting Shares pursuant to Section 2.6(i), and for payment of liabilities, if any, related to the contingent liabilities set forth in Section 4.6, Section 4.11, Section 4.12(b), Section 4.17, Section 4.18(b), Section 4.18(c), and Section 4.18(d) of the Company Disclosure Schedules (the "DISCLOSED CONTINGENT LIABILITIES") for a period of 12 months (subject to adjustment with respect to pending Claims at the end of such 12-month period as provided in Section 11.2) following the Effective Time (the "GENERAL HOLDBACK PERIOD") an amount equal to $7,750,000 (the "GENERAL HOLDBACK AMOUNT"), $5,250,000 of which will be cash (the "CASH PORTION OF GENERAL HOLDBACK") and $2,500,000 of which will be Parent Common Stock (the "STOCK PORTION OF GENERAL HOLDBACK"). The number of shares of Parent Common Stock included in the Stock Portion of General Holdback shall equal $2,500,000 divided by the Average Per Share Value.

(b) Adjustment Holdback. At the Effective Time, Parent shall withhold from the Merger Consideration for payment of the Adjustment Amount, calculated in accordance with Section 2.4(c) of the Parent Disclosure Schedules, for a period ending on the second Business Day following the final determination of the Adjustment Amount pursuant to Section 3.1 (the "ADJUSTMENT HOLDBACK PERIOD") an amount equal to $22,000,000, which is an estimated amount necessary to cover any Adjustment Amount (the "ADJUSTMENT HOLDBACK AMOUNT," together with the General Holdback Amount, the "HOLDBACK AMOUNT").

(c) Payment of the Holdback Amount. The Holdback Amount shall be paid, distributed or set-off as provided in Section 3.2 and Section 11.3 of this Agreement.

Section 2.6 Exchange of Certificates.

(a) Exchange Agent. On or prior to the Closing Date, Parent shall select a nationally recognized commercial bank to act as exchange agent in the Merger (the "EXCHANGE AGENT"). Prior to the Effective Time, Parent shall deposit, or cause to be deposited, with the Exchange Agent (i) certificates representing the shares of Parent Common Stock equal to the Stock Consideration; and (ii) cash equal to the Cash Consideration, minus the estimated Merger Consideration Reductions. The Merger Consideration deposited with the Exchange Agent is referred to as the "EXCHANGE FUND."

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, Parent shall direct the Exchange Agent to mail or deliver to record holders of Company Stock Certificates (i) a letter of transmittal in customary form and containing such provisions as Parent may reasonably specify; and (ii) instructions for use in effecting the surrender of the Company Stock Certificates in exchange

for the Merger Consideration. Upon surrender of a Company Stock Certificate to the Exchange Agent for exchange, together with a duly executed letter of transmittal and such other documents as may reasonably be required by Parent, the Surviving Corporation or the Exchange Agent, the holder of such Company Stock Certificate shall be entitled to receive in exchange therefor (A) a check or wire transfer of immediately available funds representing the amount of Cash Consideration that such holder has the right to receive pursuant to the provisions of this ARTICLE II; and (B) a certificate representing the number of whole shares of Parent Common Stock that such holder has the right to receive pursuant to the provisions of this ARTICLE II, and the Company Stock Certificate so surrendered shall be canceled. Until surrendered as contemplated by this Section 2.6(b), each Company Stock Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender a pro rata portion of the Merger Consideration that the holder thereof has the right to receive in respect of such Company Stock

Certificate pursuant to the provisions of this ARTICLE II. No interest shall be paid or will accrue on any cash payable to holders of Company Stock Certificates pursuant to the provisions of this ARTICLE II.

(c) No Further Ownership Rights in Company Common Stock. The Merger Consideration shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of Company Common Stock, theretofore represented by valid certificates representing such shares (each, a "COMPANY STOCK CERTIFICATE"), subject, however, to Parent's obligation to pay the Merger Consideration and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Company Stock Certificates are presented to Parent or the Surviving Corporation or the Exchange Agent for any reason, they shall be canceled and exchanged as provided in this ARTICLE II, except as otherwise provided by Law.

(d) Unregistered Transfers; Lost Certificates. In the event of a transfer of ownership of Company Common Stock which is not registered in the transfer records of the Company, the proper portion of the Merger Consideration may be paid in cash to a Person other than the Person in whose name the Company Stock Certificate so surrendered is registered if such Company Stock Certificate is properly endorsed or otherwise in proper form for transfer and the Person requesting such issuance pays any transfer or other Taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of such Company Stock Certificate or establishes to the satisfaction of Parent that such Tax has been paid or is not applicable. If any Company Stock Certificate shall have been lost, stolen or destroyed, upon (i) the making of an affidavit of that fact by the Person claiming such Company Stock Certificate to be lost, stolen or destroyed; (ii) evidence that such Person is the beneficial owner of the Company Stock Certificate claimed by such Person to be lost, stolen or destroyed; and (iii) if required by the Surviving Corporation, the posting by such Person of a bond in such reasonable amount as the Surviving Corporation may direct as indemnity against any claim that may be made against it with respect to such Company Stock Certificate, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed Company Stock Certificate a pro rata portion of the Merger Consideration.

(e) Investment of Exchange Fund. The Exchange Agent shall invest the Exchange Fund, as directed by the Surviving Corporation, and any net earnings with respect thereto shall be paid to the Surviving Corporation as and when requested by the Surviving Corporation; provided, however, that any such investment or any such payment of earnings shall not delay the receipt by holders of Company Stock

Certificates of the Merger Consideration or otherwise impair such holders' respective rights hereunder.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund which remains undistributed (including interest thereon) to the holders of Company Stock Certificates as of the one year anniversary of the Closing Date shall, to the extent permitted by Law, become the property of the Surviving Corporation. Immediately upon the one year anniversary of the Closing Date, the Exchange Agent shall deliver any remaining portion of the Exchange Fund to the Surviving Corporation as designated by the Surviving Corporation. Any holders of Company Common Stock who have not theretofore surrendered their Company Stock Certificates and otherwise complied with this ARTICLE II shall thereafter look only to the Surviving Corporation, and only as a general creditor, for payment of their claim for the Merger Consideration and any dividends or distributions with respect to Parent Common Stock, without interest. If any Company Common Stock shall not have been surrendered prior to five years after the Effective Time (or immediately prior to such earlier date on which any payment in respect thereof would otherwise escheat to or become the property of any Governmental Body), the payment in respect of such Company Stock Certificates shall, to the extent permitted by applicable Law, become the property of the Surviving Corporation, free and clear of all claims or interest of any Person previously entitled thereto.

(g) Withholding Rights. Each of the Exchange Agent, Parent and the Surviving Corporation shall be entitled to deduct and withhold from the Merger Consideration payable or otherwise deliverable pursuant to this Agreement to any holder or former holder of Company Stock Certificates such amounts as may be required to be deducted or withheld therefrom under the Code or any provision of state, local or foreign Tax Law or under any other applicable Legal Requirement. Any amount deducted and withheld shall be paid to the applicable Governmental Body. To the extent such amounts are so deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

(h) Certain Adjustments. If after the date hereof and on or prior to the Effective Time, the outstanding shares of Company Common Stock or Parent Common Stock shall be changed into a different number of shares by reason of any reclassification, recapitalization, split-up, combination or exchange of shares, or any dividend payable in stock or other securities shall be declared thereon with a record date within such period, or any similar event shall occur, the Merger Consideration shall be adjusted accordingly to provide to the holders of Company Common Stock the same economic effect as contemplated by this Agreement prior to such reclassification, recapitalization, split-up, combination, exchange or dividend or similar event.

(i) Dissenters' Rights.

(i) Notwithstanding any provision of this Agreement to the contrary, any shares of Company Common Stock outstanding immediately prior to the Effective Time and held by Persons who shall have properly demanded payment of the fair cash value of such shares of Company Common Stock in accordance with Chapter 23 of the Tennessee Corporate Statutes (collectively, the "DISSENTING SHARES") shall not be converted into or represent the right to receive the Merger Consideration as provided in Section 2.1(c). Such Persons shall be entitled only to such rights as are granted under Chapter 23 of the Tennessee Corporate Statutes, except that all Dissenting Shares held by Persons who fail to perfect or who effectively withdraw or lose their rights as Dissenting

Shareholders in respect of such shares under Chapter 23 of the Tennessee Corporate Statutes shall thereupon be deemed to have been converted into, as of the Effective Time, the right to receive the applicable portion of the Merger Consideration, without interest thereon, upon surrender of the Company Stock Certificate therefor in the manner provided in Section 2.6.

(ii) The Company or the Surviving Corporation, as the case may be, shall give Parent (A) prompt written notice of any demands by the holders of Dissenting Shares (the "DISSENTING SHAREHOLDERS") received by the Company or the Surviving Corporation, withdrawals of such demands, any other instruments served on the Company or the Surviving Corporation and any material correspondence received by the Company or the Surviving Corporation in connection with such demands; and (B) the right to direct all negotiations and proceedings with respect to such demands. Neither the Company nor the Surviving Corporation shall, except with the prior written Consent of Parent, make any payment with respect to any demands for appraisal or offer to settle or settle any such demands. Any funds paid to Dissenting Shareholders shall be paid out of the Exchange Fund to the extent such payment is equal to or less than the pro rata portion of the Merger Consideration to which such Person would otherwise be entitled, and, if greater, the excess shall be paid out of the assets of the Surviving Corporation.

(j) Dividends and Distributions. No dividends or other distributions declared or made with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Common Stock Certificate with respect to the shares of Parent Common Stock that such holder has the right to receive in the Merger until such holder surrenders such Common Stock Certificate in accordance with this Section 2.6 (at which time such holder shall be entitled, subject to the effect of applicable escheat or similar Laws, to receive all such dividends and distributions, without interest).

(k) No Liability. Neither Parent nor the Surviving Corporation shall be liable to any holder or former holder of Company Common Stock or to any other Person with respect to any shares of Parent Common Stock (or dividends or distributions with respect thereto), or for any cash amounts, properly delivered to any public official pursuant to any applicable abandoned property Law, escheat Law or similar Legal Requirement.

ARTICLE III

POST CLOSING AUDIT AND ADJUSTMENT

Section 3.1 Adjustment Amount Calculation. Following the Closing Date, the Shareholders' Representative and the Surviving Corporation will cause the Person serving as the Company's Chief Financial Officer immediately prior to the Closing Date, or a certified public accountant reasonably acceptable to Parent, to

prepare a balance sheet of the Company as of the Closing Date (the "CLOSING BALANCE SHEET"), and to prepare a computation of the Adjustment Amount as of the Closing Date. The Shareholders' Representative will deliver the Closing Balance Sheet to Parent within 45 days after the Closing Date. The Closing Balance Sheet will be prepared in accordance with GAAP and the Adjustment Amount shall be calculated in accordance with Section 2.4(c) of the Parent Disclosure Schedules. If within 15 days following delivery of the Closing Balance Sheet and calculation of the Adjustment Amount, Parent has not given the Shareholders' Representative notice of objection to the Closing Balance Sheet and the Adjustment Amount, then such Adjustment Amount shall be paid as provided in

Section 3.2. If Parent gives such notice of objection, then the parties shall attempt to resolve the issues raised in the notice among themselves. If they are unable to reach a resolution within 10 Business Days of such notice, the issues in dispute will be submitted to KPMG LLP, certified public accountants (the "ACCOUNTANTS"), for resolution. If issues in dispute are submitted to the Accountants for resolution, (i) each party will furnish to the Accountants such workpapers and other documents and information relating to the disputed issues as the Accountants may request and are available to that party (or its independent public accountants) and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (ii) the determination by the Accountants, as set forth in a notice delivered to Parent and the Shareholders' Representative by the Accountants, will be binding and conclusive on the parties; and (iii) one-half of the fees of the Accountants for such determination shall reduce the amount of the Adjustment Amount to be paid to the Shareholders of the Company, and one-half of the fees shall be paid by Parent.

Section 3.2 Adjustment Amount Payment. On or before the second Business Day following the final determination of the Adjustment Amount, if the Adjustment Amount is less than the amount of the Adjustment Amount Holdback, (i) Parent will deliver the difference between the Adjustment Amount and the Adjustment Amount Holdback, as adjusted pursuant to Section 3.1 above, by wire transfer of immediately available funds to the Designated Account; (ii) Parent shall be entitled to keep an amount equal to the Adjustment Amount; and (iii) the Adjustment Holdback Amount will be reduced to zero. On or before the second Business Day following the final determination of the Adjustment Amount, if the Adjustment Amount is equal to or greater than the Adjustment Amount Holdback, (i) the Shareholders shall not be entitled to any portion of the Adjustment Amount Holdback; (ii) Parent shall be entitled to keep an amount equal to the Adjustment Amount; and (iii) the Adjustment Amount Holdback shall be reduced to zero and the General Holdback Amount will be reduced by the amount the Adjustment Amount exceeds the Adjustment Amount Holdback.

Section 3.3 Shareholders' Representative. The Shareholders' Representative shall have the full power and authority to (i) receive any notices to the Shareholders with respect to any matter arising under this Agreement; (ii) provide any notice which may be required or allowed on the part of the Shareholders or the Shareholders' Representative with respect to any matter arising under this Agreement; (iii) resolve, settle, compromise, or otherwise deal in any respect with any Claim asserted by or against the Shareholders, the Company or the Surviving Corporation arising under this Agreement including, without limitation, any Claim or dispute arising under or in connection with Section 11.2 and Section 11.3; and (iv) sign any other agreement, document, closing certificate, or other paper or take any other action on behalf of the Company or the Shareholders in connection with this Agreement and the transactions contemplated hereby. Parent, Merger Sub and the Surviving Corporation shall be entitled to rely upon any action taken or notice given or received by the Shareholders' Representative in accordance with this Section 3.3.

Section 3.4 Transitional Personnel. Upon Closing, the Surviving Corporation will offer employment to the persons listed in Section 3.4 of the Company Disclosure Schedules for a period of three weeks following the Closing Date to assist the Surviving Corporation with various transitional accounting matters, and to assist the Shareholders' Representative with the preparation of the Company's closing tax returns and the preparation of the Closing Balance Sheet. The Surviving Corporation shall pay such employees compensation commensurate with the compensation such employees received from the Company immediately prior to the Closing, one-half of which shall reduce the amount of the General Holdback Amount to be paid to the Shareholders of the Company, and one-half of which shall be paid by Parent. Upon expiration of the aforementioned three-week period, such employees shall continue to make themselves available to the Shareholders' Representative and the Surviving Corporation for a reasonable period of time and (i) to the extent both the Shareholders' Representative and the Surviving Corporation continue to require the services of such employees, one-half of such employees' compensation shall reduce the amount of the General Holdback Amount to be paid to the Shareholders of the Company, and one-half shall be paid by Parent; (ii) to the extent the Shareholders' Representative

continues to require the services of such employees but the Surviving Corporation does not, 100% of the compensation due to such employees shall reduce the amount of the General Holdback Amount; and (iii) to the extent the Surviving Corporation continues to require the services of

such employees but the Shareholders' Representative does not, 100% of the compensation due to such employees shall be paid by Parent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Merger Sub as follows, subject to such exceptions as are specifically contemplated by this Agreement or as are specifically set forth in the Company Disclosure Schedules:

Section 4.1 Organization and Good Standing.

(a) The Acquired Corporations are corporations duly organized, validly existing, and in good standing under the Laws of their respective jurisdictions of incorporation, with full corporate power and authority to conduct their respective businesses as now being conducted, to own or use the respective properties and assets that they purport to own or use, and to perform all their respective obligations under Acquired Corporation Contracts. Except as set forth in Section 4.1(b) of the Company Disclosure Schedules, each of the Acquired Corporations is duly qualified to do business as a foreign corporation and is in good standing under the Laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except where the failure to be so qualified would not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect on the Acquired Corporations.

(b) Section 4.1(b) of the Company Disclosure Schedules lists all Acquired Corporations and indicates as to each its jurisdiction of organization, each jurisdiction in which it is qualified to do business, its shareholders, and the number of shares of each class or series of capital stock owned by such shareholder. The Company has delivered to Parent copies of the charter, certificate or articles of incorporation, bylaws and other similar organizational documents (collectively, "ORGANIZATIONAL DOCUMENTS") of each of the Acquired Corporations, as currently in effect. Neither the Company nor any Acquired Corporation is in default under or in violation of any provision of their respective Organizational Documents.

Section 4.2 Authority; No Conflict.

(a) The Company has all necessary power and authority to execute and deliver this Agreement and the other agreements referred to herein to perform its obligations hereunder and thereunder and to consummate the Merger and the other transactions contemplated hereby and thereby (collectively, the "CONTEMPLATED TRANSACTIONS"). The execution and delivery of this Agreement by the Company and the consummation by the Company of the Contemplated Transactions have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the Contemplated Transactions (other than, with respect to the Merger, the approval of the Merger, this Agreement and the Contemplated Transactions by the holders of a majority of the then outstanding shares of Company Common Stock (the "REQUIRED COMPANY SHAREHOLDER VOTE") and the filing of appropriate merger documents as required by the Tennessee Corporate Statutes. The board of directors of the Company has unanimously approved the Merger

and adopted this Agreement and the Contemplated Transactions and resolved to recommend to the Shareholders of the Company that they vote in favor of the approval of this Agreement and the consummation of the Contemplated Transactions in accordance with the Tennessee Corporate Statutes. This Agreement has been duly and validly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting the rights of creditors and to general principles of equity.

(b) Except as set forth in Section 4.2(b) of the Company Disclosure Schedules, neither the execution and delivery of this Agreement nor the consummation of any of the Contemplated Transactions do or will, directly or indirectly (with or without notice or lapse of time or both), (i) contravene, conflict

with, or result in a violation of (A) any provision of the Organizational Documents of any of the Acquired Corporations; or (B) any resolution adopted by the board of directors or the shareholders of any of the Acquired Corporations; (ii) contravene, conflict with, or result in a violation of any Legal Requirement or any order to which any of the Acquired Corporations, or any of the assets owned or used by any of the Acquired Corporations, is subject; (iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by any of the Acquired Corporations; (iv) cause any of the Acquired Corporations to become subject to, or to become liable for the payment of, any Tax; (v) to the Knowledge of the Company, cause any of the assets owned by any of the Acquired Corporations to be reassessed or revalued by any taxing authority or other Governmental Body; (vi) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Acquired Corporation Contract; or (vii) result in the imposition or creation of any Encumbrance upon or with respect to any of the assets owned or used by any of the Acquired Corporations, except, in the case of clauses (ii), (iii), (v), (vi) and (vii), for any such conflicts, violations, breaches, defaults or other occurrences that would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement in any material respect, or could not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect on the Acquired Corporations taken as a whole.

(c) The execution and delivery of this Agreement by the Company do not, and the performance of this Agreement and the consummation of the Contemplated Transactions by the Company will not, require any Consent of, or filing with or notification to, any Person, except (i) for (A) applicable requirements, if any, of the Securities Act and state securities or "blue sky" Laws ("BLUE SKY LAWS"); (B) filing of appropriate merger documents as required by the Tennessee Corporate Statutes; (C) the Required Company Shareholder Vote; (ii) as set forth in Section 4.2(c) of the Company Disclosure Schedules; and (iii) where failure to obtain such Consents, or to make such filings or notifications, would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement in any material respect, or could not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect on the Acquired Corporations, taken as a whole.

Section 4.3 Capitalization. The authorized capital stock of the Company consists of 10,000,000 shares of Company Common Stock and 1,000,000 shares of Company Preferred Stock. As of the date hereof, (a) 2,236,650 shares of Company Common Stock are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable and held by residents of the United States; (b) 554,101 shares of Company Common Stock are reserved for issuance upon the exercise of outstanding stock options pursuant to the Company's stock incentive plans (the "COMPANY STOCK OPTIONS"); and (c) 114,815 shares of Company Common Stock are reserved for issuance pursuant to the Company Stock Options not yet granted. No shares of Company Preferred Stock have been issued, and no shares of the Company Preferred Stock are outstanding. There are not any bonds, debentures, notes or other indebtedness or securities of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which Shareholders of the Company may vote. Except as set forth above, as of the date hereof, no shares of capital stock or other voting securities of the Company are issued, reserved for issuance or outstanding and no shares of capital stock or other voting securities of the Company will be issued or become outstanding after the date hereof other than upon exercise of the Company Stock Options outstanding as of the date hereof. Except as set forth in Section 4.3 of the Company Disclosure Schedules, there are no options, stock appreciation rights, warrants or other rights, contracts, arrangements or commitments (each, a "RIGHT") to which the Company is a party, or, to the Company's Knowledge, any of its Shareholders are a party, relating to the issued or unissued capital stock of any of the Acquired Corporations, or obligating any of the Acquired Corporations to issue, grant or sell any shares of capital stock of, or other equity interests in, or securities convertible into equity interests in, any Acquired Corporation. Section 4.3 of the Company Disclosure Schedules sets forth the name of each holder of any such Right along with the name of the Right, the exercise price, the number of shares of Company Common Stock into which it is convertible or exercisable, the date of grant, its expiration date, and the name of the Person originally granted such Right, as applicable. True, correct and complete copies of each agreement evidencing the Rights listed in Section 4.3 of the Company Disclosure Schedules have been delivered to Parent or its counsel. Since December 31, 2003, the Company has not issued or reserved for issuance any shares of its capital stock, except upon the exercise of the Company Stock Options. All shares of Company Common Stock subject to issuance as described above will, prior to the Effective Date and upon

issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, be duly authorized, validly issued, fully paid and nonassessable. As of the Effective Date, the holders of Company Stock Options will only have the rights as provided in Section 2.3 hereof and will not be entitled to receive any other securities of the Company or Parent or anything further in connection with any Company Stock Option. Except as set forth in Section 4.3 of the Company Disclosure Schedules, none of the Acquired Corporations has any contract or other obligation to repurchase, redeem or otherwise acquire any shares of Company Common Stock or any capital stock of any of the Acquired Corporations, or make any investment (in the form of a loan, capital contribution or otherwise) in any of the Acquired Corporations or any other Person. Except as set forth in Section 4.3 of the Company Disclosure Schedules, each outstanding share of capital stock of each of the Acquired Corporations is duly authorized, validly issued, fully paid and nonassessable and each such share owned by any of the Acquired Corporations is free and clear of all Encumbrances. None of the outstanding equity securities or other securities of any of the Acquired Corporations was issued in violation of the Securities Act or any other Legal Requirement. None of the Acquired Corporations owns, or has any contract or other obligation to acquire, any equity securities or other securities of any Person (other than Subsidiaries of the Company) or any direct or indirect equity or ownership interest in any other business. None of the Acquired Corporations is or has ever been a general partner of any general or limited partnership.

Section 4.4 No Subscription Receivables. As of the Closing Date, all subscription receivables for Company Common Stock shall have been paid in full.

Section 4.5 Financial Statements.

(a) Section 4.5 of the Company Disclosure Schedules sets forth true and complete copies of the consolidated audited balance sheet (including detailed schedules of all accounts thereon), statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 31, 2001, December 31, 2002 and December 31, 2003, and the unaudited consolidated balance sheet (including detailed schedules of all accounts thereon) and statements of income for the three-month period ended March 31, 2004 (collectively, the "COMPANY FINANCIAL STATEMENTS"). The Company Financial Statements comply, as of their respective dates, in all material respects with applicable accounting requirements, have been prepared in accordance with GAAP (except, in the case of unaudited statements which are subject to normal year end adjustments that are not material and do not contain notes required under GAAP) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the financial position of the Acquired Corporations as of the dates thereof and the consolidated statement of income, cash flows and shareholders' equity for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). The Company has no Off-Balance Sheet Arrangements.

(b) The Company has delivered to Parent profit and loss statements for each of the Acquired Corporations' stores reflecting the operations of each store for each month from January 31, 2004 through March 31, 2004 (each, a "PROFIT AND LOSS STATEMENT" and together, the "PROFIT AND LOSS STATEMENTS"). Such Profit and Loss Statements are complete and correct in all material respects, represent actual, bona fide transactions, have been prepared from and are in accordance with the accounting records of each of the Acquired Corporations' stores, and present in all material respects the transactions and the operations of such stores for the periods referred to in such Profit and Loss Statements. The revenues set forth in the Profit and Loss Statements represent actual payments received from customers of the Acquired Corporations' stores and deposited into bank accounts of such stores, are included as so set forth in the consolidated financial statements of the Company for the corresponding periods and have been reported in a manner consistent with the Company's financial reporting accounting principles. The expenses reflected on the Profit and Loss Statements are included in the consolidated financial statements of the Company for the corresponding periods and are consistent with the Company's financial reporting accounting principles, subject to such changes due to reclassifications that occur in the Ordinary Course of Business and are not material with respect to the operation of the Acquired Corporations' stores.

(c) There are no significant deficiencies or material weaknesses in the Company's internal controls. The Company maintains accurate books and records reflecting its consolidated assets and liabilities and maintains proper and adequate internal accounting controls which provide assurance that (i) transactions are executed with management's authorization; (ii) transactions are recorded as necessary to permit preparation of the Company Financial Statements and to maintain accountability for the Company's

consolidated assets; (iii) access to the Company's consolidated assets is permitted only in accordance with management's authorization; (iv) the reporting of the Company's consolidated assets is compared with existing assets at regular intervals; and (v) accounts and inventory are recorded accurately, and proper and adequate procedures are implemented to effect the collection thereof on a current and timely basis. All financial and operational information submitted by the

Company to Parent accurately and fairly represent in all material respects the financial and operation information they purport to represent on and as of the dates for the periods thereof.

Section 4.6 No Undisclosed Liabilities. Except as set forth in of the Company Disclosure Schedules, the Acquired Corporations have no liabilities or obligations of any nature (whether absolute, accrued, contingent, choate or inchoate or otherwise), except for liabilities or obligations reflected or reserved against in the Company's balance sheet at March 31, 2004 (the "COMPANY BALANCE SHEET"), and current liabilities incurred in the Ordinary Course of Business and not in violation of this Agreement since the date thereof (assuming for this purpose that this Agreement had been in effect since the date of the Company Balance Sheet). As of the date of the Company Balance Sheet, the Company's liabilities or obligations reflected or reserved against in the Company Balance Sheet totaled $22,314,838. As of the date hereof, the aggregate outstanding balance on all of the Company's outstanding notes, each of which is listed in Section 4.6 of the Company Disclosure Schedules, is $18,586,673.

Section 4.7 Property; Sufficiency of Assets.

(a) None of the Acquired Corporations own any real property or any interest in real property. Section 4.7(a) of the Company Disclosure Schedules contains an accurate and complete list of all the Acquired Corporations' real property leases. A true and complete copy of all real property leases of the Acquired Corporations have been delivered to Parent. With respect to each real property lease of the Acquired Corporations, including each store and/or service center lease (each, a "LEASE"), (i) each Lease has been validly executed and delivered by the appropriate Acquired Corporation and by the other party or parties thereto and is a binding agreement; (ii) the Acquired Corporations are not, and, to the Company's Knowledge, no other party to the Lease is, in material breach or material default, and, no event has occurred on the part of the Acquired Corporations or, to the Company's Knowledge, on the part of any other party which, with notice or lapse of time, would constitute such a breach or default or permit termination, modification or acceleration under any Lease; (iii) except as set forth on Section 4.7(a) of the Company Disclosure Schedules, each Lease will continue to be binding in accordance with its terms following the Closing Date; (iv) the Acquired Corporations have not repudiated and, to the Company's Knowledge, no other party to any Lease has repudiated any provision thereof; (v) there are no material disputes, oral agreements or delayed payment programs in effect as to any Lease; and (vi) all facilities leased under each Lease are fit for the operation of the store and have been reasonably maintained. All heating, cooling, lighting, plumbing and electrical systems under each Lease are in reasonably good repair and working order.

(b) The Acquired Corporations (i) have good and valid title to all property used in and material to the business of the Acquired Corporations, free and clear of all Encumbrances except (A) Encumbrances listed in Section 4.7(b)(i) of the Company Disclosure Schedules; (B) statutory Encumbrances securing payments not yet due; and (C) such imperfections or irregularities of title or Encumbrances as do not affect the use of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at such properties, in either case in such a manner as to have a Material Adverse Effect on the Acquired Corporations; and (ii) are collectively the lessee of all personal property used in and material to the business of the Acquired Corporations and are in possession of the properties purported to be leased thereunder, and each such lease is valid and in full force and effect without default thereunder by the Acquired Corporation or, to the Company's Knowledge, the other party thereto, other than defaults with respect to leases that are not material to the Acquired Corporations or that would not have a Material Adverse Effect on the Acquired Corporations.

(c) All material items of equipment and other tangible assets owned by or leased to the Acquired Corporations are adequate for the

uses to which they are being put, are in good and safe condition and repair (ordinary wear and tear excepted) and are adequate for the conduct of the business of the Acquired Corporations in the manner in which such business is currently being conducted.

Section 4.8 Intellectual Property. All trademark registrations, trademark applications, and rights to register domain names of any Acquired Corporation are set forth in Section 4.8 of the Company Disclosure Schedules. Except in each case where the failure would not, individually or in the aggregate, have a Material Adverse Effect on the Acquired Corporations or except as disclosed in Section 4.8 of the Company Disclosure Schedules, (a) the Acquired Corporations own all right, title and interest in or have valid and enforceable rights to use, by license or other agreements, all of the Intellectual Property that is currently used in the conduct of the business of the Acquired Corporations, free of all Liens, pledges, charges, options, rights of first refusal, security interests or other Encumbrances of any kind; (b) no action, claim, arbitration, proceeding, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) has commenced, been brought or heard by or before any Governmental Body or arbitrator or is pending or is threatened in a writing obtained by or delivered to the Company by any third Person with respect to any Intellectual Property owned by the Acquired Corporations in connection with the business of the Acquired Corporations as currently conducted, including any claim or suit that alleges that any such Intellectual Property infringes, impairs, dilutes or otherwise violates the rights of others, and the Acquired Corporations are not subject to any outstanding injunction, judgment, order, decree, ruling, charge, settlement, or other dispute involving any third party's Intellectual Property; (c) none of the Acquired Corporations has threatened or initiated any claim or action against any third party with respect to any Intellectual Property; and (d) the Acquired Corporations have no Knowledge of any conflict with or infringements of any Intellectual Property of any third party.

Section 4.9 Rental Merchandise. All rental merchandise of the Acquired Corporations was purchased, acquired or ordered in the Ordinary Course of Business or pursuant to acquisitions and consistent with the regular rental merchandise practices of the Acquired Corporations. All such rental merchandise, including, to the Knowledge of the Company, all such rental merchandise currently out on rent, is of a quality usable and merchantable in the operation of the business and is in good repair and condition, ordinary wear and tear excepted, except for obsolete items which have been written off in the Company Financial Statements or on the accounting records of the Company as of the Closing Date, as the case may be.

Section 4.10 Motor Vehicles and Equipment. Except as set forth in Section 4.10 of the Company Disclosure Schedules, all vehicles and items of equipment utilized by the Acquired Corporations are (a) mechanically sound and in a condition to perform in the manner currently conducted by the Acquired Corporations, ordinary wear and tear excepted; and (b) in material compliance with all applicable statutes, ordinances and regulations, including without limitation, those related to safety. Section 4.10 of the Company Disclosure Schedules lists each motor vehicle lease to which any Acquired Corporation is a party.

Section 4.11 Product Warranties. Except as set forth in Section 4.11 of the Company Disclosure Schedules, none of the Acquired Corporations has given or made any express warranties to third parties, including without limitation customers, with respect to any products rented or sold by them, except for the warranties imposed by the provisions of applicable Law. Except as set forth in Section 4.11 of the Company Disclosure Schedules, neither the Company nor any Acquired Corporation has any Knowledge of any fact or event forming the basis of an actual or threatened claim against the Company or any Acquired Corporation for product liability on account of any express or implied warranty.

Section 4.12 Material Contracts; No Defaults; Rental Purchase Agreements.

(a) Section 4.12(a) of the Company Disclosure Schedules lists each Material Contract. The Company has delivered to Parent true and correct copies of each Material Contract and any other contracts or agreements set forth in any section of the Company Disclosure Schedules.

(b) Except as set forth in Section 4.12(b) of the Company Disclosure Schedules: (i) none of the Acquired Corporations has violated or breached, or committed any default under, any Acquired Corporation Contract, except for violations, breaches and defaults that have not had and would not have, individually or in the aggregate, a Material Adverse Effect on the Acquired Corporations; and, to the Knowledge of the Company, no other Person has violated or breached, or committed any default under, any Acquired Corporation Contract, except for violations, breaches and defaults that have not had and would not have, individually or in the aggregate, a Material Adverse Effect on the Acquired Corporations; (ii) to the Knowledge of the Company, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will (A) result in a violation or breach of any of the provisions of any Acquired Corporation Contract; (B) give any Person the right to declare a default or exercise any remedy

under any Acquired Corporation Contract; (C) give any Person the right to receive or require a rebate, chargeback, penalty or change in delivery schedule under any Acquired Corporation Contract; (D) give any Person the right to accelerate the maturity or performance of any Acquired Corporation Contract, or (E) give any Person the right to cancel, terminate or modify any Acquired Corporation Contract, except in each such case for violations, breaches, defaults, acceleration rights, termination rights and other rights that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Acquired Corporations; and (iii) none of the Acquired Corporations has received any written or, to the Company's Knowledge, unwritten notice or other written or, to the Company's Knowledge, unwritten communication regarding any actual or possible violation or breach of, or default under, any Acquired Corporation Contract, except in each such case for defaults, acceleration rights, termination rights and other rights that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Acquired Corporations.

(c) The Company has delivered to Parent true and correct copies of all forms of rental purchase agreements utilized by the Acquired Corporations or any of their respective predecessors during the previous five years (the "RENTAL PURCHASE AGREEMENTS"). The form of each Rental Purchase Agreement utilized by the Acquired Corporations or any of their respective predecessors currently and during the previous five years is and was, as the case may be, in compliance in all material respects with all federal and state Laws. The Rental Purchase Agreements were entered into in the Ordinary Course of Business of the Acquired Corporations. Except for those matters below which would not, individually or in the aggregate, have a Material Adverse Effect on the Acquired Corporations, with respect to the Rental Purchase Agreements currently utilized by the Acquired Corporations:

(i) each Rental Purchase Agreement is in full force and effect and constitutes a valid, legal and binding obligation of the contracting parties, enforceable against the Acquired Corporation and to the Company's Knowledge, the other party thereto, in accordance with its terms;

(ii) each of the Acquired Corporations has complied

in all material respects with the terms of each Rental Purchase Agreement to which it is a party;

(iii) none of the Acquired Corporations is in breach, violation or default under any Rental Purchase Agreement;

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

(v) the enforceability of each Rental Purchase Agreement and the enjoyment of the rights and benefits thereunder will not be affected in any respect by the execution and delivery of this Agreement, the performance by the parties of their obligations hereunder or the consummation of the Contemplated Transactions.

Section 4.13 Major Suppliers. Section 4.13 of the Company Disclosure Schedules lists each of the Acquired Corporations' vendors or suppliers, the dollar value of purchases from each of which constituted greater than 10% of the Company's revenue for the year ended December 31, 2003 (each, a "MAJOR SUPPLIER"), and the dollar amount of business done with each Major Supplier in such period. The Company has furnished Parent with complete and accurate copies of all current written or summaries of unwritten agreements with such Major Suppliers. Except as set forth in Section 4.13 of the Company Disclosure Schedules, (i) no Acquired Corporation has engaged in a material dispute with any Major Supplier; (ii) there has been no Material Adverse Effect with respect to the business relationship of any Acquired Corporation and any Major Supplier since December 31, 2003; and (iii) no Major Supplier has indicated in writing any material modification or adverse change in the business relationship with any Acquired Corporation, including but not limited to, a material reduction in the volume of business transacted by such Major Supplier, as the case may be, below historical levels.

Section 4.14 Insurance. The Acquired Corporations are covered by valid and currently effective insurance policies with reputable insurance carriers issued in favor of the Company that are customary for companies of similar size and financial condition including, without limitation, fire and casualty, general liability,

workers compensation and automobile policies. The Company has delivered to Parent true, correct and complete copies of all such policies and all such policies are in full force and effect, all premiums due thereon have been paid and the Acquired Corporations have complied with the provisions of such policies. The Acquired Corporations have not been advised of any defense to coverage in connection with any claim to coverage asserted or noticed by the Acquired Corporations under or in connection with any of their existing insurance policies. The Acquired Corporations have not received any written notice from or on behalf of any insurance carrier issuing policies or binders relating to or covering any of the Acquired Corporations that there will be a cancellation or non-renewal of existing policies or binders, or that alteration of any equipment or any improvements to real estate occupied by or leased to or by the Acquired Corporations, purchase of additional equipment, or material modification of any of the methods of doing business, will be required.

Section 4.15 Taxes.

(a) Timely Filing of Tax Returns. The Acquired Corporations have filed or caused to be filed on a timely basis all material Tax Returns that are or were required to be filed by or with respect to any of them, either separately or as a member of a group of corporations, pursuant to applicable Legal Requirements; provided, however, that any and all non-material Tax Returns have been filed on a timely basis pursuant to applicable Legal Requirements when the failure to file such

Tax Returns would have caused a Material Adverse Effect on the Acquired Corporations, taken as a whole. All Tax Returns filed by (or that include on a consolidated basis) any of the Acquired Corporations were (and, as to Tax Returns not filed as of the date hereof, will be) in all material respects true, complete and correct and filed on a timely basis.

(b) Payment of Taxes. The Acquired Corporations have, within the time and in the manner prescribed by Law, paid (and until Closing will pay within the time and in the manner prescribed by Law) all Taxes that are due and payable, unless such Taxes are being disputed in good faith as set forth in Section 4.15(b) of the Company Disclosure Schedules.

(c) Withholding Taxes. Each of the Acquired Corporations has complied (and until the Closing will comply) with all applicable Laws, rules and regulations relating to the payment and withholding of Taxes (including, but not limited to, withholding and reporting requirements under the Code or Code Sections 1441 through 1464, 3401 through 3406, 6041 and 6049 and similar provisions under any other Laws) and have, within the times and in the manner prescribed by Law, withheld from employee wages and paid over to proper governmental authorities all amounts required.

(d) Audits. Except as set forth in Section 4.15(d) of the Company Disclosure Schedules, no Tax Return of any of the Acquired Corporations is under audit or examination by any taxing authority, and no written or unwritten notice of such an audit or examination has been received by any of the Acquired Corporations and, the Acquired Corporations have no Knowledge of any threatened audits, investigations or claims for or relating to Taxes, and there are no matters under discussion with any taxing authority with respect to Taxes. Except as set forth in Section 4.15(d) of the Company Disclosure Schedules, no issues relating to Taxes were raised in writing by the relevant taxing authority during any presently pending audit or examination, and no issues relating to Taxes were raised in writing by the relevant taxing authority in any completed audit or examination that can reasonably be expected to recur in a later taxable period. Section 4.15(d) of the Company Disclosure Schedules lists, and the Company has delivered to Parent copies of, all examiner's or auditor's reports, notices of proposed adjustments or similar commissions received by any of the Acquired Corporations from any taxing authority. Except as set forth Section 4.15(d) of the Company Disclosure Schedules, no federal or state Tax Returns of the Acquired Corporations have been examined by and settled with the Internal Revenue Service or relevant state taxing authorities for any year, that is otherwise open under the applicable statute of limitations.

(e) Tax Reserves. The charges, accruals, and reserves with respect to Taxes on the respective books of each of the Acquired Corporations are adequate (and until Closing will continue to be adequate) to pay all Taxes not yet due and payable and have been determined in accordance with GAAP. No differences exist between the amounts of the book basis and the Tax basis of assets (net of liabilities) that are not accounted for on any accrual on the books of the Acquired Corporations for federal income Tax purposes. There exists no proposed assessment of Taxes against any of the Acquired Corporations except as disclosed in Section 4.15(e) of the Company Disclosure Schedules.

(f) Tax Liens. No Encumbrances for Taxes exist with respect to any assets or properties of any of the Acquired Corporations, nor will any such Encumbrances exist at Closing except for statutory Liens for Taxes not yet due.

(g) Tax Sharing Agreements. Section 4.15(g) of the Company Disclosure Schedules lists, and the Company has delivered to Parent copies of, any Tax sharing agreement, Tax allocation agreement, Tax indemnity obligation or similar written or unwritten agreement, arrangement, understanding or practice with respect to Taxes (including any advance pricing agreement, closing agreement or other agreement relating to Taxes with any taxing authority) to which any of the Acquired Corporations is a party or by which any of the Acquired Corporations is bound. No such agreements shall be modified or terminated prior to Closing without the Consent of Parent.

(h) Extensions of Time for Filing Tax Returns. Except as set forth on Section 4.15(h) of the Company Disclosure Schedules, none of the Acquired Corporations has requested any extension of time within which to file any Tax Return, which Tax Return has not since been filed.

(i) Waiver of Statutes of Limitations. None of the Acquired Corporations has executed any outstanding waivers or comparable Consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns.

(j) Powers of Attorney. No power of attorney currently in force has been granted by any of the Acquired Corporations concerning any Taxes or Tax Return.

(k) Tax Rulings. None of the Acquired Corporations has received or been the subject of a Tax Ruling or a request for Tax Ruling. None of the Acquired Corporations has entered into a Closing Agreement with any Governmental Body that would have a continuing effect after the Closing Date. "Tax Ruling" shall mean a written ruling of a Governmental Body relating to Taxes. "Closing Agreement" shall mean a written and legally binding agreement with a Governmental Body relating to Taxes.

(l) Availability of Tax Returns. Section 4.15(l) of the Company Disclosure Schedules lists, and the Company has made available to Parent complete and accurate copies of, all Tax Returns, and any amendments thereto, filed by or on behalf of, or which include, any of the Acquired Corporations, for taxable periods within the past five years ending on or prior to the Closing Date.

(m) Opinions of Counsel. Section 4.15(m) of the Company Disclosure Schedules lists, and Company has provided to Parent true and complete copies of, all memoranda and opinions of counsel, whether inside or outside counsel, and all memoranda and opinions of accountants or other Tax advisors, which have been received by any of the Acquired Corporations with respect to Taxes.

(n) Section 481 Adjustments. None of the Acquired Corporations is required to include in income any adjustment pursuant to Section 481 of the Code by reason of a voluntary change in accounting method initiated by any of the Acquired Corporations, and the Internal Revenue Service has not proposed any such change in accounting method.

(o) S Corporation. The Company is an S corporation as defined in Section 1361 of the Code, and the Company is not subject to the Tax on passive income under Section 1375 of the Code nor the Tax on built-in gains under Section 1374 of the Code. All of the Subsidiaries of the Company are qualified Subchapter S subsidiaries as defined in Section 1361(b)(3) of the Code. Section 4.15(o) of the Company Disclosure Schedules lists all of the states and localities with respect to which the Acquired Corporations are required to file any corporate, income or franchise Tax Return and indicates whether the Acquired Corporations are treated as the equivalent of an S corporation or a qualified Subchapter S subsidiary, as applicable, by or with respect to any such state or locality.

(p) Real Property Transfer Tax. Except as set forth in Section 4.15(p) of the Company Disclosure Schedules, none of the Acquired Corporations owns any direct or indirect interest in real estate which as a result of the Merger or any Contemplated Transaction would be subject to any realty transfer Tax or similar Tax.

(q) Transfer Taxes. The Company shall pay all transfer Taxes and other similar Taxes imposed due to the Merger or any Contemplated Transaction.

(r) Section 6662 Understatement. The Company has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code.

(s) Affiliated Group. Except as set forth in Section 4.15(s) of the Company Disclosure Schedules, none of the Acquired Corporations (a) has been a member of an affiliated group within the meaning of Section 1504(a) of the Code (or any similar group defined under a similar provision of state, local or foreign Law); or (b) has liability for Taxes of any other Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law) as a transferee or successor by contract or otherwise.

(t) Partnerships. Except as set forth in Section 4.15(t) of the Company Disclosure Schedules, none of the Acquired Corporations is a partner or member of any entity treated as a partnership for federal income Tax purposes.

(u) Qualification as a Reorganization. None of the Acquired Corporations has taken any action, nor is there any fact or circumstance applicable to the Acquired Corporations, that could reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

Section 4.16 Employee Benefits.

(a) Except as set forth in Section 4.16(a) of the Company Disclosure Schedules or as required under this Agreement, since December 31, 2003, there has not been (i) any adoption or material amendment by any of the Acquired Corporations of any collective bargaining agreement or any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, stock appreciation right, retirement, vacation, severance, disability, death benefit, hospitalization, medical, worker's compensation, supplementary unemployment benefits, or other plan, arrangement or understanding (whether or not legally binding) or any employment agreement providing compensation or benefits to any current or former employee, officer, director or independent contractor of the Company or any of its Subsidiaries or any beneficiary thereof or entered into, maintained or contributed to, as the case may be, by any of the Acquired Corporations (collectively, "BENEFIT PLANS"), or (ii) any adoption of, or amendment to, or change in employee participation or coverage under, any Benefit Plans which would increase materially the expense of maintaining such Benefit Plans above the level of the expense incurred in respect thereof for the fiscal year ended December 31, 2003. Except as expressly contemplated hereby or as provided in Section 4.16(a) of the Company Disclosure Schedules, neither the execution and delivery of this Agreement nor the consummation of the Contemplated Transactions will (either alone or in conjunction with any other event) result in, cause the accelerated vesting or delivery of, or increase the amount or value of, any payment or benefit to any employee of the Acquired Corporations and all Benefit Plans permit assumption by Parent upon consummation of the Contemplated Transactions without the Consent of any participant. Except as provided

in Section 4.16(a) of the Company Disclosure Schedule and payable pursuant to Section 11.4, the Acquired Corporations have no severance arrangements with any officer, director or employee of the Company or any other Acquired Corporation.

(b) For purposes of this Agreement, the following definitions apply: "CONTROLLED GROUP LIABILITY" means any and all liabilities under (i) Title IV of ERISA; (ii) Section 302 of ERISA; (iii) Sections 412 and 4971 of the Code; (iv) the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code; and (v) corresponding or similar provisions of foreign Laws, other than such liabilities that arise solely out of, or relate solely to, the Plans; "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder; "ERISA AFFILIATE" means, with respect to any Entity, trade or business, any other Entity, trade or business that is a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the first Entity, trade or business, or that is a member of the same "controlled group" as the first Entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

(c) Section 4.16(c) of the Company Disclosure Schedules includes a complete list of all employee benefit plans, programs, policies, practices, and other arrangements providing benefits to any current or former employee, officer or director of any of the Acquired Corporations or beneficiary or dependent thereof, whether or not written, and whether covering one Person or more than one Person, sponsored or maintained by any Acquired Corporation or to which any Acquired Corporation contributes or is obligated to contribute ("PLANS"). Without limiting the generality of the foregoing, the term "Plans" includes all employee welfare benefit plans within the meaning of Section 3(1) of ERISA, all employee pension benefit plans within the meaning of Section 3(2) of ERISA, and all other employee benefit, bonus, incentive, deferred compensation, stock purchase, stock option, severance, change of control and fringe benefit plans, programs or agreements.

(d) With respect to each Plan, the Company has delivered to Parent a true, correct and complete copy of: (i) each writing constituting a part of such Plan, including without limitation all plan documents, benefit schedules, trust agreements, and insurance contracts and other funding vehicles; (ii) the most recent Annual Report (Form 5500 Series) and accompanying schedules, if any; (iii) the current summary plan description and any material modifications thereto, if any; (iv) the most recent annual financial report, if any; (v) the most recent actuarial report, if any; and (vi) the most recent determination letter from the IRS, if any. Except as specifically provided in the foregoing documents delivered to Parent, there are no amendments to any Plan or any new Plan that have been adopted or approved nor has the Company undertaken to make any such amendments or adopt or approve any new Plan.

(e) Section 4.16(e) of the Company Disclosure Schedules identifies each Plan that is intended to be a "qualified plan" within the meaning of Section 401(a) of the Code ("QUALIFIED PLANS"). The Internal Revenue Service has issued a favorable determination letter with respect to each Qualified Plan that has not been revoked, and, to the Knowledge of the Company, there are no existing circumstances nor any events that have occurred that could adversely affect the qualified status of any Qualified Plan or the related trust.

(f) No Plan is intended to meet the requirements of Section 501(c)(9) of the Code as a "Voluntary Employee Benefits Association." No Plan is a "Multiple Employer Welfare Arrangement" as defined in Section 3(40) of ERISA.

(g) All contributions required to be made to any Plan by applicable Law or regulation or by any plan document or other contractual undertaking, and all premiums due or payable with respect to insurance policies funding any Plan, for any period through the date hereof have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the Company Financial Statements.

(h) The Company has complied, and is now in compliance, in all material respects with all provisions of ERISA, the Code and all Laws and regulations applicable to the Plans (including, without limitation (i) with respect to each Plan that is a "group health plan," as defined in Section 607(1) of ERISA or Section 5000(b)(1) of the Code (A) the provisions of Part 6 and 7 of Title I, Subtitle B of ERISA, Sections 1171 through 1179 of the Social Security Act (relating generally to security and electronic transfer of health information) and Sections 4980B, 9801 and 9833 of the Code; and (B) the privacy requirements described in the regulations issued under sections 262 and 264 of the Health Insurance Portability and Accountability Act of 1996; and (ii) with respect to each Plan that is a Qualified Plan, the requirements of Sections 401(a) and 501(a) of the Code applicable to any such Plan maintained by the Company). There is not now, nor do any circumstances exist that could give rise to, any requirement for the posting of security with respect to a Plan or the imposition of any Encumbrance on the assets of the Company under ERISA or the Code. There is no liability with respect to any transaction that relates to a Plan that violates Sections 404 or 406 of ERISA or which constitutes a prohibited transaction as defined in Section 4975(c)(i) of the Code and for which no exemption exists under Section 408 of ERISA or Section 4975(c)(2) of the Code.

(i) With respect to each Plan that is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code: (i) there does not exist any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, whether or not waived; (ii) all "required installments" within the meaning of Section 412(m) of the Code or Section 302(e) of ERISA have been paid when due; (iii) the fair market value of the assets of such Plan equals or exceeds the actuarial present value of all

accrued benefits under such Plan (whether or not vested), on a termination basis using the interest rate set forth in the Plan or otherwise required by ERISA or the Code; (iv) no reportable event within the meaning of Section 4043(c) of ERISA has occurred, and the consummation of the Contemplated Transactions will not result in the occurrence of any such reportable event; (v) no lien under Section 412(n) of the Code or Sections 302(f) or 4068 of ERISA has been imposed; (vi) there is no requirement that security be provided under Section 401(a)(29) of the Code; and (vii) all premiums to the Pension Benefit Guaranty Corporation have been timely paid in full. All liabilities in connection with the termination of any employee pension benefit plan that was sponsored, maintained or contributed to by any Acquired Corporation at any time within the past three years have been fully satisfied.

(j) Except as set forth on Section 4.16(j) of the Company Disclosure Schedules, no Plan is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA (a "MULTIEMPLOYER PLAN") or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA (a "MULTIPLE EMPLOYER PLAN").

(k) There does not now exist, nor do any circumstances exist that could result in, any Controlled Group Liability that would be a

liability of any Acquired Corporation following the Closing. Without limiting the generality of the foregoing, neither any Acquired Corporation nor any ERISA Affiliate of any Acquired Corporation has engaged in any transaction described in Section 4069 or Section 4204 of ERISA.

(l) No Acquired Corporation has any liability for life, health, medical or other welfare benefits to former employees, retirees or beneficiaries or dependents thereof, except for health continuation coverage as required by Section 4980B of the Code or Part 6 of Title I of ERISA.

(m) All Plans covering foreign employees of the Acquired Corporations comply with applicable local Law and are fully funded and/or book reserved to the extent applicable.

(n) No labor organization or group of employees of the Acquired Corporations has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of the Company, threatened to be brought or filed, with the National Labor Relations Board or any other labor relations tribunal or authority. Each of the Acquired Corporations has complied with the Worker Adjustment and Retraining Notification Act.

(o) There are no pending or, to the Knowledge of the Company, threatened claims (other than claims for benefits in the ordinary course), lawsuits or arbitrations which have been asserted or instituted against the Plans, any fiduciaries thereof with respect to their duties to the Plans or the assets of any of the trusts under any of the Plans which could reasonably be expected to result in any material liability of any Acquired Corporation to the Pension Benefit Guaranty Corporation, the Department of Treasury, the Department of Labor or any Multiemployer Plan.

(p) Section 4.16(p) of the Company Disclosure Schedules contains an accurate and complete list as of the date of this Agreement of all loans and advances made by any of the Acquired Corporations to any employee, officer, director, consultant or independent contractor, other than routine travel and expense advances made to employees in the Ordinary Course of Business.

(q) Except as provided in Section 4.16(q) of the Company Disclosure Schedules or Section 11.4, the Contemplated Transactions will not result in any payment (whether of separation pay or otherwise) becoming due from any Acquired Corporation to any current or former employee, director or consultant, or result in the vesting, acceleration of payment or increase in the amount of any benefit payable to or in respect of any such current or former employee, director or consultant of any Acquired Corporation. There is no contract, agreement, plan or arrangement covering any current or former employee, director, or consultant of any Acquired Corporation that, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to the terms of Sections 162(a)(1) and/or 280G of the Code or would require the payment of an excise Tax imposed by Section 4999 of the Code or of any gross up of any such excise Tax.

Section 4.17 Labor Matters. None of the Acquired Corporations has been, and is not now, a party to any collective bargaining agreement or other labor contract and there has not been, there is not presently pending (including matters which are on appeal or have not been fully funded, and administrative matters that may be closed but with respect to which the applicable statute of limitations has not run) or existing, and, to the Company's Knowledge, there is not threatened, any strike, slowdown, picketing, work stoppage or employee

grievance process involving an Acquired Corporation. To the Company's Knowledge, no event has occurred or circumstance exists that could provide the basis for any work stoppage or other labor dispute and there is not pending or threatened against or affecting an Acquired Corporation any proceeding relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed with the National Labor Relations Board or any comparable Governmental Body, and there is no organizational activity or other labor dispute against or affecting an Acquired Corporation. No application or petition for an election of or for certification of a collective bargaining agent is pending and no grievance or arbitration proceeding exists that might have an adverse effect upon an Acquired Corporation. There is no lockout of any employees by an Acquired Corporation, and no such action is contemplated by any Acquired Corporation. Except as set forth in Section 4.17 of the Company Disclosure Schedules, there has been no charge of discrimination filed or, to the Company's Knowledge, threatened against any Acquired Corporation with the Equal Employment Opportunity Commission or similar Governmental Body. The Company has provided Parent or its counsel true, correct and complete copies of all employee hand books currently in use by any Acquired Corporation and which have been used in the last five years by any Acquired Corporation. Except as set forth in Section 4.17 of the Company Disclosure Schedules, to the Company's Knowledge, the Acquired Corporations have complied in all material respects with the policies and procedures set forth in such employee hand books. The Acquired Corporations are in material compliance with all federal and state Laws respecting employment, including but not limited to, gender, race, disability, national origin or age discrimination, the Occupational Safety and Health Act of 1970, as amended, the Family and Medical Leave Act of 1993, as amended, the terms and conditions of employment of their respective employees and the federal and state Legal Requirements regarding wages and hours.

Section 4.18 Compliance With Applicable Legal Requirements; Litigation.

(a) The Acquired Corporations hold all permits, licenses, variances, exemptions, orders, registrations and approvals of all Governmental Entities which are required for the operation of the respective businesses of the Acquired Corporations as presently conducted (collectively, the "COMPANY PERMITS"), except where the failure to have any such Company Permits individually or in the aggregate would not have a Material Adverse Effect on the Acquired Corporations. Notwithstanding the foregoing, the Acquired Corporations are in compliance with the terms of the Company Permits and all applicable Legal Requirements, except where the failure so to comply individually or in the aggregate would not have a Material Adverse Effect on the Acquired Corporations. All of the Company Permits are in full force and effect and no suspension or cancellation of any Company Permit is threatened.

(b) The Company has furnished Parent copies of (i) all attorney responses to the request of the independent auditors for the Company with respect to loss contingencies as of December 31, 2003, 2002 and 2001 in connection with the Company's financial statements for the years then ended; and (ii) a written list of legal and regulatory proceedings filed against the Acquired Corporations which are pending (including matters which are on appeal or have not been fully funded, and administrative matters that may be closed but with respect to which the applicable statute of limitations has not run) as of the date of this Agreement. There are no actions, suits, investigations, complaints or proceedings (including any proceedings in arbitration) pending (including matters which are on appeal or have not been fully funded, and administrative matters that may be closed but with respect to which the applicable statute of limitations has not run) or, to the Knowledge of the Company, threatened against the Acquired Corporations or any of their respective officers, directors, employees, agents, at Law or in equity, in any court or before any Governmental Body, except actions, suits, investigations, complaints or proceedings that are set forth in Section 4.18(b) of the Company Disclosure Schedules.

(c) Except as set forth in Section 4.18(c) of the Company

Disclosure Schedules, there are no Legal Proceedings pending or, to the Company's Knowledge, threatened against the Acquired Corporations or any of their respective officers, directors, employees, agents, at Law or in equity, in any court or before any Governmental Body, by Persons alleging violations of the provisions of the Rental Purchase Agreements, rent-to-own statutes or any other consumer protection Law or by Persons alleging violations of federal or state Laws respecting employment, including but not limited to, gender, race, disability,

national origin or age discrimination, violations of the Occupational Safety and Health Act of 1970, as amended, the Family and Medical Leave Act of 1993, as amended, terms and conditions of employment or the federal or state Legal Requirements regarding wages and hours.

(d) Except as set forth in Section 4.18(d) of the Company Disclosure Schedules, there is no pending Legal Proceeding (i) that has been commenced by or against any of the Acquired Corporations or that otherwise relates to or may affect the business of, or any of the assets owned or used by, any of the Acquired Corporations; (ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions; or (iii) against any director or officer of any of the Acquired Companies pursuant to Section 8A or 20(b) of the Securities Act. The Company and each of Acquired Corporations has conducted their respective operations in compliance in all material respects with all applicable Laws, including rules, regulations, codes, plans, agreements, contracts, injunctions, orders, rulings and charges thereunder, and are not in material default with respect to any agreement, directive, memorandum of understanding or order applicable to the Company or any of the Acquired Corporations.

(e) To the Knowledge of the Company, no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any Legal Proceeding, which, if threatened, would be required to be disclosed under Section 4.18(c) or Section 4.18(d).

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

Section 4.19 Inappropriate Payments. Neither the Company, the Acquired Corporations, nor any Representative of any Acquired Corporation acting on behalf of an Acquired Corporation, has, directly or indirectly, made any bribes, kickbacks, illegal payments or illegal political contributions using Company or any Acquired Corporation funds or made any illegal payments from the Company's or the Acquired Corporations' funds to obtain or retain business.

Section 4.20 Environmental Matters. Each of the Acquired Corporations is, and at all times has been, in material compliance with, and has not been and is not in material violation of or subject to any liability under, any Environmental Law. None of the Acquired Corporations has any basis to expect, nor has any of them or any other Person for whose conduct they are or may be held to be responsible received, any actual or threatened order, notice, or other communication from (i) any Governmental Body or private citizen acting in the public interest; or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation of or failure to comply with any Environmental Law, or of any actual or threatened material obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities. No Acquired Corporation has any Environmental, Health, and Safety Liabilities with respect to any Facilities or any other properties or assets (whether real,

personal, or mixed) in which any of the Acquired Corporations has or has had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used, or processed by any of the Acquired Corporations or any other Person for whose conduct they are or may be held responsible, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

Section 4.21 Absence of Certain Changes and Events. Except as set forth in Section 4.21 of the Company Disclosure Schedules or as specifically contemplated by this Agreement, since the date of the Company Balance Sheet, the Acquired Corporations have conducted their businesses only in the Ordinary Course of Business and there has not been, individually or in the aggregate, any Material Adverse Effect on the Acquired Corporations, and no event has occurred or circumstance exists that may result in:

(a) individually or in the aggregate, a Material Adverse Effect on the Acquired Corporations;

(b) any action or event of the type described in Section 6.3;

(c) any material loss, damage or destruction to, or any material interruption in the use of, any of the assets of any of the Acquired Corporations (whether or not covered by insurance) that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Acquired Corporations;

(d) (i) any declaration, accrual, set aside or payment of any dividend or any other distribution in respect of any shares of capital stock of any Acquired Corporation; or (ii) any repurchase, redemption or other acquisition by any Acquired Corporation of any shares of capital stock or other securities;

(e) any sale, issuance or grant, or authorization of the issuance of, (i) any capital stock or other security of any Acquired Corporation (except for Company Common Stock issued upon the valid exercise of outstanding Company Stock Options), (ii) any option, warrant or right to acquire any capital stock or any other security of any Acquired Corporation (except for Company Stock Options described in Section 4.3), or (iii) any instrument convertible into or exchangeable for any capital stock or other security of any Acquired Corporation;

(f) any amendment or waiver of any of the rights of any Acquired Corporation under, or acceleration of vesting under, (i) any provision of any of the Company's stock incentive plans; (ii) any provision of any contract evidencing any outstanding Company Stock Option; or (iii) any restricted stock purchase agreement;

(g) any amendment to any Organizational Document of any of the Acquired Corporations, or any merger, consolidation, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction involving any Acquired Corporation;

(h) any creation of any Subsidiary of an Acquired Corporation or acquisition by any Acquired Corporation of any equity interest or other interest in any other Person;

(i) any capital expenditure by any Acquired Corporation which, when added to all other capital expenditures made on behalf of the Acquired Corporations since the date of the Company Balance Sheet, exceeds $25,000 in the aggregate;

(j) except in the Ordinary Course of Business, any action by the Acquired Corporations to (i) enter into or suffer any of the assets

owned or used by it to become bound by any Material Contract; or (ii) amend or terminate, or waive any material right or remedy under, any Material Contract;

(k) except for rights or other assets acquired, leased, licensed or disposed of in the Ordinary Course of Business, any (i) acquisition, lease or license by any Acquired Corporation of any right or other asset from any other Person; (ii) sale or other disposal or lease or license by any Acquired Corporation of any right or other asset to any other Person; or (iii) waiver or relinquishment by any Acquired Corporation of any right;

(l) any pledge of any assets of or sufferance of any of the assets of an Acquired Corporation to become subject to any Encumbrance, except for statutory pledges of immaterial assets made in the Ordinary Course of Business;

(m) any revaluation by an Acquired Corporation of any asset (including, without limitation, any writing down of the value of rental merchandise), other than in the Ordinary Course of Business;

(n) any cancellation or compromise by an Acquired Corporation of any material debt or claim;

(o) any transaction that if taken after the date hereof would constitute a violation of Section 6.2 hereof;

(p) any (i) loan by an Acquired Corporation to any Person; or (ii) incurrence or guarantee by an Acquired Corporation of any indebtedness for borrowed money;

(q) any (i) adoption, establishment, entry into or amendment by an Acquired Corporation of any Plan or (ii) payment of any bonus or any profit sharing or similar payment to, or material increase in the amount of the wages, salary, commissions, fringe benefits or other compensation or remuneration payable to, any of the directors, officers or employees of any Acquired Corporation;

(r) any change of the methods of accounting or accounting practices of any Acquired Corporation in any material respect;

(s) any material Tax election by any Acquired Corporation;

(t) any commencement or settlement of any Legal Proceeding by any Acquired Corporation; or

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

Section 4.22 Average Monthly Recurring Revenue-Three Months. The Company's average Monthly Recurring Revenue, calculated for the months of January 2004, February 2004 and March 2004 in a manner consistent with the accounting principles utilized in the Company Financial Statements (as adjusted in the definition of Monthly Recurring Revenue), is no less than $4,579,795 per month.

Section 4.23 Monthly Revenue-One Month. The Company's Monthly Recurring Revenue calculated for the month of March 2004 in a manner consistent with the accounting principles utilized in the Company Financial Statements (as adjusted in the definition of Monthly Recurring Revenue), is no less than $4,498,892.

Section 4.24 Net Book Value of Inventory. The net book value of the Company's inventory, as of the date hereof, is no less than $19,500,000.

Section 4.25 No Franchises. None of the Acquired Corporations is a

party to any franchise agreement, nor has any Acquired Corporation offered to any Person or Entity any franchise for the operation of any business.

Section 4.26 Interests of Officers, Directors and Affiliates. Except as set forth in Section 4.26 of the Company Disclosure Schedules, none of the officers or directors of any of the Acquired Corporations or any of their respective affiliates (other than the Acquired Corporations) has any interest in (i) any property, real or personal, tangible or intangible, used in or pertaining to the business of the Acquired Corporations; or (ii) any continuing liabilities and obligations (absolute, contingent or otherwise) of an Acquired Corporation; (iii) any supplier, distributor or customer of the Acquired Corporations, or any other relationship, contract, agreement, arrangement or understanding with the Acquired Corporations. Each officer, director and Shareholder beneficially owning 5% or more of the Company Common Stock is set forth in Section 4.26 of the Company Disclosure Schedules.

Section 4.27 Brokers. No broker, finder, investment banker or other Person is entitled to any brokerage, finder's or other fee or commission in connection with the Merger and the Contemplated Transactions based upon arrangements made by or on behalf of any Acquired Corporation.

Section 4.28 Amended and Restated Stock Option Plan. Section 4.28 of the Company Disclosure Schedules provides a true, correct and complete copy of the Stock Option Plan.

Section 4.29 Liens. The security interests, liens and encumbrances listed in Section 4.29 of the Company Disclosure Schedules do not impose or create any Encumbrance upon or with respect to any of the assets owned or used by any of the Acquired Corporations.

Section 4.30 Full Disclosure. This Agreement (including the Company Disclosure Schedules) does not (a) contain any representation, warranty or information that is false or misleading with respect to any material fact; or (b) omit to state any material fact necessary in order to make the representations, warranties and information contained and to be contained herein and therein (in light of the circumstances under which such representations, warranties and information were or will be made or provided) not false or misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub, jointly and severally, represent and warrant to the Company as follows:

Section 5.1 Organization and Good Standing. Parent and Merger Sub are corporations duly organized, validly existing, and in good standing under the Laws of the State of Delaware, with full corporate power and authority to conduct their respective businesses as now being conducted, to own or use the respective properties and assets that they purport to own or use, and to perform all their respective obligations under contracts to which Parent or Merger Sub is party or by which Parent or Merger Sub or any of their respective assets are bound. Parent and Merger Sub are duly qualified to do business as foreign corporations and are in good standing under the Laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by them, or the nature of the activities conducted by them, requires such qualification, except where the failure to be so qualified could not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect on Parent and Merger Sub, taken as a whole.

Section 5.2 Authority; No Conflict.

(a) Parent has all necessary power and authority to execute and deliver this Agreement and the other agreements referred to herein,

to perform its obligations hereunder and thereunder and to consummate the Merger and the Contemplated Transactions. The execution and delivery of this Agreement by Parent and the consummation by Parent of the Contemplated Transactions have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of Parent are necessary to authorize this Agreement or to consummate the Contemplated Transactions. The board of directors of Parent has unanimously approved this Agreement and declared it to be advisable. This Agreement has been duly and validly executed and delivered by Parent and constitutes the legal, valid and binding obligation of Parent, enforceable against Parent in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting the rights of creditors and to general principles of equity.

(b) Merger Sub has all necessary power and authority to execute and deliver this Agreement and the other agreements referred to herein, to perform its obligations hereunder and thereunder and to consummate the Merger and the Contemplated Transactions. The execution and delivery of this Agreement by Merger Sub and the consummation by Merger Sub of the Contemplated Transactions have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of Merger Sub are necessary to authorize this Agreement or to consummate the Contemplated Transactions (other than, with respect to the Merger, the filing of appropriate merger documents as required by the DGCL). The board of directors of Merger Sub has unanimously approved this Agreement, declared it to be advisable and resolved to recommend to Parent that it vote in favor of the adoption of this Agreement in accordance with the DGCL. This Agreement has been duly and validly executed and delivered by Merger Sub and constitutes the legal, valid and binding obligations of Merger Sub, enforceable against Merger Sub in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting the rights of creditors and to general principles of equity.

(c) Except as set forth in Section 5.2(c) of the Parent Disclosure Schedules, neither the execution and delivery of this Agreement nor the consummation of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time or both) (i) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of Parent or Merger Sub; or (B) any resolution adopted by the board of directors or the stockholders of Parent or Merger Sub; (ii) contravene, conflict with, or result in a violation of any Legal Requirement or any Order to which Parent or Merger Sub, or any of the assets owned or used by Parent or Merger Sub, may be subject; (iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by Parent or Merger Sub, or that otherwise relates to the business of, or any of the assets owned or used by, Parent or Merger Sub; or (iv) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any

remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any contract to which Parent or Merger Sub is party or by which Parent or Merger Sub or any of their respective assets are bound, except, in the case of clauses (ii), (iii), and (iv), for any such conflicts, violations, breaches, defaults or other occurrences that would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent Parent or Merger Sub from performing its obligations under this Agreement in any

material respect, and could not reasonably be expected to, individually or in the aggregate, adversely affect Parent and Merger Sub, taken as a whole, in any material respect.

(d) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the performance of this Agreement and the consummation of the Contemplated Transactions by Parent will not, require any Consent of, or filing with or notification to, any Person which has not already been received, filed or given, except (i) for (A) applicable requirements, if any, of the Exchange Act, the Securities Act, the Nasdaq Stock Market and Blue Sky Laws; and (B) filing of appropriate merger documents as required by the DGCL; (ii) as set forth in Section 5.2(c) of the Parent Disclosure Schedules; and (iii) where failure to obtain such Consents, or to make such filings or notifications, would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent Parent or Merger Sub from performing its obligations under this Agreement in any material respect, and could not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect on Parent and Merger Sub, taken as a whole.

Section 5.3 Brokers. No broker, finder, investment banker or other Person is entitled to any brokerage, finder's or other fee or commission in connection with the Merger and the Contemplated Transactions based upon arrangements made by or on behalf of Parent or Merger Sub.

Section 5.4 Financial Capability. Based on existing cash reserves or availability under existing credit facilities, Parent has the funds necessary to finance the Cash Consideration contemplated hereby and provide for the ongoing working capital needs of the Surviving Corporation. Parent has sufficient authorized shares of Parent Common Stock which are not issued, subscribed for or otherwise reserved for issuance to issue the Stock Consideration.

Section 5.5 Financial Statements and Reports. The financial statements of Parent and its Subsidiaries included in Parent's filings with the SEC for the last three fiscal years (including the related notes) complied as to form, as of their respective dates of filing with the SEC in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto (including, without limitation, Regulation S-X), have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by Quarterly Report Form 10-Q of the SEC) applied on a consistent basis during the periods and at the dates involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial condition of Parent and its Subsidiaries at the dates thereof and the consolidated results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments that were not material in amount or effect).

Section 5.6 SEC Reports. To Parent's Knowledge, Parent has on a timely basis filed all forms, reports and documents required to be filed by it with the SEC since January 1, 2002. Except to the extent available in full without redaction on the SEC's web site through the Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") at least two days prior to the date of this Agreement, Parent has provided to counsel to the Company copies in the form filed with the SEC of (i) Parent's Annual Reports on Form 10-K for each fiscal year of Parent beginning since January 1, 2002; (ii) its Quarterly Reports on Form 10-Q for each of the first three fiscal quarters in each of the fiscal years of Parent referred to in clause (i) above; (iii) all proxy statements relating to Parent's meetings of stockholders (whether annual or special) held, and all information statements relating to stockholder consents since the beginning of the first fiscal year referred to in clause (i) above; (iv) all certifications required by (x) Rule 13a-14 or 15d-14 under the Exchange Act, or (y) 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002) with respect to any applicable report referred to in clauses (i) or (ii) above; and (v) all other forms, reports, registration statements and other schedules (other than preliminary materials if the corresponding definitive materials have been provided to counsel to the Company pursuant to this Section 5.6, correspondence with the SEC, or Form 11-Ks) filed by Parent with the SEC since the beginning of

the first fiscal year referred to in clause (i) above (the forms, reports, registration statements and other schedules referred to in clauses (i), (ii), (iii), (iv) and (v) above are, collectively, the "PARENT SEC REPORTS"). To Parent's Knowledge, the Parent SEC Reports (x) complied as to form in all material respects with the requirements of the Securities Act and

the Exchange Act, as the case may be, and the rules and regulations thereunder and (y) did not at the time they were filed with the SEC contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Parent maintains the disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Exchange Act, except where the failure to maintain such disclosure controls and procedures would not have a Material Adverse Effect on Parent and its Subsidiaries taken as a whole.

ARTICLE VI

CERTAIN PRE-CLOSING COVENANTS

Section 6.1 Access and Investigation; Confidentiality.

(a) During the period from the date of this Agreement through the Effective Time (the "PRE-CLOSING PERIOD"), subject to (i) applicable Antitrust Laws relating to the exchange of information; (ii) applicable Laws protecting the privacy of employees and personnel files; and (iii) the confidentiality of documents or other information subject to attorney-client privilege, the Company shall, and shall cause the respective Representatives of the Acquired Corporations, to provide Parent and Parent's Representatives with access to the Acquired Corporations' officers, directors, employees, agents, personnel and assets and to all books, records, Tax Returns, work papers and other documents, and with such additional financial, operating and other data and information regarding the Acquired Corporations as Parent may reasonably request. Without limiting the generality of the foregoing, during the Pre-Closing Period, the Company shall promptly provide Parent with copies of (i) all operating and financial reports prepared by the Company and any other Acquired Corporation for the Company's senior management, including copies of the unaudited monthly consolidated financial statements; (ii) any written materials or communications sent by or on behalf of the Company to its Shareholders; (iii) any notice, report or other document filed with or sent to any Governmental Body in connection with the Merger or any of the Contemplated Transactions; and (iv) any material notice of alleged violations or legal non-compliance received by any of the Acquired Corporations from any Governmental Body.

(b) The parties hereto acknowledge that Parent and the Company have entered into that certain Confidentiality Agreement dated September 30, 2003 between Parent and the Company (the "CONFIDENTIALITY AGREEMENT"), which terminates upon execution of this Agreement.

(c) Each of the Company, the Acquired Corporations, Parent and its Subsidiaries will, and will cause their respective Representatives to (i) hold in confidence, unless, and only to the extent, compelled to disclose by judicial or administrative process or by other requirements of Law, all nonpublic information concerning the other party furnished in connection with the transactions contemplated by this Agreement until such time as such information becomes publicly available (otherwise than through the wrongful act of such Person); and (ii) not release or disclose such information to any other Person, except in connection with this Agreement to its auditors, attorneys, financial advisors or other consultants and advisors who shall be informed of the requirement to keep such information confidential. In the event of termination of this Agreement for any reason, the parties hereto will

promptly return or destroy all documents containing nonpublic information so obtained from any other party hereto and any copies made of such documents and any summaries, analyses or compilations made therefrom and will certify that such destruction or return has occurred.

Section 6.2 Operation of the Company's Business.

(a) During the Pre-Closing Period (except with the prior written Consent of Parent) the Company shall:

(i) ensure that each of the Acquired Corporations conducts its business and operations (A) in the Ordinary Course of Business; and (B) in compliance with all applicable Legal Requirements and all Material Contracts (which for the purpose of this Section 6.2 shall include any contract that would be a Material Contract if existing on the date of this Agreement);

(ii) use its reasonable best efforts to ensure that each of the Acquired Corporations preserves intact its current business organization, maintains its books and records in substantially the same manner as heretofore maintained, keeps available the services of its current officers and employees and maintains its relations and goodwill with all suppliers, customers, landlords, creditors, licensors, licensees, employees and other Persons having business relationships with the respective Acquired Corporations whose loss would have a Material Adverse Effect on the Acquired Corporations, taken as a whole;

(iii) keep in full force all insurance policies referred to in Section 4.14;

(iv) to the extent reasonably requested by Parent, cause its officers to confer regularly with Parent concerning the status of the Company's business;

(v) maintain and keep all of its properties and equipment in good repair, working order and condition, ordinary wear and tear excepted, and perform all of its duties and obligations under all contracts, agreements, understandings and commitments applicable thereto, except in each case where the failure to maintain, comply or perform, individually or in the aggregate, would not have or be reasonably likely to have a Material Adverse Effect on the Acquired Corporations;

(vi) (A) cause each of the Acquired Corporations to timely file all Federal, state and local, domestic and foreign, income and franchise Tax Returns and reports and all other material Tax Returns and reports ("POST-SIGNING RETURNS") required to be filed by each such Acquired Corporation (after taking into account any extensions), which it is not contesting in good faith as set forth in Section 4.15(b) of the Company Disclosure Schedules, which shall be complete and correct, except for failures to file or be true and correct that individually or in the aggregate are not reasonably likely to result in a material liability for the Company; (B) cause each of the Acquired Corporations to timely pay all Taxes due and payable in respect of such Post-Signing Returns that are so filed; (C) accrue a reserve in its books and records and financial statements in accordance with past practice for Taxes payable by the Acquired Corporations for which no Post-Signing Return is due prior to the Effective

Time; and (D) notify Parent of any Legal Proceeding pending against or with respect to the Acquired Corporations in respect of any material Tax.

(b) During the Pre-Closing Period (except with the prior written Consent of Parent), the Company shall not, and shall not permit any other Acquired Corporation to:

(i) (A) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, any of its capital stock or other equity or voting interests, except for dividends by a direct or indirect wholly owned Subsidiary of the Company to its parent; (B) split, combine or reclassify any of its capital stock or other equity or voting interests, or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or other equity or voting interests; or (C) purchase, redeem or otherwise acquire any shares of capital stock or any other securities of any Acquired Corporation or any options, warrants, calls or rights to acquire any such shares or other securities (including any Company Stock Options or shares of restricted stock except pursuant to forfeiture conditions of such restricted stock);

(ii) issue, deliver, sell, pledge or otherwise encumber any shares of its capital stock, any other equity or voting interests or any securities convertible into, or exchangeable for, or any options, warrants, calls or rights to acquire or receive, any such shares, interests or securities or any stock appreciation rights, phantom stock awards or other rights that are linked in any way to the price of the Company Common Stock or the value of the Company or any part thereof (other than the issuance of shares of Company Common Stock upon the exercise of Company Stock Options outstanding on the date of this Agreement in accordance with their present terms);

(iii) amend or propose to amend its Organizational Documents or effect or become a party to any, recapitalization or similar transaction;

(iv) acquire or agree to acquire, or dispose of or agree to dispose of, any assets other than in the Ordinary Course of Business, any business or any Person, either by purchase, merger or consolidation, or by purchasing a portion of the assets thereof, or by any other manner;

(v) enter into any lease or sublease of real property (whether as a lessor, sublessor, lessee or sublessee) or modify, amend, terminate or exercise any right to renew any lease or sublease of real property;

(vi) sell, lease, license, mortgage or otherwise encumber or subject to any Lien, abandon or otherwise dispose of any of its properties or assets other than rental merchandise in the Ordinary Course of Business;

(vii) permit any purchase of Company Common Stock by the Company;

(viii) (A) repurchase, prepay or incur any indebtedness (other than indebtedness with respect to working capital in amounts consistent with past practice) or guarantee any indebtedness of another Person (other than immaterial

amounts in the Ordinary Course of Business); (B) materially modify any indebtedness or other liability; (C) issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of any Acquired Corporation; (D) guarantee any debt securities of another Person; (E) enter into any "keep well" or other agreement to maintain any financial statement condition of another Person; or (F) enter into any arrangement having the economic effect of any of the foregoing;

(ix) make any loans, advances or capital contributions to, or investments in, any other Person, other than the Company or any direct or indirect wholly owned Subsidiary of the Company, except for customary advances to employees in accordance with past practice;

(x) (A) pay, discharge, settle or satisfy any material claims (including claims of Shareholders and any Shareholder litigation relating to this Agreement, the Merger or any Contemplated Transaction or otherwise), liabilities (including any material Tax liability) or obligations (whether absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the Ordinary Course of Business or as required by their terms as in effect on the date of this Agreement of claims, liabilities or obligations reflected or reserved against in the Company Financial Statements (for amounts not in excess of such reserves) in each case in complete satisfaction, and with a complete release, of such matter with respect to all parties to such matter, of actions, suits, proceedings or claims; (B) waive the benefits of, or agree to modify in any material manner, any confidentiality, standstill or similar agreement to which the Company is a party or otherwise waive, release, grant or transfer any right of material value other than in the Ordinary Course of Business; or (C) commence any Legal Proceeding;

(xi) modify, amend or terminate in any material respect, any of its Material Contracts or waive, release or assign any material rights or claims;

(xii) enter into any Material Contract or other material commitment or transaction, or take any other material action, outside the Ordinary Course of Business;

(xiii) make any payment in excess of $5,000 in the aggregate or incur any liability or obligation for the purpose of obtaining any Consent from any third party to the Merger or the Contemplated Transactions;

(xiv) except as required by applicable Law, (A) adopt or enter into any collective bargaining agreement or other labor union contract applicable to the employees of any Acquired Corporation; (B) terminate the employment of any employee of any Acquired Corporation that has an employment, severance or similar agreement or arrangement with any Acquired Corporation, except as otherwise contemplated herein; (C) enter into or modify or amend any employment or severance agreement with any employee of an Acquired Corporation;

(xv) hire any new employee (other than store level employees with an annual base salary not to exceed the Company's ordinary pay rate for store level employees), promote any employee except in order to fill a position vacated after the date of this Agreement, or engage any

consultant or independent contractor for a period exceeding 10 days;

(xvi) increase in any manner the compensation or benefits of, or pay or agree to pay any bonus to, any employee, officer, director or independent contractor of any Acquired Corporation, except pursuant to the Stay Bonus Plan in the form attached hereto as Exhibit B (the "STAY BONUS PLAN"), to be adopted by the Company simultaneously with the execution of this Agreement, which shall provide for the payment of certain stay bonuses to certain employees as provided therein;

(xvii) except as required to comply with applicable Law or any contract or Benefit Plan in effect on the date of this Agreement, (A) pay to any employee, officer, director or independent contractor of any Acquired Corporation any benefit not provided for under any contract or Benefit Plan in effect on the date of this Agreement other than the payment of base compensation in the Ordinary Course of Business; (B) except to the extent expressly permitted under Section 6.2(b)(ii), grant any awards under any Benefit Plan (including the grant of Company Stock Options, stock appreciation rights, stock based or stock related awards, performance units or restricted stock or the removal of existing restrictions in any contract or Benefit Plan or awards made thereunder); (C) take any action to fund or in any other way secure the payment of compensation or benefits under any contract or Benefit Plan; (D) take any action to accelerate the vesting or payment of any compensation or benefit under any contract or Benefit Plan; (E) adopt, enter into or amend any Benefit Plan other than offer letters entered into with new employees in the Ordinary Course of Business that provide, except as required by applicable Law, for "at will employment" with no severance benefits; or (F) make any material determination under any Benefit Plan that is inconsistent with the Ordinary Course of Business;

(xviii) except as required by GAAP or applicable Law, change its fiscal year, revalue any of its material assets or make any changes in cash management, financial or Tax accounting methods, principles or practices, including making or revoking any material Tax election (unless required by Law);

(xix) introduce any new product lines or engage in any lines of business other than the rent-to-own business;

(xx) take any action (or omit to take any action) if such action (or omission) would or is reasonably likely to result in (A) any representation and warranty of the Company set forth in this Agreement that is qualified as to materiality becoming untrue (as so qualified); or (B) any such representation and warranty that is not so qualified becoming untrue in any material respect; or

(xxi) authorize any of, announce an intention to do any of, or commit, resolve or agree to take any of, the foregoing actions.

(c) During the Pre-Closing Period, the Company shall promptly notify Parent in writing of:

(i) the discovery by the Company of any event, condition, fact or circumstance that occurred or existed on or prior to the date of this Agreement and that caused or constitutes a material inaccuracy in any representation or warranty made by the Company in this Agreement;

(ii) any change in the Company's capital structure, including, without limitation, any change resulting from an exercise of a Company Stock Option outstanding as of the date hereof;

(iii) any event, condition, fact or circumstance that occurs, arises or exists after the date of this Agreement and that would cause or constitute a material inaccuracy in any representation or warranty made by the Company in this Agreement if (A) such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event,

condition, fact or circumstance; or (B) such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of this Agreement;

(iv) any material breach of any covenant of the Company;

(v) any event, condition, fact or circumstance that would make the timely satisfaction of any of the conditions set forth in ARTICLE VIII and ARTICLE IX impossible or unlikely or that has had or could reasonably be expected to have a Material Adverse Effect on the Acquired Corporations; and

(vi) (A) any notice or other communication from any Person alleging that the Consent of such Person is or may be required in connection with the transactions contemplated by this Agreement; and (B) any Legal Proceeding or material claim commenced, or to the Company's Knowledge, threatened or asserted against or with respect to any of the Acquired Corporations or the Contemplated Transactions.

Should the occurrence of any of the facts or conditions pursuant to this Section 6.2(c) require any change to the Company Disclosure Schedules, the Company shall promptly deliver to Parent a supplement to the Company Disclosure Schedules specifying such change. Notwithstanding the foregoing, no notification given to Parent pursuant to this Section 6.2(c) shall limit or otherwise affect any of the representations, warranties, covenants or obligations of the Company contained in this Agreement.

Section 6.3 No Solicitation.

(a) The Company shall not directly or indirectly, and shall not authorize or permit any of the other Acquired Corporations or any of their respective Representatives directly or indirectly to, (i) solicit, initiate, encourage, induce or facilitate the making, submission or announcement of any Acquisition Proposal or take any action that could reasonably be expected to lead to an Acquisition Proposal; (ii) furnish any information or assistance regarding any of the Acquired Corporations to any Person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal; (iii) engage in discussions or negotiations with any Person with respect to any Acquisition Proposal; (iv) approve, endorse or recommend any Acquisition Proposal; or (v) enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any Acquisition Transaction.

(b) Notwithstanding the foregoing, prior to the Effective Time, the Company may furnish information concerning the business, properties or assets of the Acquired Corporations to any Person pursuant to appropriate confidentiality agreements, and may participate

in negotiations and discussions with any such Person who makes an offer to enter into a Acquisition Transaction, provided, however, that the Company shall not agree to any exclusive right to negotiate with such Person, if (i) such Person, without any of the Acquired Corporations' respective Representatives or other Persons retained by or affiliated with an Acquired Corporation engaging in any actions prohibited by Section 6.3(a) of this Agreement following the date hereof, submits a bona fide, unsolicited written proposal to the Company with respect to any such transaction that the Company's board of directors determines, in good faith, after receiving written advice from a financial advisor of a nationally recognized reputation is more favorable (both quantitatively and qualitatively) to the Company and its Shareholders than the Contemplated Transactions, and for which financing, to the extent required, is then committed or which, in the good faith judgment of the Company's board of directors, is reasonably capable of being obtained by such Person; and (ii) in the reasonable opinion of the Company's board of directors in good faith, after consultation with outside legal counsel, the failure to provide such information or access to engage in such discussions or negotiations would cause the Company's board of directors to breach its fiduciary duties to the Company's Shareholders under applicable Legal Requirements (an Acquisition Proposal which satisfies clauses (i) and (ii) of this Section 6.3(b) being hereinafter referred to as a ("SUPERIOR PROPOSAL")). The Company shall, within two Business Days following the determination that such Acquisition Proposal is a Superior Proposal, notify Parent in writing of the receipt of the same (a "PROPOSAL NOTICE"). Such Proposal Notice shall indicate the name of the Person who made such Superior Proposal, all the terms and conditions of such proposal, that the Company's board of directors intends to make a Subsequent Determination, contain a certification signed by the Chief Executive Officer of the Company to the effect that such proposal is a

Superior Proposal in accordance with the terms thereof, and be accompanied by all nonpublic information provided by the Company to such Person who made the Superior Proposal of which Parent had not been previously furnished. If, after consultation with outside legal counsel, the Company's board of directors determines that its fiduciary duties to the Company and its Shareholders so require, the Company's board of directors may (subject to this and the following sentences of this Section 6.3(b)) inform the Company's Shareholders that it no longer believes that the transactions contemplated hereby are advisable, and that it no longer recommends approval of the Merger (a "SUBSEQUENT DETERMINATION"), but only at a time that is after the fifth Business Day following Parent's receipt of the relevant Proposal Notice. Notwithstanding the foregoing, during the aforementioned five-day period following Parent's receipt of the relevant Proposal Notice, the Company will keep Parent reasonably informed of the status and details (including amendments and proposed amendments) of any Acquisition Proposal and the Company may not make a Subsequent Determination, nor may it terminate this Agreement, unless it has provided Parent (i) at least five Business Days' notice of the exact terms of the Acquisition Proposal, including a copy of the proposed agreement; and (ii) at least five Business Days' notice of any and each amendment to such Acquisition Proposal and proposed agreement.

(c) After delivering such Proposal Notice, the exact terms of the Acquisition Proposal, including a copy of the proposed agreement or any amendment to such Acquisition Proposal and proposed agreement, which ever shall occur later, the Company shall provide a reasonable opportunity to Parent to make such adjustments to the terms and conditions of this Agreement as would enable the Company's board of directors to proceed with its recommendation to the Company's Shareholders without a Subsequent Determination. At any time after the fifth Business Day following Parent's receipt of the Proposal Notice, the exact terms of the Acquisition Proposal, including a copy of the

proposed agreement or any amendment to such Acquisition Proposal and proposed agreement, which ever shall occur later, and if the Company has otherwise complied with the provisions of this Section 6.3, the Company's board of directors may terminate this Agreement pursuant to Section 12.1(f) hereof and enter into an agreement with respect to the relevant Superior Proposal, provided that the Company shall, concurrently with terminating this Agreement pursuant to such section, pay or cause to be paid to Parent the Termination Fee.

(d) Except as provided in Section 6.3(b) hereof, neither the Company's board of directors nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in any manner adverse to Parent, the approval or recommendation by the Company's board of directors or any committee thereof of this Agreement and the transactions contemplated hereby; (ii) approve or recommend, or propose to approve or recommend, any Acquisition Proposal; or (iii) enter into any agreement, commitment, understanding or other arrangement with respect to any Acquisition Transaction.

(e) Nothing contained in this Section 6.3 shall prohibit the Company from making any disclosure to the Company's Shareholders if, in the good faith judgment of the board of directors of the Company, after consultation with outside counsel, failure to so disclose would be inconsistent with its obligations under applicable Law.

Section 6.4 Company Shareholders' Meeting.

(a) The Company shall take all action necessary under all applicable Legal Requirements to call, give notice of and hold a meeting of the holders of Company Common Stock to vote on a proposal to adopt this Agreement (the "COMPANY SHAREHOLDERS' MEETING"), and shall submit such proposal to such holders at the Company Shareholders' Meeting. The Company (in consultation with Parent) shall set a record date for Persons entitled to notice of, and to vote at, the Company Shareholders' Meeting. The Company Shareholders' Meeting shall be held on May 7, 2004 or such other date as the Company and Parent may agree. The Company shall ensure that all votes and proxies solicited in connection with the Company Shareholders' Meeting are solicited in compliance with all applicable Legal Requirements applicable to the Company and shall take all lawful action necessary to obtain the Required Company Shareholder Vote.

(b) Subject to Section 6.3(b), (i) the board of directors of the Company will unanimously recommend that the Company's Shareholders vote to approve this Agreement and the Contemplated Transactions at the Company Shareholders' Meeting (the "COMPANY BOARD RECOMMENDATION"); and (ii) the Company Board Recommendation shall not be withdrawn or modified in a manner adverse to Parent,

and no resolution by the board of directors of the Company or any committee thereof to withdraw or modify the Company Board Recommendation in a manner adverse to Parent shall be adopted or proposed.

(c) Prior to the Company Shareholders' Meeting, the Company shall furnish each Shareholder of the Company with (i) a detailed description of the Merger and the Contemplated Transactions, as approved by Parent; (ii) the Investor Questionnaire and Consent; (iii) (A) a copy of Parent's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003; (B) a copy of Parent's most recent proxy statement filed with the SEC; and (C) each of the reports and statements filed by Parent with the SEC since the date such Form 10-K/A was filed with the SEC but prior to the date hereof (such reports and statements being referred to collectively as the "SEC FILINGS"); and (iv) a copy of Chapter 23 of the Tennessee Corporate Statutes.

(d) Notwithstanding Section 6.4(a), if this Agreement and the transactions contemplated hereby are approved by the Shareholders by a written consent in compliance with Section 48-17-104 of the Tennessee Corporate Statutes and the Company's Organizational Documents, the Company shall not be required to hold the Company's Shareholder Meeting.

Section 6.5 Regulatory Approvals.

(a) Subject to Section 6.5(b), Parent and the Company shall use all reasonable efforts to take, or cause to be taken, all actions necessary to expeditiously consummate the Merger and make effective the Contemplated Transactions. Without limiting the generality of the foregoing, but subject to Section 6.5(b), Parent and the Company shall (i) make all filings (if any) and give all notices (if any) required to be made and given by such party in connection with the Merger and the Contemplated Transactions, and shall submit promptly any additional information requested in connection with such filings and notices; (ii) use all reasonable efforts to obtain each Consent (if any) required to be obtained as set forth in Section 9.3 of the Company Disclosure Schedules by such party in connection with the Merger or any of the other transactions contemplated by this Agreement; and (iii) use all reasonable efforts to oppose or to lift, as the case may be, any restraint, injunction or other legal bar to the Merger. Each party shall promptly deliver to the other party a copy of each such filing made, each such notice given and each such Consent obtained during the Pre-Closing Period.

(b) Without limiting the generality of Section 6.5(a), each of the Company and Parent shall (i) give the other party prompt notice of the commencement or, to the Knowledge of such party, threat of commencement of any Legal Proceeding by or before any Governmental Body with respect to the Merger or any of the Contemplated Transactions; (ii) keep the other party informed as to the status of any such Legal Proceeding or threat; and (iii) keep the other party apprised of the status of any inquiries made by a Governmental Body.

Section 6.6 Public Announcements. Parent, Merger Sub, the Company and the other Acquired Corporations will consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press releases or other public statements with respect to any transactions described in this Agreement, and shall not issue any such press releases or make any such public statement prior to such consultation, except as required by Law or the Nasdaq National Market.

Section 6.7 Resignation of Officers and Directors. The Company shall use its best efforts to obtain and deliver to Parent not less than one Business Day prior to the Closing Date (to be effective as of the Effective Time) the resignation of each officer and director of each of the Acquired Corporations, as Parent shall specify.

Section 6.8 Investor and Option Questionnaires and Consents. The Company shall use its reasonable best efforts to ensure that Parent receives at least one Business Day prior to the Closing Date (i) an investor questionnaire and consent in the form of Exhibit C hereto (each, an "INVESTOR QUESTIONNAIRE AND CONSENT") completed and executed by each Shareholder of the Company and such other documentation regarding the Accredited Investor status of each Shareholder reasonably requested by Parent; and (ii) an option questionnaire and consent in the form of Exhibit D hereto (each, an "OPTION QUESTIONNAIRE AND CONSENT") completed and executed by each holder of a Right of the Company and such other documentation regarding the Accredited Investor status of each such Right holder reasonably requested by Parent.

Section 6.9 Outstanding Options and Rights. The Company shall

repurchase, cancel or take such other actions as necessary so that at the Effective time there are no Rights outstanding or held by any Person other than by a Person that (i) Parent reasonably believes to be an Accredited Investor; and (ii) who has completed and executed an Option Questionnaire and Consent which has been delivered to Parent at least one Business Day prior to the Closing Date.

Section 6.10 No Buy-Back Obligations. The Company shall take such actions as necessary so that as of the Closing Date, the Company shall have no obligations to purchase any shares of Company Common Stock or Company Stock Options owned by any Shareholders or optionholders of the Company, including upon the death of any Shareholder or optionholder of the Company.

Section 6.11 Release of Liens. Prior to the Closing, the Company shall cause termination statements and instruments of release, in form and substance satisfactory to counsel for Parent, to be filed in appropriate jurisdictions releasing and discharging the security interests, liens and encumbrances set forth in Section 6.11 of the Parent Disclosure Schedules.

Section 6.12 Adoption of Stay Bonus Plan. Prior to the Closing Date, Merger Sub shall take such actions as necessary to adopt the Stay Bonus Plan effective as of the Effective Time.

Section 6.13 Termination of Shareholders Agreement. Prior to the Closing, the Company shall take such actions as necessary to cause that certain Shareholders Agreement, dated as of May 29, 1998, by and among the Company and the Shareholders of the Company to be terminated.

Section 6.14 Good Standing. Prior to the Closing, the Company shall take such actions as necessary to cause each of the Acquired Corporations to be in good standing under the Laws of their respective jurisdictions of incorporation and under the Laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification.

ARTICLE VII

ADDITIONAL COVENANTS

Section 7.1 Repayment of Liabilities. Parent shall, or shall cause the Surviving Corporation to, repay the liabilities listed in Section 7.1 of the Company Disclosure Schedules at Closing or promptly thereafter.

Section 7.2 Employee Benefits. Except as set forth in Section 7.1 of the Parent Disclosure Schedules, for purposes of eligibility to participate, employees of the Acquired Corporations as of the Effective Time that continue employment with the Surviving Corporation after the Effective Time shall not receive credit under any Plan, program or arrangement established or maintained by Parent or the Surviving Corporation and made available to such employees for service accrued prior to the Effective Time with the Company.

Section 7.3 Indemnification of Officers and Directors.

(a) The Surviving Corporation shall indemnify and hold harmless, to the extent required in the Organizational Documents of the applicable Acquired Corporation and Tennessee Law, the individuals who on or prior to the Effective Time were officers or directors of the Acquired Corporations (each an "INDEMNITEE" and collectively, the "INDEMNITEES") with respect to all acts or omissions by them in their capacities as such or taken at the request of an Acquired Corporation at any time prior to the Effective Time. With respect to all acts or omissions by them in their capacities as an officer or director or taken at the request of an Acquired Corporation at any time prior to the Effective Time, the Surviving Corporation agrees that all rights of the Indemnitees to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time as provided in the Organizational Documents of the Acquired Corporations as now in effect shall survive the Merger and shall continue in full

force and effect in accordance with their terms. Such rights shall not be amended, or otherwise modified in any manner that would adversely affect the rights of the Indemnitees, unless such modification is required by Law.

(b) If any claim or claims shall, subsequent to the Effective Time and within three years thereafter, be made against any present or former director or officer of an Acquired Corporation based on or arising out of the services of such Person prior to the Effective Time in the capacity of such Person as a

director or officer of an Acquired Corporation, the provisions of Section 7.3(a) with respect to the Organizational Documents of the Acquired Corporations will continue in effect until the final disposition of all such claims.

(c) Each of Parent, the Surviving Corporation and the Indemnitee shall cooperate, and cause their respective affiliates to cooperate, in the defense of any action and shall provide access to properties and individuals as reasonably requested and furnish or cause to be furnished records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

(d) For the three-year period commencing immediately after the Effective Time, the Surviving Corporation shall either (i) maintain in effect the Company's current directors' and officers' liability insurance policies providing coverage for acts or omissions occurring prior to the Effective Time with respect to those Persons who are currently covered by the Company's directors' and officers' liability insurance policy on terms and at limits no less favorable to the Company's directors and officers currently covered by policies in effect on the date hereof; or (ii) obtain a directors' and officers' insurance policy for the exclusive benefit of those Persons who are currently covered by the Company's directors' and officers' liability insurance policy from a financially sound and nationally reputable carrier which (A) is at least as favorable to the Persons currently covered by the Company's directors' and officers' liability insurance in effect as of the date hereof; and (B) will at a minimum have the same terms and limits as the Company's directors' and officers' liability insurance policies in effect as of the date hereof; provided, however, that, if the Company's current directors' and officers' liability insurance expires, is terminated or is canceled during such three-year period, the Surviving Corporation shall obtain directors' and officers' liability insurance covering such acts or omissions with respect to each such Person on terms and at limits no less favorable to the Company's directors and officers currently covered by policies in effect immediately prior to the date of such expiration, termination or cancellation. The Company and Parent shall cooperate to make any arrangements necessary to obtain or continue such directors' and officers' liability insurance for such three-year period, including the prepayment of any fees or premiums to the applicable insurance providers of such amounts as necessary to provide the coverage contemplated by this Section 7.3; provided, however, that the Surviving Corporation will not be required to expend in any year an amount in excess of 125% of the annual aggregate premiums currently paid by the Company for such insurance; and provided, further, that if the annual premiums of such insurance coverage exceed such amount, the Surviving Corporation will be obligated to obtain a policy with the best coverage available, in the reasonable judgment of its board of directors, for a cost not exceeding such amount. The estimated amount of such premiums during such three-year period shall be part of the Merger Consideration Reductions.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF EACH PARTY

The obligation of each party to effect the Merger and otherwise consummate the Contemplated Transactions is subject to the satisfaction or waiver by each party, on or before the Closing, of each of the following conditions:

Section 8.1 Shareholder Approval. This Agreement, the Merger and the Contemplated Transactions shall have been duly approved by the Required Company Shareholder Vote.

Section 8.2 No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger shall have been issued by any court of competent jurisdiction or any other Governmental Body and shall remain in effect, and there shall not be any Legal Requirement enacted, promulgated, adopted or deemed applicable to the Merger that makes consummation of the Merger illegal or otherwise prohibits the consummation of the Merger.

ARTICLE IX
CONDITIONS PRECEDENT TO OBLIGATIONS OF PARENT AND MERGER SUB

The obligation of Parent and Merger Sub to effect the Merger and otherwise consummate the Contemplated Transactions is subject to the satisfaction or waiver by Parent and Merger Sub, on or before the Closing, of each of the following conditions:

Section 9.1 Accuracy of Representations and Warranties. The representations and warranties of the Company set forth in this Agreement shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the Closing Date as if made on and as of the Closing (it being understood that, for purposes of determining the accuracy of such representations and warranties, for purposes of this Section 9.1 all "Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded).

Section 9.2 Performance of Covenants. Each of the covenants and obligations that the Company is required to comply with or perform at or prior to the Closing Date shall have been complied with or performed in all material respects.

Section 9.3 Consents. All of the Consents listed in Section 9.3 of the Company Disclosure Schedules required to be obtained, made or given in connection with the Merger and the Contemplated Transactions shall have been obtained, made or given and shall be in full force and effect.

Section 9.4 Closing Three Month Recurring Revenue Target. On the Closing Date, the Company's average Monthly Recurring Revenue, calculated for the three full calendar months immediately prior to the Closing Date and calculated in a manner consistent with past practices (as adjusted in the definition) (the "CLOSING THREE MONTH RECURRING REVENUE"), shall be no less than $4,400,000 per month.

Section 9.5 Closing Month Revenue Target. On the Closing Date, the Company's Monthly Recurring Revenue for the first full month immediately preceding the Closing Date, calculated in a manner consistent with past practices (as adjusted in the definition), shall be no less than $4,400,000.

Section 9.6 Closing Inventory. On the Closing Date, the net book value of the Company's inventory, in a manner consistent with past practices (the "CLOSING INVENTORY"), shall be no less than $19,500,000; provided, however, that Parent's sole remedy in the event that such representation is not true as of the Closing Date will be the Merger Consideration Reduction provided for in Section

2.4(f), except that if the Closing Inventory is equal to or less than the Closing Inventory Minimum, then Parent may, at its election, terminate this Agreement pursuant to the terms set forth in Section 12.1(i).

Section 9.7 No Material Adverse Change. Since the date of this Agreement, there shall not have occurred a Material Adverse Change with respect to the Acquired Corporations taken as a whole and no event shall have occurred or circumstance shall exist that, in combination with any other events or circumstances, could reasonably be expected to have a Material Adverse Change with respect to the Acquired Corporations taken as a whole.

Section 9.8 Agreements and Documents. The following agreements and documents shall have been delivered to Parent, and shall be in full force and effect:

(a) a legal opinion from Bass, Berry & Sims PLC, counsel to the Company, dated the Closing Date, addressed to Parent, in the form of Exhibit E hereto;

(b) the written resignations of all officers and directors of each of the Acquired Corporations, effective as of the Effective Time;

(c) Investor Questionnaire and Consents in the form of Exhibit C hereto completed and executed by each Shareholder of the Company;

(d) Option Questionnaire and Consents in the form of Exhibit D hereto completed and executed by each Right holder of the Company;

(e) a certificate, executed on behalf of the Company by the Company's Chief Executive Officer, confirming that the conditions set forth in Section 9.1, Section 9.2, Section 9.3, Section 9.4, Section 9.5, Section 9.6, Section 9.7, and this Section 9.8 have been duly satisfied.

Section 9.9 Outstanding Options and Rights. No Rights shall be outstanding or held by any Person other than by a Person that (i) Parent reasonably believes to be an Accredited Investor; and (ii) who has completed and executed an Option Questionnaire and Consent, which shall have been delivered to Parent at least one Business Day prior to the Closing Date.

Section 9.10 Employees. None of the individuals identified in Section 9.10 of the Parent Disclosure Schedules shall have ceased to be employed by the Company or, to the Knowledge of the Company, shall have expressed an intention to terminate his or her employment with the Company or to decline to continue employment with the Surviving Corporation during the transition period of 90 days following the Effective Time.

Section 9.11 No Dissenting Shares. As of the Effective Time, Shareholders holding no more than 5% of the Company Common Stock in the aggregate shall have delivered to the Company written notice of their intent to demand payment for their shares of Company Common Stock if the Merger is consummated pursuant to Chapter 23 of the Tennessee Corporate Statutes.

Section 9.12 Voting Agreement. The Voting Agreement shall remain in full force and effect and the Shareholders party thereto shall have complied in all respects with the Voting Agreement and shall have performed all of their respective obligations thereunder.

ARTICLE X

CONDITIONS PRECEDENT TO OBLIGATION OF THE COMPANY

The obligation of the Company to effect the Merger and otherwise consummate the Contemplated Transactions is subject to the satisfaction, or waiver by the Company, on or before the Closing, of each of the following

conditions:

Section 10.1 Accuracy of Representations. The representations and warranties of Parent and Merger Sub set forth in this Agreement shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the Closing Date as if made on and as of the Closing Date (it being understood that, for purposes of determining the accuracy of such representations and warranties, for purposes of this Section 10.1 all "Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded).

Section 10.2 Performance of Covenants. Each of the covenants and obligations that Parent or Merger Sub, as applicable, is required to comply with or perform at or prior to the Closing Date shall have been complied with or performed in all material respects.

Section 10.3 No Material Adverse Change. Since the date of this Agreement, there shall not have occurred a Material Adverse Change with respect to Parent and its Subsidiaries taken as a whole.

Section 10.4 Documents. The following agreements and documents shall have been delivered to the Company, and shall be in full force and effect:

(a) A certificate, executed on behalf of each of Parent and Merger Sub by an executive officer of each of Parent and Merger Sub, confirming that the conditions set forth in Section 10.1, Section 10.2 and Section 10.3 have been duly satisfied; and

(b) a legal opinion from Winstead Sechrest & Minick P.C., counsel to Parent and Merger Sub, dated the Closing Date, addressed to the Company, in the form of Exhibit F hereto.

ARTICLE XI

POST-CLOSING MATTERS

Section 11.1 Survival of Representations and Warranties. All of the representations and warranties of the Company contained in ARTICLE IV of this Agreement, the certificates and any other documents delivered pursuant to this Agreement shall survive the Closing Date and the consummation of the Contemplated Transactions for a period of one year following the Closing Date; provided, however, that any claims relating to any of the representations and warranties of the Company contained in ARTICLE IV of this Agreement that are pending as of such date shall survive until such claims shall have been resolved.

Section 11.2 Indemnification.

(a) Indemnification by Parent. From and after the Effective Date, Parent shall indemnify and hold the Shareholders of the Company and its officers, directors, employees, attorneys and agents harmless from, against and in respect of any and all claims, demands, lawsuits, proceedings, losses, assessments, Taxes, fines, penalties, administrative orders, obligations, costs, expenses, liabilities and damages, including interest, penalties, reasonable attorneys' fees and costs of investigation (all of the foregoing hereinafter referred to collectively as "CLAIMS"), which arise or result from and to the extent they are attributable to any breach of the representations, warranties or covenants by Parent contained in this Agreement.

(b) Indemnification by the Shareholders. From and after the Effective Date, the Shareholders shall indemnify and hold Parent, the Surviving Corporation and their respective officers, directors, employees, attorneys and agents harmless from, against and in respect

of any and all Claims which arise or result from and to the extent they are attributable to (i) any breach of the representations, warranties or covenants by the Company contained in this Agreement; (ii) any Taxes not accrued on the Closing Balance Sheet; and/or (iii) any fines, penalties, obligations, costs, expenses, liabilities and damages, including interest and reasonable attorneys' fees, incurred in connection with the Disclosed Contingent Liabilities.

(c) Limitations of Liability.

(i) No indemnifying party shall be required to indemnify an indemnified party under Section 11.2(a) or Section 11.2(b)(i) hereof until the aggregate amount of Claims entitled to indemnification exceeds an aggregate of $100,000 and then only for the amount by which such Claims exceed $100,000.

(ii) Notwithstanding anything in this Agreement to the contrary, the aggregate liability of any party with respect to Claims for indemnification hereunder shall not exceed and shall be payable out of the General Holdback Amount.

(iii) The amount of any Claims otherwise payable to any indemnified party pursuant to this Section 11.2 shall be reduced to the extent that such indemnified party actually realizes, by reason of such Claims, any insurance proceeds that are not offset by any directly corresponding increase in the insurance premiums payable to such indemnified party or any tax benefits. In the event that any such tax benefit or insurance proceeds are actually realized by an indemnified party subsequent to the receipt by such indemnified party of an indemnification payment hereunder in respect of the Claims to which such tax benefit or insurance proceeds relate, appropriate refunds shall be made promptly regarding the amount of such indemnification payment.

(iv) The amount of any Claims otherwise payable to any indemnified party pursuant to this Section 11.2 shall be reduced to the extent that such amount was fully and accurately taken into consideration in determining the Adjustment Amount.

(v) Any Claim with respect to a matter subject to indemnification under Section 11.2(a) and Section 11.2(b)(i) and (ii) must be made prior to the expiration of 12 months after the Effective Date.

(d) Each of the parties hereto agrees that its sole recourse for any breach or default hereunder raised after the Closing Date, or for any other matter as to which indemnification is provided to it in this Section 11.2 shall be limited to (i) the indemnification provisions set forth herein; and (ii) any equitable relief to which it is entitled as contemplated by Section 13.15 hereof. Notwithstanding the foregoing, nothing contained in this Section 11.2 shall limit the rights of any party under ARTICLE XII hereof.

(e) Method of Asserting Claims. All Claims for indemnification by any party under this Section 11.2 shall be asserted and resolved as follows:

(i) in the event that any Claim or demand in respect of which any party would be entitled to indemnification hereunder is asserted against such party by a third party (a "THIRD PARTY CLAIM"), said party shall within 75 days thereof

notify the indemnifying party of such Claim or demand, specifying the nature of and specific basis for such Claim or demand and the amount or the estimated amount thereof to the extent then feasible, which estimate shall not be conclusive of the final amount of such Claim or demand (the "INDEMNITY CLAIM NOTICE"); provided, however, that the failure to notify the indemnifying party of the commencement of such indemnity Claim within such 75 day period will not relieve the indemnifying party of any liability that it may have to any indemnified party, except to the extent that the indemnifying party is actually materially prejudiced by the indemnifying party's failure to give such Indemnity Claim Notice. The indemnifying party shall have 30 days from the personal delivery or mailing of the Indemnity Claim Notice (the "NOTICE PERIOD") to notify the indemnified party (A) whether or not it disputes entitlement of the indemnified party to indemnification hereunder with respect to such Claim or demand; and (B) whether or not it desires at no cost or expense to the indemnified party, to defend the indemnified party against such Claim or demand; provided, however, that any indemnified party is hereby authorized prior to and during the Notice Period to file any motion, answer or other pleading which it shall deem necessary or appropriate to protect its interests or those of the indemnifying party and that are not materially prejudicial to the indemnifying party. In the event that the indemnifying party notifies the indemnified party within the Notice Period that it desires to defend the indemnified party against such Claim or demand and except as hereinafter provided, the indemnifying party shall have the right to defend by all appropriate proceedings, which proceedings shall be promptly settled or prosecuted by it to a final conclusion. If the indemnified party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If requested by the indemnifying party, the indemnified party agrees to cooperate with the indemnifying party and its counsel in contesting any Claim or demand which the indemnifying party elects to contest, or, if appropriate and related to the Claim in question, in making any counterclaim against the person asserting the cross complaint against any person. No Claim may be settled without the consent of the indemnifying party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, in connection with a Third Party Claim asserted against both such indemnified party and indemnifying party, if (A) such indemnified party has available to it defenses which are in addition to those available to the indemnifying party; (B) such indemnified party has available to it defenses which are inconsistent with the defenses available to the indemnifying party; or (C) a conflict exists or may reasonably be expected to exist in connection with the representation of both such indemnified party and indemnifying party by the legal counsel chosen by the indemnifying party, such indemnified party shall have the right to select its own legal counsel subject to the approval of such legal counsel by the indemnifying party, such approval not to be unreasonably withheld. If such indemnified party selects its own legal counsel pursuant to the immediately preceding sentence and the underlying Third Party Claim is otherwise subject to the scope of the indemnification obligations of the indemnifying party pursuant to this Section 11.2, the reasonable fees and expenses of such legal counsel will be included within the indemnification obligations of the indemnifying party; provided, however, that under no circumstances will the indemnifying party be obligated to indemnify such indemnified party against the fees and expenses of more than one legal counsel selected by such indemnified party in connection with a single Claim (notwithstanding the number of persons against whom the Third Party Claim may be

asserted). To the extent a Claim with respect to indemnification of representations and warranties is made within the survival period set forth in Section 11.1, such Claim shall survive until such Claim is resolved pursuant to the provisions of Section 11.2, notwithstanding the expiration of the applicable survival period set forth in Section 11.1. For the avoidance of doubt, any Claim with respect to the Disclosed

Contingent Liabilities shall survive until such Claim with respect to the Disclosed Contingent Liabilities shall have been settled and paid, either pursuant to a full settlement agreement binding on all parties to such Disclosed Contingent Liability, including a full release of the Surviving Corporation, or a final nonappealable judgment is entered. Notwithstanding the foregoing, Parent shall not be (i) required to give notice of any Claim with respect to any Disclosed Contingent Liability or (ii) entitled to make a Claim for indemnification in excess of the amount listed in Section 11.2(e)(ii) of the Parent Disclosure Schedules with respect to any Disclosed Contingent Liability set forth therein.

(ii) In the event any indemnified party should have a Claim hereunder which does not involve a Third Party Claim, the indemnified party shall send an Indemnity Claim Notice with respect to such claim to the indemnifying party and, if applicable, otherwise comply with the provisions of this Section 11.2. In the event the parties cannot reach an agreement regarding such non-Third Party Claim within 30 days, the parties will submit such dispute to final and binding arbitration held in Dallas, Texas. American Arbitration Association ("AAA") rules relating to commercial arbitration will apply. The parties will jointly select a single arbitrator from an AAA panel. If they cannot agree on an arbitrator, they will both select an arbitrator and the two arbitrators so selected will pick the arbitrator who will decide the dispute. The arbitrator will not have the authority to award punitive or consequential damages. Arbitration awards are not appealable and may be enforced through any court of competent jurisdiction. The arbitrator must apply Delaware law and has exclusive authority to resolve any dispute relating to the interpretations, applicability, or formation of this Agreement.

Section 11.3 Holdback Amount; Set-Off.

(a) Pursuant to Section 2.5, at the Effective Time, Parent shall withhold from the Merger Consideration that would otherwise be paid to the Shareholders of the Company the General Holdback Amount to support the payment of (i) Claims for Indemnification under Section 11.2(b); (ii) the Company's share of the compensation of certain transitional employees of the Company pursuant to Section 3.4; (iii) any amounts payable by the Surviving Corporation as a result of the payments due for Dissenting Shares pursuant to Section 2.6(i) to the extent such payments exceed such Dissenting Shareholders' otherwise pro rata portion of the Merger Consideration; (iv) the Adjustment Amount to the extent it exceeds the Adjustment Holdback Amount; and/or (v) any Claims incurred in connection with the Disclosed Contingent Liabilities. During the General Holdback Period, Parent may set-off against the General Holdback Amount, (x) any of the amounts provided in clauses (ii), (iii) and (iv), above except to the extent such amounts are in dispute; (y) and the amounts provided in clauses (i) and (v) above and clauses (ii), (iii) and (iv), above to the extent such amounts are in dispute only after final determination pursuant to

Section 11.2(e). Subject to the set-off provided in Section 11.3(d) of the Parent Disclosure Schedules, Parent shall exercise its right of set-off against the Cash Portion of General Holdback until the Cash Portion of General Holdback is reduced to zero and then against the Stock Portion of General Holdback. To the extent any portion of the Stock Portion of General Holdback is set-off against the General Holdback Amount, the number of shares of Parent Common Stock to be deducted from the Stock Portion of General Holdback shall be calculated as set forth in Section 11.3(d) of the Parent Disclosure Schedules. The exercise of Parent's right to set-off against the General Holdback Amount in accordance with clause (x) above in good faith, whether or not ultimately determined to be justified, shall not be deemed a breach of Parent's obligation to deliver the General Holdback Amount under this Agreement. Neither the exercise nor the failure to exercise such right of set-off will constitute an election of remedies or otherwise limit Parent in any manner in the enforcement of any other remedies that may be available to it.

(b) Upon expiration of the Adjustment Holdback Period, the Adjustment Amount shall be paid to the Shareholders of the Company, to the extent they are entitled to any portion of it, as provided in Section 3.2.

(c) Upon expiration of the General Holdback Period and the execution of all necessary documentation reasonably required by Parent, Parent shall promptly (and in any event within five Business Days) pay an amount equal to the Cash Portion of General Holdback , minus the sum of all amounts for outstanding Claims for indemnification brought pursuant to Section 11.2 which are still in dispute, to the Designated Account by wire transfer of immediately available funds. With respect to any Claims for

indemnification that are subject to dispute at the end of the General Holdback Period, to the extent the Shareholders are entitled to any additional amount of the General Holdback Amount upon settlement of such disputed Claims, Parent shall promptly (and in any event within five Business Days) pay such amount to the Designated Account upon settlement or final determination of such Claims, by wire transfer of immediately available funds. At such time, Parent shall also provide the Shareholders' Representative a list describing what it has set-off against the General Holdback. Notwithstanding the foregoing, the Stock Portion of General Holdback shall not be paid to the Designated Account, but shall be disbursed to the Shareholders by the Exchange Agent; provided, however, that for each Shareholder of the Company for which Parent does not receive at least one Business Day prior to the Closing Date an Investor Questionnaire and Consent completed by such Shareholder, and for each Shareholder of the Company for which, upon Parent's review of such Shareholder's completed and executed Investor Questionnaire and Consent, Parent is unable to form a reasonable belief that such Shareholder constitutes an Accredited Investor, Parent shall pay such Shareholder's pro rata portion of the General Holdback Amount in cash only and no Stock Portion of General Holdback shall be issued to such Shareholder. Such cash amounts shall be paid to the Designated Account.

(d) Notwithstanding Section 11.3(c), if, prior to expiration of the General Holdback Period, the Claims set forth in Section 11.3(d) of the Parent Disclosure Schedules (the "SECTION 11.3(d) CLAIMS") shall have been settled and paid, either pursuant to a full settlement agreement binding on all parties to the Section 11.3(d) Claims, including a full release of the Company or the Surviving Corporation, as applicable, or pursuant to a final nonappealable judgment being entered, the Shareholders shall be entitled to receive an amount (the "SETTLED CLAIMS AMOUNT") calculated as set forth in Section 11.3(d) of the Parent Disclosure Schedules. The cash portion of the Settled Claims

Amount (as set forth in Section 11.3(d) of the Parent Disclosure Schedules) shall be paid to the Designated Account within five Business Days following the date on which the Section 11.3(d) Claims shall have been settled and paid and the Parent Common Stock portion of the Settled Claims Amount (as set forth in Section 11.3(d) of the Parent Disclosure Schedules) shall be disbursed to the Shareholders within such five-day period.

(e) The right to receive a portion of the Holdback Amount may not be assigned, and is transferable only by operation of Law. Such rights are solely consideration for the Merger and will not confer any voting or dividend rights or any equity ownership rights in the Surviving Corporation or Parent.

(f) It shall be the obligation of the Shareholders' Representative to pay and distribute to the Shareholders any amounts paid into the Designated Account. Neither Parent nor the Surviving Corporation shall have any liabilities or obligations of any nature with respect to such amounts other than to pay such amounts to the Designated Account.

Section 11.4 Severance Payments. Parent or the Surviving Corporation shall make severance payments to the employees and directors listed in Section 4.16(a) of the Company Disclosure Schedules in the amount and on the date set forth next to each such employee's or director's name (collectively, the "SEVERANCE PAYMENTS").

Section 11.5 Registration Statement.

(a) Within 45 days after the Closing Date, Parent shall use commercially reasonable efforts to file a registration statement to register all of the Parent Common Stock issued as Stock Consideration (the "REGISTRATION SHARES") under the Securities Act for resale (the "REGISTRATION") on Form S-3 (the "REGISTRATION STATEMENT"). Parent shall use commercially reasonable efforts to cause the Registration Statement to become effective and to remain effective for a period (the "REGISTRATION PERIOD") (i) ending on the first anniversary of the Closing Date; or (ii) in the event any shares of Parent Common Stock are distributed to the Shareholders out of the Stock Portion of General Holdback, ending on the first anniversary of the last date on which such shares are distributed. For a period of one year following the Registration Period, Parent shall file with the SEC all reports required to be filed under the Exchange Act.

(b) Parent hereby agrees to prepare and file with the SEC such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective for the Registration Period and to comply with the provisions of the

Securities Act with respect to the disposition of all Registration Shares covered by such Registration Statement.

(c) Nothing herein shall require Parent to cause the Registration Statement to remain effective for any period of time following the Registration Period. Parent shall have the right to deregister with the SEC any Registration Shares that remain unsold at the conclusion of the Registration Period.

(d) Parent shall furnish to each stockholder selling shares of Parent Common Stock under the Registration Statement, a reasonable number of copies of the Registration Statement and the prospectus included therein as such Persons may reasonably request in order to facilitate the resale or other disposition of the Registration Shares covered by the Registration Statement.

(e) Notwithstanding the foregoing, Parent shall also have the obligation to file the registration statement covering the shares of Parent Common Stock issuable upon exercise of the Converted Options and to keep it effective for the time periods as set forth in Section 2.3.

Section 11.6 Tax Returns. The Shareholders' Representatives shall cause to be timely prepared and filed (or provided to Parent who will cause to be filed, if applicable) when due (taking into account all extensions properly obtained) all income and franchise Tax Returns that are required to be filed by or with respect to each of the Acquired Corporations for taxable periods ending on or before the Closing Date. Such Tax Returns shall be subject to Parent's final review and approval and shall be prepared and filed in a manner consistent with past practice and, on such Tax Returns, no position shall be taken, elections made or method adopted that is inconsistent with positions taken, elections made or methods used in preparing and filing similar Tax Returns in prior periods without Parent's written consent. Parent shall have the right to review any such Tax Return at least 30 days prior to the filing thereof.

Section 11.7 Assistance and Cooperation. After the Closing Date, the Shareholders' Representative shall (and shall cause his respective affiliates to):

(a) timely sign and deliver such certificates or forms as may be reasonably necessary or appropriate to establish an exemption from (or otherwise reduce), or file Tax Returns or other reports with respect to sales, transfer and similar Taxes that are required to be filed by or with respect to each of the Acquired Corporations for taxable periods ending on or before the Closing Date;

(b) cooperate fully with Parent and the Surviving Corporation in preparing any Tax Returns that Parent or Surviving Corporation may be responsible for preparing and filing with respect to the Acquired Corporations for periods ending on or before the Closing Date;

(c) cooperate fully in preparing for any claim, assessment, deficiency, audit, review examination or other proposed change or adjustment by any tax authority or any judicial or administrative proceeding relating to a taxable period ending on or before the Closing Date (each, a "TAX CLAIM");

(d) make available to Parent and Surviving Corporation and to any tax authority as reasonably requested all information, records, and documents relating to Taxes of the Acquired Corporations; and

(e) furnish Parent and Surviving Corporation with copies of all written correspondence received from any tax authority in connection with any Tax Claim or information request relating to the Acquired Corporations.

Section 11.8 Payment of Account Receivables and Other Items. Promptly after receipt by the Surviving Corporation after the Effective Time of a payment for an account receivable or other items as set forth in Section 11.8 of the Company Disclosure Schedules, the Surviving Corporation shall pay such amount actually received to the Designated Account.

ARTICLE XII

TERMINATION

Section 12.1 Termination. This Agreement may be terminated prior to the Effective Time (whether before or after approval of this Agreement by the Company's Shareholders):

(a) by mutual written Consent of Parent and the Company;

(b) by either Parent or the Company if:

(i) the Merger shall not have been consummated by June 30, 2004 (unless the failure to consummate the Merger is attributable to a failure on the part of the party seeking to terminate this Agreement to perform any material obligation required to be performed by such party at or prior to the Effective Time);

(ii) a court of competent jurisdiction or other Governmental Body shall have issued a final and nonappealable order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger; or

(iii) (A) the Company Shareholders' Meeting (including any adjournments and postponements thereof) shall have been held and completed and the Company's Shareholders shall have voted on a proposal to approve this Agreement; and (B) this Agreement shall not have been approved at such meeting (and shall not have been adopted at any adjournment or postponement thereof) by the Required Company Shareholder Vote; provided, however, that a party shall not be permitted to terminate this Agreement pursuant to this Section 12.1(b)(iii) if the failure to obtain such Shareholder approval is attributable to a failure on the part of such party to perform any material obligation required to be performed by such party at or prior to the Effective Time;

(c) by Parent (i) if any of the Company's representations and warranties shall have been inaccurate as of the date of this Agreement, such that the condition set forth in Section 9.1 would not be satisfied; or (ii) if (A) any of the Company's representations and warranties become inaccurate as of a date subsequent to the date of this Agreement (as if made on such subsequent date), such that the condition set forth in Section 9.1 would not be satisfied; and (B) such inaccuracy has not been cured by the Company within 10 Business Days after its receipt of written notice thereof and remains uncured at the time notice of termination is given; or (iii) any of the Company's covenants contained in this Agreement shall have been breached, such that the condition set forth in Section 9.2 would not be satisfied;

(d) by the Company (i) if any of Parent's representations and warranties shall have been inaccurate as of the date of this Agreement, such that the condition set forth in Section 10.1 would not be satisfied; or (ii) if (A) any of Parent's or Merger Sub's representations and warranties shall have become inaccurate as of a date subsequent to the date of this Agreement (as if made on such subsequent date), such that the condition set forth in Section 10.1 would not be satisfied; and (B) such inaccuracy has not been cured by Parent or Merger Sub within 10 Business Days after its receipt of written notice thereof and remains uncured at the time notice of termination is given; or (iii) if any of Parent's or Merger Sub's covenants contained in this Agreement shall have been breached such that the condition set forth in Section 10.2 would not be satisfied;

(e) by Parent if, since the date of this Agreement, there shall have occurred any Material Adverse Change with respect to the Acquired Corporations, taken as a whole, or there shall have occurred any event or circumstance that, in combination with any other events or circumstances, could reasonably be expected to have a Material Adverse Change with respect to the Acquired Corporations, taken as a whole;

(f) By the Company, upon the Company's execution of a binding agreement with a third party with respect to a Superior Proposal; provided, however, that for any termination by the Company under this Section 12.1(f) to be effective, the Company must have complied with

all provisions of this Agreement, including, without limitation, Section 6.3;

(g) By Parent, if the Company or the board of directors of the Company shall have (i) withdrawn or modified, in a manner adverse to Parent or Merger Sub, (a) the approval by the board of directors of the Company of this Agreement or the Contemplated Transactions; or (b) the recommendation of the Company's board of directors that the Shareholders approve this Agreement, the Merger and the Contemplated Transactions (an "ADVERSE RECOMMENDATION") (it being understood and agreed that any communication by the Company or its board of directors to the Shareholders that indicates that the board of directors had determined not to withdraw or modify such recommendation, in whole or in part, because such action would or might give rise to a right on the part of Parent to terminate this Agreement and/or obligate the Company to comply with the provisions of Section 12.3 of this Agreement shall nevertheless be deemed to be an Adverse Recommendation); or (ii) approved or entered into a definitive agreement with respect to a Acquisition Proposal with a third party;

(h) By Parent, if any of the Shareholders party to the Voting Agreement have failed to perform their respective obligations or caused a breach of their obligations under the Voting Agreement; or

(i) By Parent, if the Closing Inventory is equal to or less than the Closing Inventory Minimum.

Section 12.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 12.1, this Agreement shall become void and of no further force or effect; provided, however, that (i) Section 6.1(c), ARTICLE XII and ARTICLE XIII shall survive the termination of this Agreement and shall remain in full force and effect; and (ii) the termination of this Agreement shall not relieve any party from any liability for any material inaccuracy in or material breach of any representation or warranty, covenant or other provision contained in this Agreement.

Section 12.3 Termination Fees; Expenses.

(a) Termination Fee and Expense Reimbursement. If this Agreement is terminated pursuant to Section 12.1(b)(iii), Section 12.1(c)(iii), Section 12.1(f) or Section 12.1(g), then the Company shall (i) pay Parent a fee equal to 5% of the Enterprise Value, which amount shall be payable by check or wire transfer of immediately available funds (the "TERMINATION FEE") simultaneously with such termination of this Agreement; and (ii) the Company shall reimburse Parent and Merger Sub for all reasonable fees and expenses (including all attorneys' fees, accountants' fees, financial advisory fees and filing fees) that have been paid or that may become payable by or on behalf of Parent or Merger Sub in connection with the preparation and negotiation of this Agreement and otherwise in connection with the Merger. If this Agreement is terminated pursuant to Section 12.1(c)(i) or Section 12.1(c)(ii), the Company shall reimburse Parent and Merger Sub for all reasonable fees and expenses (including all attorneys' fees, accountants' fees, financial advisory fees and filing fees) that have been paid or that may become payable by or on behalf of Parent or Merger Sub in connection with the preparation and negotiation of this Agreement and otherwise in connection with the Merger. Any required reimbursement under this Section 12.3(a) shall take place within two Business Days of the later of the termination of this Agreement or submission of evidence of such incurred expenses to the Company.

(b) Other Expenses. Subject to Section 2.4 and except as provided otherwise in Section 12.3(a) above, all reasonable costs and expenses incurred in connection with this Agreement, and the Contemplated Transactions shall be paid by the party incurring such

expenses, whether or not the Merger is consummated.

(c) If the Company fails to pay when due any amount payable under this Section 12.3, then (i) the Company shall reimburse Parent for all costs and expenses (including fees and disbursements of counsel) incurred in connection with the collection of such overdue amount and the enforcement by Parent of its rights under this Section 12.3; and (ii) the Company shall pay to Parent interest on such overdue amount (for the period commencing as of the date such overdue amount was originally required to be paid and ending on the date such overdue amount is actually paid to Parent in full) at a rate per annum equal to 3% over the "prime rate" (as published by the Wall Street Journal) in effect on the date such overdue amount was originally required to be paid.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 13.1 Amendment. This Agreement may be amended only by an instrument in writing signed by the Company, Merger Sub and Parent at any time (whether before or after adoption of this Agreement by the Shareholders of the Company); provided, however, that (a) each amendment shall have been duly authorized by the respective boards of directors of the Company, Parent and Merger Sub; and (b) after adoption of this Agreement by the Company's Shareholders, no amendment shall be made which by Law requires further approval of the Shareholders of the Company without the further approval of such Shareholders.

Section 13.2 Assignments and Successors. This Agreement shall be binding upon, and shall be enforceable by and inure solely to the benefit of, the parties hereto and their respective successors and assigns; provided, however, that neither this Agreement nor any of any party's rights hereunder may be assigned by such party without the prior written Consent of the other party. Any attempted assignment of this Agreement or of any such rights without such Consent shall be void and of no effect.

Section 13.3 No Third Party Rights. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than the parties hereto) any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement; provided, however, that after the Effective Time, the Indemnitees shall be third party beneficiaries of, and entitled to enforce, Section 7.3.

Section 13.4 Notices. All notices and other communications given or made pursuant hereto shall be in writing and will be deemed to have been duly given, upon receipt, if delivered personally (including by courier or overnight courier), mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses, or sent by electronic transmission to the facsimile number specified below:

(a) if to Parent, Merger Sub, or the Surviving Corporation:

Rent-A-Center, Inc.
5700 Tennyson Parkway, 4th Floor
Plano, Texas 75024
Attention: Chief Executive Officer
Facsimile: 972-943-0116

With a copy, which shall not constitute notice, to:

Winstead Sechrest & Minick P.C.
5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

Attention: Thomas W. Hughes, Esq.
Facsimile: 214-745-5390

(b) if to the Company (prior to the Closing Date):

Rent Rite, Inc.
7601 North Federal Highway, Suite 260B
Boca Raton, Florida 33487
Attention: Edward Stanko
Facsimile: 561-999-0435

With a copy, which shall not constitute notice, to:

Bass, Berry & Sims PLC
315 Deaderick Street
AmSouth Center, Suite 2700
Nashville, Tennessee 37238-3001

Attention: Bob F. Thompson, Esq.
Facsimile: 615-742-6293

(c) if to the Shareholders' Representative:

Thomas B. Mitchell
9436 Spanish Moss Road W.
Lake Worth, Florida 33467
Facsimile: 561-357-0783

With a copy, which shall not constitute notice, to:

Bass, Berry & Sims PLC
315 Deaderick Street
AmSouth Center, Suite 2700
Nashville, Tennessee 37238-3001
Attention: Bob F. Thompson, Esq.
Facsimile: 615-742-6293

or to such other address or facsimile number as any party may, from time to time, designate in a written notice given in like manner. Notice given by facsimile will be deemed delivered on the day the sender receives facsimile confirmation that such notice was reached at the facsimile number of the addressee. Notices delivered personally shall be deemed delivered as of actual receipt and mailed notices shall be deemed delivered three days after mailing.

Section 13.5 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References to Sections and Articles refer to sections and articles of this Agreement unless otherwise stated.

Section 13.6 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 13.7 Entire Agreement. This Agreement (together with all other documents and instruments referred to herein) constitutes the entire agreement among the parties, and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter

hereof.

Section 13.8 Governing Law. THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE (EXCLUSIVE OF CONFLICTS OF LAW PRINCIPLES). COURTS WITHIN THE STATE OF DELAWARE WILL HAVE EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES HERETO, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY. THE PARTIES CONSENT TO AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE PARTIES HEREBY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (i) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS; (ii) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (iii) ANY LITIGATION COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM.

Section 13.9 No Consequential Damages. Notwithstanding anything to the contrary elsewhere in this Agreement, no party (or its affiliates) shall, in any event, be liable to any other party (or its affiliates) for any

consequential damages, including, but not limited to, loss of revenue or income, cost of capital, or loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement.

Section 13.10 Counterparts. This Agreement may be executed in multiple counterparts, and by the different parties hereto in separate counterparts, each of which when executed will be deemed to be an original but all of which taken together will constitute one and the same agreement.

Section 13.11 Cooperation. The Company agrees to cooperate fully with Parent and to execute and deliver such further documents, certificates, agreements and instruments and to take such other actions as may be reasonably requested by Parent to evidence or reflect the Contemplated Transactions and to carry out the intent and purposes of this Agreement.

Section 13.12 Construction; Usage.

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or

reenactment of such section or other provision;

(vi) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof;

(vii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

(viii) "or" is used in the inclusive sense of "and/or";

(ix) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; and

(x) references to documents, instruments or agreements shall be deemed to refer as well to all appendices, addenda, exhibits, schedules or amendments thereto.

(b) Legal Representation of the Parties. This Agreement was negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

(c) Headings. The headings contained in this Agreement are for the convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

Section 13.13 Disclosure Schedules. The Company and Parent have set forth information in the Company Disclosure Schedules and the Parent Disclosure Schedules, respectively, in the sections thereof that correspond to the section of this Agreement to which each relates; provided, however, that where the same item is required to be disclosed by more than one section of this Agreement, disclosure of the item in one section of the applicable disclosure schedule will constitute disclosure of the item wherever else required only to the extent that such applicability is manifestly evident on the face of such disclosures.

Section 13.14 Failure or Indulgence Not Waiver. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor will any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

Section 13.15 Enforcement of Agreement. The parties acknowledge and agree that they would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which a party may be entitled, at Law or in equity, it shall be entitled to enforce any provision of this Agreement by a decree of specific performance and temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

Section 13.16 Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

RENT-A-CENTER, INC.

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel

Title: President

RAC RR, INC.

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel

Title: Vice President

RENT RITE, INC.

By: /s/ Karl Schledwitz

Name: Karl Schledwitz

Title: Chairman

Thomas B. Mitchell joins this Agreement and agrees to be the Shareholders' Representatives and perform the obligations of the Shareholders' Representative.

/s/ Thomas B. Mitchell

Thomas B. Mitchell

APPENDIX A

CERTAIN DEFINITIONS

For purposes of this Agreement (including this Appendix A):

ACCOUNTANTS. "Accountants" has the meaning set forth in Section 3.1.

ACCREDITED INVESTOR. "Accredited Investor" has the meaning set forth in Rule 501(a) promulgated under the Securities Act.

ACQUIRED CORPORATION(s). "Acquired Corporation" means the Company or any of its Subsidiaries, and the "Acquired Corporations" means the Company and all of its Subsidiaries.

ACQUIRED CORPORATION CONTRACT. "Acquired Corporation Contract" means any contract: (a) to which any of the Acquired Corporations is a party; (b) by which any of the Acquired Corporations or any asset of any of the Acquired Corporations is or may become bound or under which any of the Acquired Corporations has, or may become subject to, any obligation; or (c) under which any of the Acquired Corporations has or may acquire any right or interest.

ACQUISITION PROPOSAL. "Acquisition Proposal" means any offer, proposal, inquiry or indication of interest (other than an offer, proposal, inquiry or indication of interest by Parent) contemplating or otherwise relating to any Acquisition Transaction.

ACQUISITION TRANSACTION. "Acquisition Transaction" means any transaction or series of transactions involving:

(a) any merger, consolidation, share exchange, business combination, issuance of securities, acquisition of securities, tender offer, exchange offer or other similar transaction (i) in which any of the Acquired Corporations is a constituent corporation; (ii) in which a Person or "group" (as defined in the Exchange Act and the rules promulgated thereunder) of Persons directly or indirectly acquires beneficial or record ownership of securities representing more than 15% of the outstanding securities of any class of voting securities of any of the Acquired Corporations; or (iii) in which any of the Acquired Corporations issues or sells securities representing more than 20% of the outstanding securities of any class of voting securities of any of the Acquired Corporations; or

(b) any sale (other than sales of rental merchandise in the Ordinary Course of Business), lease (other than in the Ordinary Coarse of Business), exchange, transfer (other than sales of rental merchandise in the Ordinary Course of Business), license (other than nonexclusive licenses in the Ordinary Course of Business), acquisition or disposition of any business or businesses or assets that constitute or account for 20% or more of the consolidated net revenues, net income or assets of the Acquired Corporations.

ADJUSTMENT AMOUNT. "Adjustment Amount" has the meaning set forth in Section 2.4(c).

ADJUSTMENT HOLDBACK AMOUNT. "Adjustment Holdback Amount" has the meaning set forth in Section 2.5(b).

ADJUSTMENT HOLDBACK PERIOD. "Adjustment Holdback Period" has the meaning set forth in Section 2.5(b).

ADVERSE RECOMMENDATION. "Adverse Recommendation" has the meaning set forth in Section 12.1(g).

AGREEMENT. "Agreement" means the Agreement and Plan of Merger and Reorganization to which this Appendix A is attached, as it may be amended from time to time.

ANTITRUST LAWS. "Antitrust Laws" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any other antitrust, unfair competition, merger or acquisition notification, or merger or acquisition control Legal Requirements under any applicable jurisdictions, whether federal, state, local or foreign.

ARTICLES OF MERGER. "Articles of Merger" has the meaning set forth in Section 1.3.

AVERAGE PER SHARE VALUE. "Average Per Share Value" has the meaning set forth in Section 2.1(e)(i).

BENEFIT PLANS. "Benefit Plans" has the meaning set forth in Section 4.16(a).

BLUE SKY LAWS. "Blue Sky Laws" has the meaning set forth in Section 4.2(c).

BUSINESS DAY. "Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York, the State of Texas or the State of Tennessee are authorized or required by Law or other government actions to close.

CASH CONSIDERATION. "Cash Consideration" has the meaning set forth in Section 2.1(e)(i).

CASH PORTION OF GENERAL HOLDBACK. "Cash Portion of General Holdback" has the meaning set forth in Section 2.5(a).

CERTIFICATE OF MERGER. "Certificate of Merger" has the meaning set forth in Section 1.3.

CLAIMS. "Claims" has the meaning set forth in Section 11.2(a).

CLOSING. "Closing" has the meaning set forth in Section 1.3.

CLOSING AGREEMENT. "Closing Agreement" has the meaning set forth in Section 4.15(k).

CLOSING BALANCE SHEET. "Closing Balance Sheet" has the meaning set forth in Section 3.1.

CLOSING DATE. "Closing Date" has the meaning set forth in Section 1.3.

CLOSING INVENTORY. "Closing Inventory" has the meaning set forth in Section 9.6.

CLOSING INVENTORY MINIMUM. "Closing Inventory Minimum" has the meaning set forth in Section 2.4(f).

CLOSING THREE MONTH RECURRING REVENUE. "Closing Three Month Recurring Revenue" has the meaning set forth in Section 9.4.

CODE. "Code" has the meaning set forth in the recitals hereto.

COMPANY. "Company" has the meaning set forth in the preamble hereto.

COMPANY BALANCE SHEET. "Company Balance Sheet" has the meaning set forth in Section 4.6.

COMPANY BOARD RECOMMENDATION. "Company Board Recombination" has the meaning set forth in Section 6.4(b).

COMPANY COMMON STOCK. "Company Common Stock" means the common stock, no par value per share, of the Company.

COMPANY DISCLOSURE SCHEDULES. "Company Disclosure Schedules" means the disclosure schedules that have been prepared by the Company in accordance with the requirements of Section 13.13 and that have been delivered by the Company to Parent on the date of this Agreement.

COMPANY FINANCIAL STATEMENTS. "Company Financial Statements" has the meaning set forth in Section 4.5(a).

COMPANY PERMITS. "Company Permits" has the meaning set forth in Section 4.18(a).

COMPANY PREFERRED STOCK. "Company Preferred Stock" means the preferred stock, no par value per share, of the Company.

COMPANY SHAREHOLDERS' MEETING. "Company Shareholders' Meeting" has the meaning set forth in Section 6.4(a).

COMPANY STOCK CERTIFICATE. "Company Stock Certificate" has the meaning set forth in Section 2.6(c).

COMPANY STOCK OPTIONS. "Company Stock Options" has the meaning set

forth in Section 4.3.

CONFIDENTIALITY AGREEMENT. "Confidentiality Agreement" has the meaning set forth in Section 6.2(b).

CONSENT. "Consent" means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

CONTEMPLATED TRANSACTIONS. "Contemplated Transactions" has the meaning set forth in Section 4.2(a).

CONTROLLED GROUP LIABILITY. "Controlled Group Liability" has the meaning set forth in Section 4.16(b).

CONVERTED OPTION. "Converted Option" has the meaning set forth in Section 2.3.

CONVERTED OPTION SHAREHOLDERS. "Converted Option Shareholders" has the meaning set forth Section 2.3(e).

DESIGNATED ACCOUNT. "Designated Account" means that certain account designated by the Shareholders' Representative in writing and given to Parent prior to the Closing Date or such other account designated by the Shareholders' Representative in writing and given to Parent at least five Business Days in advance of any payment to such account.

DGCL. "DGCL" has the meaning set forth in the recitals hereto.

DISCLOSED CONTINGENT LIABILITIES. "Disclosed Contingent Liabilities" has the meaning set forth in Section 2.5(a).

DISSENTING SHAREHOLDER. "Dissenting Shareholder" has the meaning set forth in Section 2.6(i)(ii).

DISSENTING SHARES. "Dissenting Shares" has the meaning set forth in Section 2.6(i)(i).

EDGAR. "EDGAR" has the meaning set forth in Section 5.5.

EFFECTIVE TIME. "Effective Time" has the meaning set forth in Section 1.3.

ENCUMBRANCE. "Encumbrance" means any Lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, preemptive right, community property interest or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

ENTERPRISE VALUE. "Enterprise Value" has the meaning set forth in Section 2.1(e)(i).

ENTITY. "Entity" means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), firm, society or other enterprise, association, organization or entity.

ENVIRONMENT. "Environment" means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

ENVIRONMENTAL, HEALTH, AND SAFETY LIABILITIES. "Environmental, Health, and Safety Liabilities" means any cost, damages, expense, liability, obligation, or other responsibility arising from or under any Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(a) any environmental, health, or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of chemical substances or products);

(b) fines, penalties, judgments, awards, settlements, legal or administrative Legal Proceedings, damages, losses, claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions ("CLEANUP") required by applicable Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective, investigative, or remedial measures required under Environmental Law or Occupational Safety and Health Law.

ENVIRONMENTAL LAW. "Environmental Law" means any Legal Requirement that requires or relates to:

(a) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) protecting resources, species, or ecological amenities;

(f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;

(g) cleaning up pollutants that have been released, preventing the threat of release, or paying the costs of such clean up or prevention; or

(h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed Representatives of the public interest to recover for injuries done to public assets.

ERISA. "ERISA" has the meaning set forth in Section 4.16(b).

ERISA AFFILIATE. "ERISA Affiliate" has the meaning set forth in Section 4.16(b).

EXCHANGE ACT. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

EXCHANGE AGENT. "Exchange Agent" has the meaning set forth in Section 2.6(a).

EXCHANGE FUND. "Exchange Fund" has the meaning set forth in Section 2.6(a).

EXISTING LIABILITIES. "Existing Liabilities" means the Company's liabilities or obligations reflected or reserved against in the Closing Balance Sheet.

FACILITIES. "Facilities" means any real property, leaseholds, or other interests currently or formerly owned or operated by any Acquired Corporation and any buildings, plants, structures, or equipment (including motor vehicles, tank cars, and rolling stock) currently or formerly owned or operated by any Acquired Corporation.

GAAP. "GAAP" means generally accepted accounting principles for financial reporting in the United States, applied on a basis consistent with the basis on which the Company Financial Statements were prepared.

GENERAL HOLDBACK AMOUNT. "General Holdback Amount" has the meaning set forth in Section 2.5(a).

GENERAL HOLDBACK PERIOD. "General Holdback Period" has the meaning set forth in Section 2.5(a).

GOVERNMENTAL AUTHORIZATION. "Governmental Authorization" means any: (a) permit, license, certificate, franchise, permission, variance, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or (b) right under any contract with any Governmental Body.

GOVERNMENTAL BODY. "Governmental Body" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; or (c) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body or Entity and any court or other tribunal).

HAZARDOUS MATERIALS. "Hazardous Materials" means any waste or other substance that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.

HOLDBACK AMOUNT. "Holdback Amount" has the meaning set forth in Section 2.5(c).

INDEMNITEE(s). "Indemnitee" or "Indemnitees" have the meanings set forth in Section 7.3(a).

INDEMNITY CLAIM NOTICE. "Indemnity Claim Notice" has the meaning set forth in Section 11.2(c).

INTELLECTUAL PROPERTY. "Intellectual Property" means all (a) inventions, discoveries, processes, designs, techniques, developments, technology, and related improvements, whether or not patentable; (b) United States patents and applications therefor and all divisionals, reissues,

renewals, registrations, confirmations, re-examinations, certificates of inventorship, extensions, continuations and continuations-in-part thereof; (c) United States, state and foreign trademarks, trade dress, service marks, service names, trade names, brand names, insignias, designs, logos or business symbols, whether registered or unregistered, and pending applications to register the foregoing, including all extensions and renewals thereof and all goodwill associated therewith; (d) United States and foreign copyrights in writings, designs, software, mask works or other works, whether registered or unregistered, and pending applications to register the same; (e) technical, scientific, and other know-how, trade secrets, methods, processes, practices, formulas and techniques, computer software programs and software systems, including all databases, compilations, tool sets, compilers, higher level or "proprietary" languages, related documentation and materials, whether in interpretive code, source code, object code or human readable form; (f) rights of publicity and privacy, "name and likeness" rights and other similar rights; (g) books and records kept in the Ordinary Course of Business describing or used in connection with any of the foregoing; and (h) claims or causes of action arising out of or related to past, present or future infringement or misappropriation of any of the foregoing.

INVESTOR QUESTIONNAIRE AND CONSENT. "Investor Questionnaire and Consent" has the meaning set forth in Section 6.8.

KNOWLEDGE. "Knowledge" means (a) with respect to the Company or any other Acquired Corporation, the actual knowledge, after due inquiry, of the Company's or the Acquired Corporation's directors or officers; and (b) with respect to Parent, the actual knowledge, after due inquiry, of its Chief Executive Officer, Chief Operating Officer or Chief Financial Officer.

LAW(s). "Law" or "Laws" means any statute, law, ordinance, regulation, rule, order, writ, injunction or decree of any state, commonwealth, federal, foreign, territorial or other court or Governmental Body, subdivision, agency, department, commission, board, bureau or instrumentality of a Governmental Body.

LEASE. "Lease" has the meaning set forth in Section 4.7(a).

LEGAL PROCEEDING. "Legal Proceeding" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

LEGAL REQUIREMENT. "Legal Requirement" means any federal, state, local, municipal, foreign or other Law, statute, constitution, principle of common Law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body (or under the authority of the Nasdaq National Market).

LIEN. "Lien" means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or hereafter acquired and whether arising by agreement or operation of Law.

MAJOR SUPPLIER. "Major Supplier" has the meaning set forth in Section 4.13.

MATERIAL ADVERSE CHANGE. "Material Adverse Change" means any Material Adverse Effect and, specifically including:

(a) The commencement of any actions, suits, investigations,

complaints or proceedings, at Law or in equity, in any court or before any Governmental Body, by a Person or Persons seeking class action status and alleging violation of the provisions of the Rental Purchase Agreements, rent-to-own statutes or any other consumer protection law; provided that such action involves five or more stores; and

(b) The commencement of any actions, suits, investigations, complaints, or proceedings, at law or in equity, in any court or before any Governmental Body, by a Person or Persons seeking class action status and alleging violations of federal or state laws respecting employment, including, but not limited to, gender, race, disability, national origin or age discrimination, violations of the Occupational Safety and Health Act of 1970, as amended, the Family and Medical Leave Act of 1993, as amended, terms and conditions of employment or the federal or state Legal Requirements regarding wages and hours; provided, however, that the commencement of any such actions, suits, investigations, complaints or proceedings shall not constitute a Material Advance Change in the event the Company can demonstrate to the reasonable satisfaction of Parent that the potential size of the purported class does not exceed 25 persons.

MATERIAL ADVERSE EFFECT. An event, violation, inaccuracy, circumstance or other matter will be deemed to have a "Material Adverse Effect" on the Acquired Corporations if such event, violation, inaccuracy, circumstance or other matter (considered together with all other matters that would constitute exceptions to the representations and warranties set forth in the Agreement but for the presence of "Material Adverse Effect" or other materiality qualifications, or any similar qualifications, in such representations and warranties) had or would reasonably be expected to have a material adverse effect on (a) the business, condition, capitalization, assets, liabilities, operations or financial performance of the Acquired Corporations taken as a whole; (b) the ability of the Company to consummate the Merger or any of the Contemplated Transactions or to perform any of its obligations under the

Agreement; or (c) Parent's ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the Surviving Corporation.

An event, violation, inaccuracy, circumstance or other matter will be deemed to have a "Material Adverse Effect" on Parent if such event, violation, inaccuracy, circumstance or other matter (considered together with all other matters that would constitute exceptions to the representations and warranties set forth in the Agreement but for the presence of "Material Adverse Effect" or other materiality qualifications, or any similar qualifications, in such representations and warranties) had or would reasonably be expected to have a material adverse effect on (a) the business, condition, capitalization, assets, liabilities, operations or financial performance of Parent and its Subsidiaries taken as a whole; provided, however, that a decline in Parent's stock price shall not, in and of itself, be deemed to constitute a Material Adverse Effect on Parent; or (b) the ability of Parent to consummate the Merger or any of the other transactions contemplated by the Agreement or to perform any of its obligations under the Agreement.

MATERIAL CONTRACT. "Material Contract" means:

(a) any contract upon which the Acquired Corporations' business as a whole is substantially dependent;

(b) any management contract or compensatory plan, contract or arrangement, including but not limited to plans relating to options, warrants or rights, pension, retirement or deferred compensation or bonus, incentive or profit sharing (or if not set forth in any formal document, a written description thereof) in which any director, officer or employee participates;

(c) any noncompetition agreement or other agreement that limits or will limit an Acquired Corporation from engaging in any line of business;

(d) any agreement, contract or commitment not in the Ordinary Course of Business involving in excess of $50,000;

(e) the scheduled Severance Payments, the Stay Bonus Plan and any change of control agreements;

(f) any franchise agreement;

(g) any contract or agreement relating to the acquisition or disposition of assets having a value in excess of $50,000 other than the purchase or sale of rental merchandise in the Ordinary Course of Business;

(h) any material licenses, registrations or memberships required by a Governmental Body;

(i) any shareholder, voting trust or similar contract or agreement relating to the voting of shares of Company Common Stock;

(j) joint venture agreements, partnership agreements and other similar contracts involving a sharing of profits and expenses;

(k) any material agreement or commitment relating to the borrowing of money or a guaranty thereof in excess of $50,000, including any security agreement relating thereto;

(l) the Leases;

(m) contracts and agreements for the purchase of inventories, goods or other materials, by or for the furnishing of services to any Acquired Corporation that (i) requires payments in excess of $50,000; or (ii) are not terminable by the Company on notice of 90 days or less without penalty; and

(n) all employment agreements.

MERGER. "Merger" has the meaning set forth in the recitals hereto.

MERGER CONSIDERATION. "Merger Consideration" has the meaning set forth in Section 2.1(e)(i).

MERGER CONSIDERATION REDUCTION(s). "Merger Consideration Reduction" or "Merger Consideration Reductions" have the meanings set forth in Section 2.4.

MERGER SUB. "Merger Sub" has the meaning set forth in the preamble hereto.

MERGER SUB COMMON STOCK. "Merger Sub Common Stock" means the common Stock, $1.00 par value per share, of Merger Sub.

MONTHLY RECURRING REVENUE. "Monthly Recurring Revenue" means monthly revenue of the Company calculated in accordance with GAAP, less revenues from product sales and early purchase options, plus $293,000.

MULTIEMPLOYER PLAN. "Multiemployer Plan" has the meaning set forth in Section 4.16(j).

MULTIPLE EMPLOYER PLAN. "Multiple Employer Plan" has the meaning set forth in Section 4.16(j).

NOTICE PERIOD. "Notice Period" has the meaning set forth in Section

11.2(c).

OCCUPATIONAL SAFETY AND HEALTH LAW. "Occupational Safety and Health Law" means any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

OFF-BALANCE SHEET ARRANGEMENT. "Off-Balance Sheet Arrangement" means with respect to any Person, any securitization transaction to which that Person or its Subsidiaries is a party and any other transaction, agreement or other contractual arrangement to which an Entity unconsolidated with that Person is a party, under which that Person or its Subsidiaries, whether or not a party to the arrangement, has, or in the future may have:

(a) any obligation under a direct or indirect guarantee or similar arrangement;

(b) a retained or contingent interest in assets transferred to an unconsolidated Entity or similar arrangement;

(c) derivatives to the extent that the fair value thereof is not fully reflected as a liability or asset in the financial statements; or

(d) any obligation or liability, including a contingent obligation or liability, to the extent that it is not fully reflected in the financial statements (excluding the footnotes thereto) (for this purpose, obligations or liabilities that are not fully reflected in the financial statements (excluding the footnotes thereto) including, without limitation: obligations that are not classified as a liability according to GAAP; contingent liabilities as to which, as of the date of the financial statements, it is not probable that a loss has been incurred or, if probable, is not reasonably estimable; or liabilities as to which the amount recognized in the financial statements is less than the reasonably possible maximum exposure to loss under the obligation as of the date of the financial statements, but excluding contingent liabilities arising out of litigation, arbitration or regulatory actions (not otherwise related to off-balance sheet arrangements)).

OPTION ADMINISTRATION FEE. "Option Administration Fee" has the meaning set forth in Section 2.4(a).

OPTION QUESTIONNAIRE AND CONSENT. "Option Questionnaire and Consent" has the meaning set forth in Section 6.8.

OPTION REGISTRATION SHARES. "Option Registration Shares" has the meaning set forth in Section 2.3(d).

ORDINARY COURSE OF BUSINESS. "Ordinary Course of Business" means ordinary course of business consistent with past business practices.

ORGANIZATIONAL DOCUMENTS. "Organizational Documents" has the meaning set forth in Section 4.1(b).

PARENT. "Parent" has the meaning set forth in the preamble hereto.

PARENT COMMON STOCK. "Parent Common Stock" means the common stock, $0.01 par value per share, of Parent.

PARENT DISCLOSURE SCHEDULES. "Parent Disclosure Schedules" means the disclosure schedules that have been prepared by Parent in accordance with the requirements of Section 13.13 and that have been delivered by Parent to the

Company on the date of this Agreement.

PARENT SEC REPORTS. "Parent SEC Reports" has the meaning set forth in Section 5.5.

PERSON. "Person" means any individual, Entity or Governmental Body.

PLANS. "Plans" has the meaning set forth in Section 4.16(c).

POST-SIGNING RETURNS. "Post-Signing Returns" has the meaning set forth in Section 6.2(a)(vi).

PRE-CLOSING PERIOD. "Pre-Closing Period" has the meaning set forth in Section 6.1(a).

PROFIT AND LOSS STATEMENT(s). "Profit and Loss Statement" and "Profit and Loss Statements" have the meanings set forth in Section 4.5(b).

PROPOSAL NOTICE. "Proposal Notice" has the meaning set forth in Section 6.3(b).

QUALIFIED PLANS. "Qualified Plans" has the meaning set forth in Section 4.16(e).

REALLOCATED PARENT SHARES. "Reallocated Parent Shares" has the meaning set forth in Section 2.3(e)(i).

REGISTRATION. "Registration" has the meaning set forth in Section 11.6.

REGISTRATION EXPENSES. "Registration Expenses" means all reasonable, out-of-pocket expenses incurred by Parent in connection with the Registration, including, without limitation, all registration and filing fees, printing expenses, reasonable, out-of-pocket fees and disbursements of counsel and independent public accountants for Parent, transfer Taxes, fees of transfer agents and registrars.

REGISTRATION PERIOD. "Registration Period" has the meaning set forth in Section 11.6.

REGISTRATION SHARES. "Registration Shares" has the meaning set forth in Section 11.6.

REGISTRATION STATEMENT. "Registration Statement" has the meaning set forth in Section 11.6.

RENTAL PURCHASE AGREEMENTS. "Rental Purchase Agreements" has the meaning set forth in Section 4.12(c).

REPRESENTATIVES. "Representatives" means officers, directors, employees, agents, attorneys, accountants, advisors and other representatives.

REQUIRED COMPANY SHAREHOLDER VOTE. "Required Company Shareholder Vote" has the meaning set forth in Section 4.2(a).

RIGHT. "Right" has the meaning set forth in Section 4.3.

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

SEC FILINGS. "SEC Filings" has the meaning set forth in Section 6.4(c).

SECTION 11.3(d) CLAIMS. "Section 11.3(d) Claims" has the meaning set forth in Section 11.3(d).

SECURITIES ACT. "Securities Act" means the Securities Act of 1933, as amended.

SEVERANCE PAYMENTS. "Severance Payments" has the meaning set forth in Section 11.4.

SHAREHOLDER(s). "Shareholder" or "Shareholders" has the meaning set forth in Section 2.1.

SHAREHOLDERS' REPRESENTATIVE. "Shareholders' Representative" means Thomas B. Mitchell, or in the event of his death, incapacity, or unwillingness to serve as such, such successor as shall be appointed by written notice to Parent by a majority of the individuals who were members of the board of directors of the Company immediately prior to the Effective Time and shall become a Shareholder Representative upon such Person's written acceptance to act as a Shareholders' Representative and of the obligations of the Shareholders' Representative under the Agreement.

STAY BONUS PLAN. "Stay Bonus Plan" has the meaning set forth in Section 6.2(b)(xvi).

STOCK CONSIDERATION. "Stock Consideration" has the meaning set forth in Section 2.1(e)(i).

STOCK CONSIDERATION AMOUNT. "Stock Consideration Amount" has the meaning set forth in Section 2.1(e)(i).

STOCK CONSIDERATION CAP. "Stock Consideration Cap" has the meaning set forth in Section 2.1(e)(i).

STOCK OPTION PLAN. "Stock Option Plan" means the Company's Amended and Restated RR 2001 Incentive Compensation Plan.

STOCK PORTION OF GENERAL HOLDBACK. "Stock Portion of General Holdback" has the meaning set forth in Section 2.5(a).

SUBSEQUENT DETERMINATION. "Subsequent Determination" has the meaning set forth in Section 6.3(b).

SUBSIDIARY. An Entity is deemed to be a "Subsidiary" of another Person if such Person directly or indirectly owns, beneficially or of record, (a) an amount of voting securities of other interests in such Entity that is sufficient to enable such Person to elect at least a majority of the members of such Entity's board of directors or other governing body; or (b) at least 50% of the outstanding equity or financial interests of such Entity.

SUPERIOR PROPOSAL. "Superior Proposal" has the meaning set forth in Section 6.3(b).

SURVIVING CORPORATION. "Surviving Corporation" has the meaning set forth in Section 1.1.

TAX "Tax" means any tax (including any income tax, franchise tax, capital gains tax, gross receipts tax, value-added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, withholding tax or payroll tax), levy, assessment, tariff, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any fine, penalty or interest), imposed, assessed or collected by or under the authority of any Governmental Body.

TAX CLAIM. "Tax Claim" has the meaning set forth in Section 11.7.

TAX RETURN. "Tax Return" means any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

TAX RULING. "Tax Ruling" has the meaning set forth in Section 4.15(k).

TENNESSEE CORPORATE STATUTES. "Tennessee Corporate Statutes" has the meaning set forth in the recitals hereto.

TERMINATION FEE. "Termination Fee" has the meaning set forth in Section 12.3(a).

THIRD PARTY CLAIM. "Third Party Claim" has the meaning set forth in Section 11.2(c).

TOTAL PARENT SHARES. "Total Parent Shares" has the meaning set forth in Section 2.1(e)(i).

VOTING AGREEMENT. "Voting Agreement" has the meaning set forth in Section 1.5.

EXHIBIT 4.7

RENT-A-CENTER, INC.,
as Issuer,

the GUARANTORS named herein,
as Guarantors,

and

THE BANK OF NEW YORK,
as Trustee

SECOND SUPPLEMENTAL INDENTURE

Dated as of April 26, 2004

to

INDENTURE

Dated as of May 6, 2003

between

RENT-A-CENTER, INC., as Issuer,

the GUARANTORS named therein, as Guarantors,

and

THE BANK OF NEW YORK, as Trustee

$300,000,000
SERIES B
7 1/2% SENIOR SUBORDINATED NOTES DUE 2010

This SECOND SUPPLEMENTAL INDENTURE, dated as of April 23, 2004, is entered into by and among Rent-A-Center, Inc., a Delaware corporation (the "COMPANY"), Rent-A-Center East, Inc., a Delaware corporation ("RAC EAST"), ColorTyme, Inc., a Texas corporation ("COLORTYME"), Rent-A-Center West, Inc., a Delaware corporation ("RAC WEST"), Get It Now, LLC, a Delaware limited liability company ("GET IT NOW"), Rent-A-Center Texas, L.P., a Texas limited partnership ("RAC TEXAS, LP"), Rent-A-Center Texas, L.L.C., a Nevada limited liability company ("RAC TEXAS, LLC"), Rent-A-Center International, Inc., a Delaware corporation ("RAC INTERNATIONAL"), Rent-A-Center Addison, L.L.C., a Delaware limited liability company ("RAC ADDISON"), RAC National Product Service, LLC, a Delaware limited liability company ("RAC NATIONAL"), and The Bank of New York, a New York banking corporation, as Trustee (the "TRUSTEE").

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of May 6, 2003, as supplemented by the First Supplemental Indenture, dated December 4, 2003, by and among the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison and the Trustee (the "INDENTURE"), providing for the issuance of its 7 1/2% Series B Senior Subordinated Notes due 2010 (the "NOTES"); and

WHEREAS, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International and RAC Addison are currently Guarantors under the Indenture; and

WHEREAS, RAC East has formed RAC National as a wholly-owned subsidiary; and

WHEREAS, in connection with the formation of RAC National, certain assets previously held by RAC East, RAC West and RAC Texas, LP will be transferred to RAC National (the "TRANSFER"); and

WHEREAS, the Company has designated RAC National as a Restricted Subsidiary under the Indenture to be effective immediately upon the Transfer; and

WHEREAS, pursuant to Section 1009, 1012 and 1017 of the Indenture, the Transfer is permitted under the Indenture; and

WHEREAS, pursuant to Section 1020 of the Indenture, the addition of RAC National as a Guarantor is required under the Indenture; and

WHEREAS, in consideration, in part, for the Transfer, RAC National has agreed to become a Guarantor by guaranteeing the obligations of the Company under the Indenture in accordance with the terms thereof; and

WHEREAS, RAC National has been duly authorized to enter into, execute and deliver this Second Supplemental Indenture.

NOW, THEREFORE, for and in consideration of the premises and covenants and agreements contained herein and other good and valuable consideration, the receipt and

sufficiency of which are hereby acknowledged, the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National and the Trustee agree as follows:

SECTION 1. Capitalized terms used herein but not defined herein shall have the meaning provided in the Indenture.

SECTION 2. The Trustee hereby consents to the Transfer and to the addition of RAC National as an additional Guarantor under the Indenture. Simultaneously with the Transfer (the "EFFECTIVE TIME"), RAC National shall become, and each of RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International and RAC Addison shall continue to be, a "Guarantor" under and as defined in the Indenture, and at the Effective Time, RAC National shall assume all the obligations of a Guarantor under the Notes and the Indenture as described in the Indenture. RAC National hereby unconditionally guarantees the full and prompt payment of the principal of, premium, if any, and interest on the Notes and all other obligations of the Issuer and the Guarantors under the Indenture in accordance with the terms of the Notes and the Indenture.

SECTION 3. Except as expressly supplemented by this Second Supplemental Indenture, the Indenture and the Notes issued thereunder are in all respects ratified and confirmed and all of the rights, remedies, terms, conditions, covenants and agreements of the Indenture and Notes issued thereunder shall remain in full force and effect.

SECTION 4. This Second Supplemental Indenture is executed and shall constitute an indenture supplemental to the Indenture and shall be construed in connection with and as part of the Indenture. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the jurisdiction that governs the Indenture and its construction.

SECTION 5. This Second Supplemental Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes, but such counterparts shall together be deemed to constitute but one and the same instrument.

SECTION 6. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Second Supplemental Indenture may refer to the Indenture without making specific

reference to this Second Supplemental Indenture, but nevertheless all such references shall include this Second Supplemental Indenture unless the context otherwise requires.

SECTION 7. This Second Supplemental Indenture shall be deemed to have become effective upon the date first above written.

SECTION 8. In the event of a conflict between the terms of this Second Supplemental Indenture and the Indenture, this Second Supplemental Indenture shall control.

SECTION 9. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Second Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company, RAC East,

ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison and RAC National.

IN WITNESS WHEREOF, the parties have caused this Second Supplemental Indenture to be duly executed as of the day and year first above written.

THE BANK OF NEW YORK,
as Trustee

By: /s/ Van K. Brown

Name: Van K. Brown
Title: Vice President

RENT-A-CENTER, INC.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
President and Chief Operating Officer

RENT-A-CENTER EAST, INC.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

COLORTYME, INC.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

RENT-A-CENTER WEST, INC.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

GET IT NOW, LLC

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

RENT-A-CENTER TEXAS, L.P.

By: Rent-A-Center East, Inc,
its general partner

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

RENT-A-CENTER TEXAS, L.L.C.

By: /s/ James Ashworth

James Ashworth
President and Secretary

RENT-A-CENTER INTERNATIONAL, INC.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

RENT-A-CENTER ADDISON, L.L.C.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

RAC NATIONAL PRODUCT SERVICE, LLC

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

EXHIBIT 10.24

SECOND AMENDMENT TO AMENDED AND RESTATED FRANCHISEE FINANCING AGREEMENT

This Second Amendment to Amended and Restated Franchisee Financing Agreement ("Amendment") is made and entered into by and among Wells Fargo Foothill, Inc., a California corporation ("Lender"), ColorTyme, Inc., a Texas corporation ("ColorTyme"), and Rent-A-Center East, Inc., a Delaware corporation (the "RAC").

RECITALS

A. Lender, ColorTyme and RAC entered into that certain Amended and Restated Franchisee Financing Agreement dated October 1, 2003, as amended by that certain First Amendment to Amended and Restated Franchisee Financing Agreement dated December 15, 2003 (as amended, the "Agreement").

B. Lender, ColorTyme and RAC desire to amend the Agreement in accordance with the terms of this Amendment.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. All capitalized terms not defined herein shall be construed to have the meaning and definition set forth in the Agreement.

2. Amendment. Section 2.2(g) of the Agreement is hereby amended in its entirety to read as follows:

> Section 2.2 (g) Financial Statements and Reports. RAC shall provide to Lender a copy of each Form 10-K, Form 10-Q and Form 8-K of Rent-A-Center, Inc., filed with the U.S. Securities and Exchange Commission, within two (2) business days after the filing thereof. ColorTyme shall provide to Lender (i) a copy of its audited individual and consolidated year-end financial statements within ninety (90) days following the end of each fiscal year; (ii) a copy of its monthly financial statements within thirty (30) days following the end of each month; and (iii) a copy of its Uniform Franchise Offering Circular and all amendments thereto, within one hundred twenty (120) days following the end of each fiscal year. ColorTyme shall provide to Lender copies of royalty reports for any Franchisee upon the request of Lender and will assist Lender in requesting financial statements from each Franchisee. RAC and ColorTyme shall provide to Lender a quarterly compliance certificate in the form of Exhibit A attached hereto within five (5) business days following the filing of a Form 10-Q or Form 10-K, as applicable, of Rent-A-Center, Inc. with the U.S. Securities and Exchange Commission.

3. Effect of Amendment. Except as amended hereby, the Agreement shall remain in full force and effect.

4. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF CALIFORNIA.

5. Counterparts. This Amendment may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Signatures hereby transmitted by facsimile or other electronic means

shall be effective as originals.

[Remainder of Page Intentionally Left Blank. Signature Pages Follow.]

IN WITNESS WHEREOF, the parties have executed this Amendment on this 1st day of March, 2004.

COLORTYME, INC.

By: /s/ Steven M. Arendt

Steven M. Arendt
President and Chief Executive Officer

RENT-A-CENTER EAST, INC.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel
Vice President

WELLS FARGO FOOTHILL, INC.

By: /s/ David B. Fricke

Name: David B. Fricke
Title: Senior Vice President

EXHIBIT 21.1

SUBSIDIARIES

ColorTyme, Inc., a Texas corporation

Eagle Acquisition Sub, Inc., an Ohio corporation

Get It Now, LLC, a Delaware limited liability company

RAC Canada Finance LP, a Canadian limited partnership

RAC Canada Holdings, a Canadian partnership

RAC National Product Service, LLC, a Delaware limited liability company

RAC RR, Inc., a Delaware corporation

Remco America, Inc., a Delaware corporation

Rent-A-Center Addison, L.L.C., a Delaware limited liability company

Rent-A-Center East, Inc., a Delaware corporation

Rent-A-Center International, Inc., a Delaware corporation

Rent-A-Center Texas, L.P., a Texas limited partnership

Rent-A-Center Texas, L.L.C., a Nevada limited liability company

Rent-A-Center West, Inc., a Delaware corporation

Rent-A-Centre Canada, Ltd., a Canadian corporation

EXHIBIT 31.1

I, Mark E. Speese, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2004

/s/ Mark E. Speese

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

EXHIBIT 31.2

I, Robert D. Davis, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2004

/s/ Robert D. Davis

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

EXHIBIT 32.1

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "COMPANY") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "REPORT"), I, Mark E. Speese, Chairman of the Board and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark E. Speese

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

Dated: May 3, 2004

A signed original of this written statement required by Section 906 has been provided to Rent-A-Center, Inc. and will be retained by Rent-A-Center, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "COMPANY") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "REPORT"), I, Robert D. Davis, Senior Vice President - Finance, Treasurer and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert D. Davis

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

Dated: May 3, 2004

A signed original of this written statement required by Section 906 has been provided to Rent-A-Center, Inc. and will be retained by Rent-A-Center, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.