

The Winning Concept

Aaron Rents, Inc.



The unique features of Aaron Rents, Inc. combine to create a winning concept unmatched in the markets the Company serves:

Consistency — From the Company's 44-year history of providing high quality products and services, to its seven consecutive years of record revenues and earnings, consistency marks Aaron Rents' performance.

Profitability — A conservative fiscal policy and strict controls complement the Company's balance sheet strength, backed by the financial resources needed to assure bottom line growth.

Integrity — Aaron Rents' longstanding commitment to integrity and ethical business practices is demonstrated in first-rate products and services, competitive pricing and full disclosure of terms — treating the customer with dignity and respect. Adhering to these deeply held values not only serves customers well but earns the Company the respect of its peers in the rental and rental purchase industries.

Synergy — Two distinct business units, rent-to-rent and rental purchase, create a powerful synergy for success with the core rent-to-rent division generating cash flow in all economic cycles and the rental purchase business providing the opportunity for rapid growth — both augmented by the Company's own manufacturing capabilities.

Creativity — From the beginning as a pioneer in the furniture rent-to-rent industry, to the present with its unique rental purchase formula and franchise program, innovation empowers Aaron Rents to satisfy its customers.

Efficiency — The nationally ranked manufacturing division, MacTavish Furniture Industries, combined with the Company's own growing distribution network, afford the efficiencies and cost advantages of vertical integration and total control over product design, quality and inventory — with customers benefiting from lower prices and prompt delivery of topflight merchandise.

*America's Premier Name
in Furniture Rental
and Rental Purchase*

The Aaron Rents Guarantee:

- We guarantee next-day delivery on in-stock merchandise six days a week for individual customer orders.
- We guarantee that we will beat any competitor's published price.
- We guarantee that when your merchandise arrives it will be of the same outstanding quality and condition as that on display in our showrooms.
- We guarantee that if for any reason you are dissatisfied with the condition of any piece of furniture, we will replace it at no cost to you within the first week of delivery.
- We guarantee that if you are not completely satisfied within the first week of delivery, we will pick up the furniture and refund your original payment.

Rent-to-Rent

The rent-to-rent division, the Company's original business, continues to expand by targeting new opportunities within a changing marketplace. Currently the second largest business in its industry, Aaron Rents holds approximately 30% of the estimated \$600 million rent-to-rent market in the United States, with 109 stores open at year end. Residential furniture accounted for 60% of 1998 rent-to-rent rental revenues, office furniture 34%, and electronics and other products the remaining 6% of rental revenues.

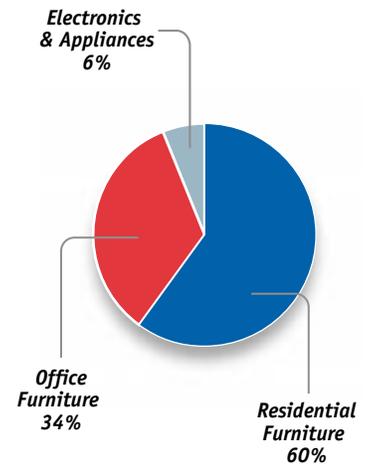
Office furniture is considered the major growth sector of the furniture rental market. Although already successfully serving this customer, Aaron Rents made important investments in 1998 for further penetration. The rent-to-rent division was reorganized during the year into separate office and residential operating units to provide better focus for the very different clientele of each business.

Substantial upgrades and regroupings in the office furniture product line plus the introduction of workstation environment systems furniture have helped open the door to many new Fortune 500 customers who now choose Aaron Rents for their primary source of rental office furniture. The Company is now the largest La-Z-Boy business furniture rental company in the United States. Training and marketing materials have been revised to address the growing emphasis on the larger, corporate customer.

The residential segment of the rent-to-rent division serves a wide range of individual and corporate customers who need residential furniture for a few weeks or months. Growing in size, the corporate relocation industry has become an important customer. The Company has designed a new warehouse concept with this business, as well as its national accounts, in mind. These corporate service centers offer the advantages of reduced overhead costs and the convenience of telephoning or faxing orders, eliminating the need to travel to the showroom. Individual referral business from the apartment communities continues to offer opportunity for residential rentals as well.



RENT-TO-RENT RENTAL REVENUES



Through the division's recently expanded website (www.aaronrentsfurniture.com), customers view office and residential collections arranged by room, locate the nearest store, review pricing options or request brochures. Money-saving coupons and employment opportunities are also posted on the site. Moving forward, shoppers will be able to place orders and schedule delivery via their Internet connection.

Aaron Rents' winning rent-to-rent concept includes guaranteed next-day delivery six days a week, high quality, style and selection of top name brands of home and office furnishings, and flexible payment options. The Company's volume purchasing power and vertical integration from the manufacturing division, MacTavish Furniture Industries, results in price savings and prompt delivery to customers.



Rental Purchase

The Aaron's Rental Purchase division has emerged as the favorite of consumers in the markets it serves. The winning concept positions Aaron's as a company that every day makes it possible for people to fulfill their dreams. That is the essence of the Aaron Rents approach to meeting the needs of a large underserved segment of Americans, a market estimated at more than \$4 billion.

Outwardly, Aaron's success begins with the stores' design and locale. The spacious stores are decorated in a soft, friendly tone and average 9,000 square feet compared to the typical competing store's 2,500 square feet. Aaron's stores are located in more upscale areas, usually in suburban sites offering ample parking and security, in contrast to the inner-city locations of many competitors. By virtue of its larger stores, Aaron's Rental Purchase offers a far wider selection of merchandise including top name-brand furniture, appliances, electronics and other popular products.

There's much more to the winning Aaron's concept than the size and location of stores. It is the treatment of customers that gives Aaron's the edge in its market. As Founder and Chief Executive Officer R. Charles Loudermilk, Sr. has said, "We have simply found a better way to provide the basic necessities of home furnishings and some of the extras of life to a large segment of society not served in any other way." The rental purchase market comprises millions of people who either lack credit or wish to avoid debt. With rental purchase, they can own the merchandise after the final payment or may return it at any time with no obligation beyond the current payment due. Aaron's serves the upper end of this market and enjoys a high rate of repeat business, thanks to ethical and innovative customer service.

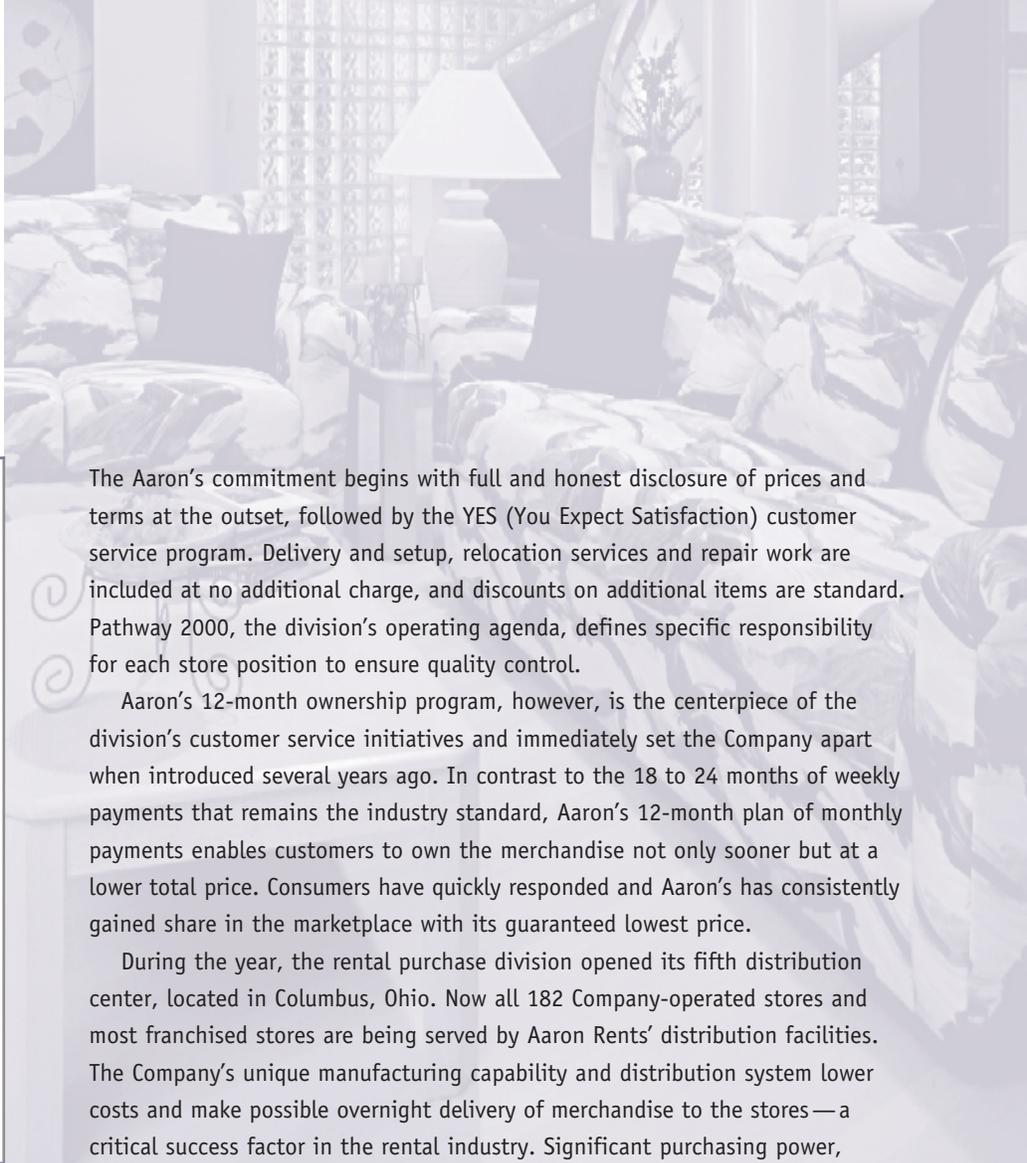


Aaron's Rental Purchase: Better Quality

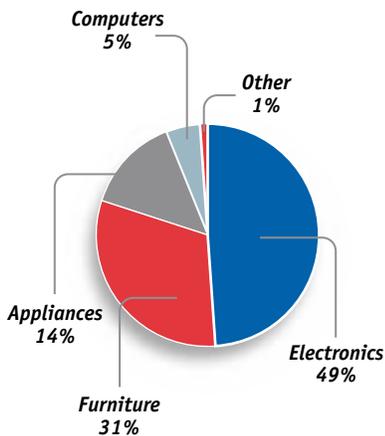
"Aaron has created a rental purchase that is for the better quality customer, the more sophisticated consumer who wants better quality goods but also realizes that they're paying a price ... And I think that Aaron is a tremendous value, especially relative to a lot of these other companies that I don't think have nearly the management strength or the asset base that Aaron has."

— Interstate/Johnson Lane securities analyst Jerry Epperson in *The Wall Street Transcript*, August 10, 1998





**RENTAL PURCHASE
RENTAL REVENUES**

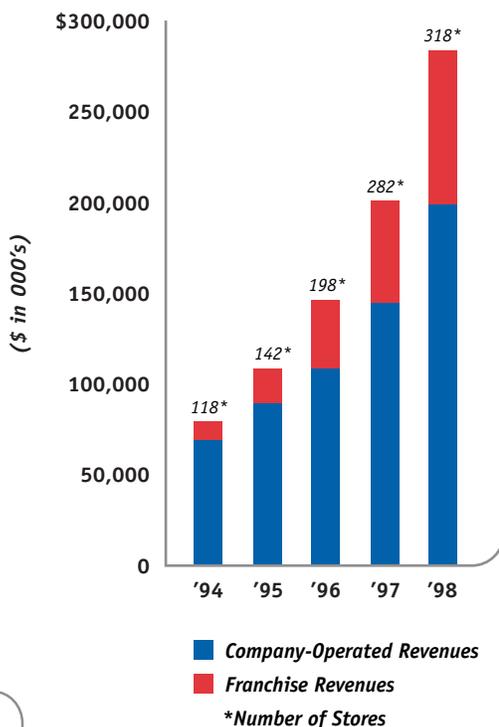


The Aaron's commitment begins with full and honest disclosure of prices and terms at the outset, followed by the YES (You Expect Satisfaction) customer service program. Delivery and setup, relocation services and repair work are included at no additional charge, and discounts on additional items are standard. Pathway 2000, the division's operating agenda, defines specific responsibility for each store position to ensure quality control.

Aaron's 12-month ownership program, however, is the centerpiece of the division's customer service initiatives and immediately set the Company apart when introduced several years ago. In contrast to the 18 to 24 months of weekly payments that remains the industry standard, Aaron's 12-month plan of monthly payments enables customers to own the merchandise not only sooner but at a lower total price. Consumers have quickly responded and Aaron's has consistently gained share in the marketplace with its guaranteed lowest price.

During the year, the rental purchase division opened its fifth distribution center, located in Columbus, Ohio. Now all 182 Company-operated stores and most franchised stores are being served by Aaron Rents' distribution facilities. The Company's unique manufacturing capability and distribution system lower costs and make possible overnight delivery of merchandise to the stores—a critical success factor in the rental industry. Significant purchasing power, resulting from sizable volume, provides further cost savings to the Company which are passed on to the customers.

**AARON'S RENTAL PURCHASE
SYSTEMWIDE REVENUE
GROWTH AND STORE COUNT**



The division grew to 318 stores in 1998, including franchised locations. Still more top name-brand products, including another popular big-screen television and advanced washer-dryer system, were added to the Aaron's lines in 1998. With such an extensive array of products, "one-stop shopping" is a reality for Aaron's Rental Purchase customers, a majority of whom shop for electronics, which accounted for 49% of 1998 rental revenues. Furniture represented 31% of rental revenues, appliances 14%, computers 5% and other merchandise 1%.

The division's Partners in Progress cooperative advertising program with major vendors including RCA, Philips Magnavox, Sony, GE and Maytag provided \$1.6 million in 1998 for producing and testing an infomercial, Atlanta Braves advertising and several direct mail pieces. Innovative marketing and customer service have distinguished Aaron's from the competition and will continue to reinforce the Company's winning concept.

Rental Purchase Franchise

Aaron's Rental Purchase Franchisee Among Fastest- Growing U.S. Companies

Aaron's Rental Purchase franchise owner Her-Kel, Inc. of Norcross, Ga., which operates 13 stores in the Southeast, was listed in Inc. magazine's 1998 ranking of the "500 Fastest-Growing Private Companies in America." Her-Kel placed 212th in the ranking with sales growth of 1,289% from 1993 to 1997. The company is owned by Mike Kelly and Ron Herman.

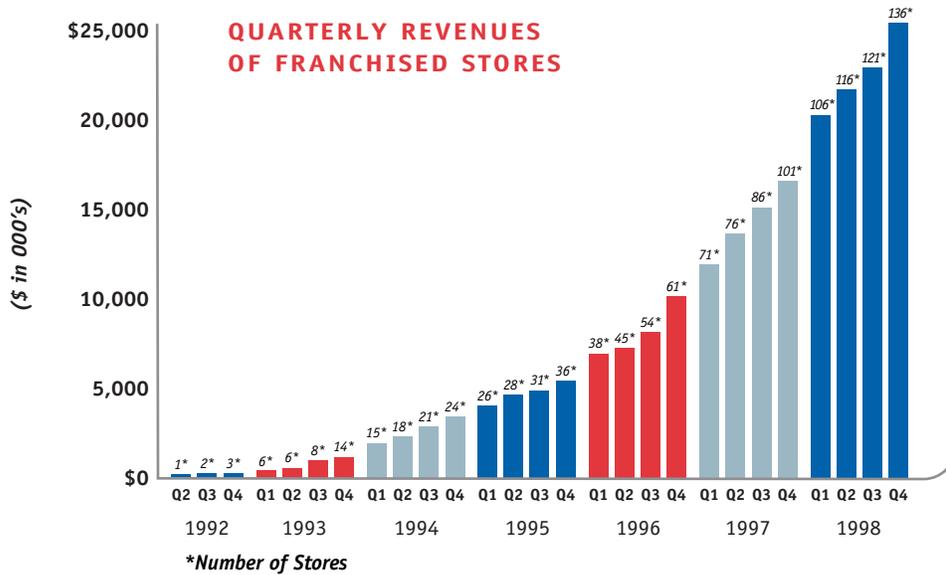


Aaron's is the major franchise program in the rental purchase industry, bringing its unique concept of high quality products and customer service to a growing number of markets across America. Opening stores at the rate of one every ten days in 1998, the division had a total of 136 stores open in 28 states at year end. An additional 91 stores had been sold and slated for future openings.

The franchise program sets a faster expansion pace for Aaron's Rental Purchase than could be achieved through opening Company-operated stores alone. It was carefully developed with an extensive pilot phase that enabled Aaron Rents to create the most effective system, tailored to the needs of the market and the franchise owner. Most franchise owners bring a successful track record in the ownership or operation of rental or retail businesses such as furniture, appliance and fast food stores or other profes-

sional occupations. Awarding franchises to experienced business owners or operators has resulted in a significant number of multi-store franchisees, a key to the rapid growth of the program. The depth of hands-on business knowledge combined with their entrepreneurial spirit makes Aaron's Rental Purchase franchise owners successful in market after market, in cities of all sizes, located in practically every region of the country.





Franchise owners cite Aaron's unique 12-month payment plan as the reason for the rapidly growing customer base. According to Phil Peltz, owner of two locations in Georgia plus two future sites in Alabama, "The 12-month ownership plan of Aaron's is just eye-catching to customers." With the shorter term of payments, the customer's total cost of merchandise at Aaron's is below the typical prices in the industry, and often less than the total cost at a conventional retailer after adding interest and service fees. For the franchise owner, cost and competitive advantages are realized through Aaron's vertical integration — the furniture manufacturing division and sophisticated distribution system — and volume purchasing discounts.

Aaron Rents' award-winning franchise program consistently ranks among the leaders in franchising in independent ratings of U.S. companies. Key drivers behind the high marks include the Company's solid financial health and consistent management, extensive support for franchise owners and the abundant opportunities for franchise owners to open additional stores. Aaron's franchise support center provides franchise owners assistance in developing successful business plans, guidance in real estate site selection, analysis of market competition, training, purchasing discounts, and help with advertising and publicity. Inventory financing for new store owners and long-term financing tailored to the needs of the growing number of multi-store/established franchisees are readily available.

Franchise owners play an active role at the Company, with a rotating number of franchisees serving with corporate representatives on a management team. The group's objectives are to provide leadership, to address operational and management issues and to explore ways to optimize support and cooperation between the Company and the franchise owners.

Aaron's Again Ranks In "Franchise Gold 100"

The Aaron's Rental Purchase division of Aaron Rents ranked tenth in the "Franchise Gold 100" ratings of the nation's best franchise programs by Success magazine in 1998. Winners were chosen on the basis of:

- (1) Financial performance including revenue, franchise fees and proprietary goods and services
- (2) Corporate management, growth and stability
- (3) Franchisor/franchisee relationship
- (4) Opportunities for growth



MacTavish Furniture Industries & Distribution Centers

To achieve the highest level of customer satisfaction, Aaron Rents must provide its customers with quality furniture when they want it. Unlike the traditional furniture retailer, the customers walking into the Company's stores cannot wait weeks or months for delivery as their need is immediate. Also, since much of the furniture is used to fill a temporary need, it must withstand significant shipping and handling, making numerous trips between the stores and the homes and offices of the Company's customers. Aaron Rents' quality requirements are extremely high.

To ensure that these requirements are met and in its ongoing commitment to offer customers the lowest prices possible, Aaron Rents decided many years ago to maximize control over its supply chain by investing in its own furniture manufacturing facilities. These facilities, operating under the MacTavish Furniture Industries brand, produced more than \$50 million of goods at cost last year, making MacTavish the primary supplier for Aaron Rents.

In keeping with Aaron Rents award-winning strategies, MacTavish Furniture Industries constantly strives to widen the gap between itself and its competitors. The division maintains its leadership position by tracking new industry trends and manufacturing techniques. Expanded use of computer-aided design and computer-controlled cutting techniques implemented in 1998 further improved product quality and cost efficiency. With the addition of another 200,000 square feet of manufacturing and distribution capacity last year, MacTavish stands ready to continue to provide the quality and dependability that Aaron Rents stores require as the Company continues to grow.

The biggest impact from consumer trends in the industry is the customers' desire for coordinated rooms rather than having to select individual pieces. To address this trend, in 1998 MacTavish added the extremely popular California lamp designer and manufacturer, Lamps Forever, Inc., to its group of operating units. Lamps Forever designs lamps, tables, and accessories that coordinate living rooms, dining rooms and bedrooms into showplaces that would make interior designers proud. More importantly, the groupings are making Aaron Rents' customers proud.

The Aaron Rents distribution system is unequalled in the industry. A network of five strategically located facilities assures immediate response to the Company's stores for same-day or next-day delivery of customer orders. In December, the newest distribution center was opened in Columbus, Ohio to serve the Midwest and the Eastern regions. No competitor can match the total control Aaron Rents possesses through its winning manufacturing and distribution capability.



Avi Yofan of Lamps Forever