

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q/A

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

For the quarterly period ended March 31, 2001

Commission File Number 0-25370

RENT-A-CENTER, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

48-1024367

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

5700 Tennyson Parkway, Third Floor

Plano, Texas 75024

(972) 801-1100

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

NONE

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

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

YES X NO

--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 7, 2001:

Class

Outstanding

-----  
Common stock, \$.01 par value per share-----  
25,256,939

## RENT-A-CENTER, INC.

## TABLE OF CONTENTS

	PAGE NO.
PART I.	FINANCIAL INFORMATION
Item 1.	Consolidated Financial Statements
	Consolidated Balance Sheets as of March 31, 2001 and December 31, 2000
	3
	Consolidated Statements of Earnings for the three months ended March 31, 2001 and 2000
	4
	Consolidated Statements of Cash Flows for the three months ended March 31, 2001 and 2000
	5
	Notes to Consolidated Financial Statements
	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	9
Item 3.	Quantitative and Qualitative Disclosure About Market Risk
	16
PART II.	OTHER INFORMATION
Item 1.	Legal Proceedings
	17
Item 6.	Exhibits and Reports on Form 8-K
	19
SIGNATURES	22

RENT-A-CENTER, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In Thousands of Dollars)

	March 31, 2001 ----- Unaudited	December 31, 2000 -----
<b>ASSETS</b>		
Cash and cash equivalents	\$ 27,541	\$ 36,495
Accounts receivable - trade	3,654	3,254
Prepaid expenses and other assets	37,330	31,805
Rental merchandise, net		
On rent	515,395	477,095
Held for rent	110,869	110,137
Property assets, net	89,920	87,168
Deferred income taxes	24,331	32,628
Intangible assets, net	702,537	708,328
	-----	-----
	\$ 1,511,577	\$ 1,486,910
	=====	=====
<b>LIABILITIES</b>		
Accounts payable - trade	\$ 77,332	\$ 65,696
Accrued liabilities	104,652	89,560
Senior debt	528,135	566,051
Subordinated notes payable	175,000	175,000
	-----	-----
	885,119	896,307
<b>COMMITMENTS AND CONTINGENCIES</b>		
	--	--
<b>PREFERRED STOCK</b>		
Redeemable convertible voting preferred stock, net of placement costs, \$.01 par value; 5,000,000 shares authorized; 284,412 and 281,756 shares issued and outstanding in 2001 and 2000, respectively	283,888	281,232
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.01 par value; 50,000,000 shares authorized; 26,175,413 and 25,700,058 shares issued in 2001 and 2000, respectively	262	257
Additional paid-in capital	129,346	115,607
Accumulative comprehensive loss	(2,888)	--
Retained earnings	240,850	218,507
	-----	-----
Treasury stock, 990,099 shares at cost	(25,000)	(25,000)
	-----	-----
	342,570	309,371
	-----	-----
	\$ 1,511,577	\$ 1,486,910
	=====	=====

The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands of Dollars, except per share data)	Three months ended March 31,	
	2001	2000
	Unaudited	
<b>Revenues</b>		
Store		
Rentals and fees	\$ 393,123	\$ 350,320
Merchandise sales	30,759	27,339
Other	1,330	492
Franchise		
Merchandise sales	13,027	12,891
Royalty income and fees	1,463	1,484
	439,702	392,526
<b>Operating expenses</b>		
Direct store expenses		
Depreciation of rental merchandise	80,812	71,728
Cost of merchandise sold	21,555	22,830
Salaries and other expenses	242,219	208,525
Franchise cost of merchandise sold	12,494	12,441
	357,080	315,524
General and administrative expenses	12,869	11,475
Amortization of intangibles	7,268	6,975
	377,217	333,974
Operating profit	62,485	58,552
Interest expense	16,510	19,008
Interest income	(361)	(257)
	Earnings before income taxes	39,801
	46,336	39,801
Income tax expense	21,338	18,912
	NET EARNINGS	20,889
	24,998	20,889
Preferred dividends	4,325	2,554
	Net earnings allocable to common stockholders	\$ 18,335
	\$ 20,673	\$ 18,335
Basic earnings per common share	\$ 0.83(1)	\$ 0.75
	0.83(1)	0.75
Diluted earnings per common share	\$ 0.69	\$ 0.61
	0.69	0.61

(1) As restated, see Note 2

The accompanying notes are an integral part of these statements.

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

(In Thousands of Dollars)	Three months ended March 31,	
	2001	2000
	Unaudited	
Cash flows from operating activities		
Net earnings	\$ 24,998	\$ 20,889
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	80,812	71,728
Depreciation of property assets	8,805	8,103
Amortization of intangibles	7,268	6,975
Amortization of financing fees	690	652
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(118,461)	(98,726)
Accounts receivable - trade	(400)	(747)
Prepaid expenses and other assets	(6,250)	560
Deferred income taxes	10,709	--
Accounts payable - trade	11,636	7,520
Accrued liabilities	12,239	28,599
Net cash provided by operating activities	32,046	45,553
Cash flows from investing activities		
Purchase of property assets	(11,846)	(8,613)
Proceeds from sale of property assets	524	188
Acquisitions of businesses	(2,835)	(1,596)
Net cash used in investing activities	(14,157)	(10,021)
Cash flows from financing activities		
Exercise of stock options	11,073	92
Proceeds from debt	--	20,980
Repayments of debt	(37,916)	(64,190)
Net cash used in financing activities	(26,843)	(43,118)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,954)	(7,586)
Cash and cash equivalents at beginning of period	36,495	21,679
Cash and cash equivalents at end of period	\$ 27,541	\$ 14,093

The accompanying notes are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Commission's rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2000. 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.

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

The adoption of SFAS 133 on January 1, 2001 resulted in a cumulative pre-tax increase to other comprehensive income of \$2.6 million, or \$1.4 million after taxes. As a result of a decline in interest rates for the three months ended March 31, 2001, accumulative other comprehensive loss at the end of the period was \$2.9 million after taxes.

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

## 2. EARNINGS PER SHARE

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

(In thousands, except for per share data)

	Three months ended March 31, 2001		
	Net earnings	Shares	Per share
Basic earnings per common share	\$ 20,673	24,959	\$ 0.83(1)
Effect of dilutive stock options	--	1,235	
Assumed conversion of convertible preferred stock	4,325(1)	10,181	
Diluted earnings per common share	\$ 24,998	36,375	\$ 0.69

(In thousands, except for per share data)

	Three months ended March 31, 2000		
	Net earnings	Shares	Per share
Basic earnings per common share	\$ 18,335	24,311	\$ 0.75
Effect of dilutive stock options	--	117	
Assumed conversion of convertible preferred stock	2,554	9,808	
Diluted earnings per common share	\$ 20,889	34,236	\$ 0.61

(1) The Company accounts for preferred stock distributed as dividends in-kind at the greater of the stated value or the value on the payment date of the common stock obtainable upon conversion. This resulted in a restatement of

net earnings allocable to common stockholders and basic earnings per share for the three months ended March 31, 2001. The restatement reduced net earnings allocable to common stockholders by approximately \$1,700,000 and basic earnings per share by \$.07 per share from that previously reported.

For the three months ended March 31, 2001 and 2000, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of the common stock, and therefore anti-dilutive, was 0 and 3,183,500, respectively.

## 3. SUBSIDIARY GUARANTORS

During 1998, we issued \$175.0 million of senior subordinated notes, maturing on August 15, 2008. The notes require semi-annual interest-only payments at 11%, and are guaranteed by our two principal subsidiaries. We may redeem the subordinated notes after August 15, 2003, at our option, in whole or in part. In addition, subject to the restrictions set forth in our senior credit facility, at any time prior to August 15, 2001, we may redeem up to 33.33% of the original aggregate principal amount of the subordinated notes with the cash proceeds of one or more equity offerings, at a redemption price of 111% of the principal amount being redeemed.

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

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

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

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

Set forth below is certain condensed consolidating financial information (within the meaning of Rule 1-3-10 of Regulation S-X) as of December 31, 2000 and March 31, 2001 and the three months ended March 31, 2001 and 2000. The financial information includes the guarantors from the dates they were acquired or formed by us and is presented using the push-down basis of accounting.

## 3. SUBSIDIARY GUARANTORS - (continued)

	PARENT COMPANY	SUBSIDIARY GUARANTORS	CONSOLIDATING ADJUSTMENTS	TOTALS
	(IN THOUSANDS)			
Condensed consolidating balance sheets				
At March 31, 2001 (unaudited)				
Rental merchandise, net .....	\$ 626,264	\$ --	\$ --	\$ 626,264
Intangible assets, net .....	348,960	353,577	--	702,537
Other assets .....	519,347	14,660	(351,231)	182,776
Total assets .....	<u>\$ 1,494,571</u>	<u>\$ 368,237</u>	<u>\$ (351,231)</u>	<u>\$ 1,511,577</u>
Senior Debt .....	\$ 528,135	\$ --	\$ --	\$ 528,135
Other liabilities .....	352,788	4,196	--	356,984
Preferred stock .....	283,888	--	--	283,888
Stockholders' equity .....	329,760	364,041	(351,231)	342,570
Total liabilities and equity .....	<u>\$ 1,494,571</u>	<u>\$ 368,237</u>	<u>\$ (351,231)</u>	<u>\$ 1,511,577</u>

At December 31, 2000

Rental merchandise, net .....	\$ 587,232	\$ --	\$ --	\$ 587,232
Intangible assets, net .....	351,498	356,830	--	708,328
Other assets .....	531,992	13,754	(354,396)	191,350
Total assets .....	<u>\$ 1,470,722</u>	<u>\$ 370,584</u>	<u>\$ (354,396)</u>	<u>\$ 1,486,910</u>
Senior Debt .....	\$ 566,051	\$ --	\$ --	\$ 566,051
Other liabilities .....	325,995	4,261	--	330,256
Preferred stock .....	281,232	--	--	281,232
Stockholders' equity .....	297,444	366,323	(354,396)	309,371
Total liabilities and equity .....	<u>\$ 1,470,722</u>	<u>\$ 370,584</u>	<u>\$ (354,396)</u>	<u>\$ 1,486,910</u>

	PARENT COMPANY	SUBSIDIARY GUARANTORS	TOTAL
	(IN THOUSANDS)		

Condensed consolidating statements of earnings

Three Months Ended March 31, 2001 (unaudited)

Total revenues .....	\$ 425,212	\$ 14,490	\$ 439,702
Direct store expenses .....	344,586	--	344,586
Other .....	54,459	15,659	70,118
Net earnings (loss) .....	<u>\$ 26,167</u>	<u>\$ (1,169)</u>	<u>\$ 24,998</u>

Three Months Ended March 31, 2000 (unaudited)

Total revenues .....	\$ 378,151	\$ 14,375	\$ 392,526
Direct store expenses .....	303,083	--	303,083
Other .....	52,948	15,606	68,554
Net earnings (loss) .....	<u>\$ 22,120</u>	<u>\$ (1,231)</u>	<u>\$ 20,889</u>

	PARENT COMPANY	SUBSIDIARY GUARANTORS	TOTAL
	(IN THOUSANDS)		

Condensed consolidated statement of cash flows:

March 31, 2001 (unaudited)

Net cash provided by operating activities.....	\$ 31,226	\$ 820	\$ 32,046
Cash flows from investing activities			
Purchase of property assets.....	(11,836)	(10)	(11,846)
Acquisitions of businesses, net of cash acquired.....	(2,835)	--	(2,835)
Other.....	524	--	524
Net cash used in investing activities.....	<u>(14,147)</u>	<u>(10)</u>	<u>(14,157)</u>

Cash flows from financing activities			
Exercise of stock options.....	11,073	--	11,073
Repayments of debt.....	(37,916)	--	(37,916)
Intercompany advances.....	810	(810)	--
-----	-----	-----	-----
Net cash used in financing activities.....	(26,033)	(810)	(26,843)
-----	-----	-----	-----
Net decrease in cash and cash equivalents.....	(8,954)	--	(8,954)
-----	-----	-----	-----
Cash and cash equivalents at beginning of period.....	36,495	--	36,495
-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 27,541	\$ --	\$ 27,541
=====	=====	=====	=====
March 31, 2000 (unaudited)			
Net cash provided by (used in) operating activities.....	\$ 45,814	\$ (261)	\$ 45,553
-----	-----	-----	-----
Cash flows from investing activities			
Purchase of property assets.....	(8,604)	(9)	(8,613)
Acquisitions of businesses, net of cash acquired.....	(1,596)	--	(1,596)
Other.....	188	--	188
-----	-----	-----	-----
Net cash used in investing activities.....	(10,012)	(9)	(10,021)
-----	-----	-----	-----
Cash flows from financing activities			
Proceeds from debt.....	20,980	--	20,980
Repayments of debt.....	(64,190)	--	(64,190)
Intercompany advances.....	(270)	270	--
Other.....	92	--	92
-----	-----	-----	-----
Net cash (used in) provided by in financing activities..	(43,388)	270	(43,118)
-----	-----	-----	-----
Net decrease in cash and cash equivalents.....	(7,586)	--	(7,856)
-----	-----	-----	-----
Cash and cash equivalents at beginning of period.....	21,679	--	21,679
-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 14,093	\$ --	\$ 14,093
=====	=====	=====	=====

## 4. COMPREHENSIVE INCOME

Comprehensive income is net earnings plus other comprehensive loss, which, for the periods presented, includes the effect on other comprehensive loss of adopting Statement of Financial Accounting Standard No. 133 (SFAS 133). The following table provides information regarding comprehensive income, net of tax:

	Three months ended March 31,	
	----- (in thousands) -----	
	2001	2000
	-----	-----
Net Earnings	\$24,998	\$20,889
Other comprehensive (loss) income:		
Unrealized gain on derivatives held as cash flow hedges:		
Cumulative effect of adoption of SFAS 133	1,378	--
Change in unrealized gain (loss) during period	(3,535)	--
Reclassification adjustment for gain included in net earnings	(731)	--
	-----	-----
Other comprehensive loss	(2,888)	--
	-----	-----
Comprehensive income	\$22,110	\$20,889
	=====	=====

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

## GENERAL

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

- o uncertainties regarding the ability to open new stores;
- o our ability to acquire additional rent-to-own stores on favorable terms;
- o our ability to enhance the performance of these acquired stores;
- o the results of our litigation;
- o the passage of legislation adversely affecting the rent-to-own industry;
- o interest rates;
- o our ability to collect on our rental purchase agreements; and
- o the other risks detailed from time to time in our SEC reports.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events. Additional important factors that could cause our actual results to differ materially from our expectations are discussed under Risk Factors in our Annual Report on Form 10-K for our fiscal year ended December 31, 2000.

## OUR BUSINESS

We are the largest rent-to-own operator in the United States with an approximate 27% market share based on store count. At March 31, 2001, we operated 2,179 company-owned stores in 50 states, the District of Columbia and Puerto Rico. Our subsidiary, ColorTyme, is a national franchisor of rent-to-own stores. At March 31, 2001, ColorTyme franchised 356 stores in 42 states, 344 of which operated under the ColorTyme name and 12 stores which operated under the Rent-A-Center name. Our stores offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. These rental purchase agreements are designed to appeal to a wide variety of customers by

allowing them to obtain

merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. These agreements also cater to customers who only have a temporary need, or who simply desire to rent rather than purchase the merchandise.

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

We plan to accomplish our future growth through selective and opportunistic acquisitions, with an emphasis on new store development. Typically, a newly opened store is profitable on a monthly basis in the sixth to ninth month after its initial opening. Historically, a typical store has achieved break-even profitability in 12 to 15 months after its initial opening. Total financing requirements of a typical new store approximate \$400,000, with roughly 70% to 75% of that amount relating to the purchase of rental merchandise inventory. A newly opened store historically has achieved results consistent with other stores that have been operating within the system for greater than two years by the end of its third year of operation. As a result, our quarterly earnings are impacted by how many new stores are opened during that quarter and the quarters preceding it. There can be no assurance that we will open any new stores in the future, or as to the number, location or profitability.

We believe that the cashflow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, working capital needs, capital expenditures, and our store expansion intentions during 2001. The revolving credit facility provides us with revolving loans in an aggregate principal amount not exceeding \$120.0 million. At March 31, 2001, we had \$76.3 million available under our various debt agreements.

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

If a change in control occurs, we may be required to offer to purchase all of our outstanding subordinated notes at 101% of their principal amount, plus accrued interest to the date of repurchase. Our senior credit facilities restrict our ability to repurchase our subordinated notes, including in the event of a change in control. In addition, a change in control would result in an event of default under our senior credit facilities, which could then be accelerated by our lenders, and would require us to offer to redeem our Series A preferred stock. In the event a change in control occurs, we cannot be sure that we would have enough funds to immediately pay our accelerated senior credit facility obligations, all of our senior subordinated notes and for the redemption of our Series A preferred stock, or that we would be able to obtain financing to do so on favorable terms, if at all.

#### COMPONENTS OF INCOME AND EXPENSE

**Revenue.** We collect non-refundable rental payments and fees in advance, generally on a weekly or monthly basis. This revenue is recognized over the term of the agreement. Rental purchase agreements generally include a discounted early purchase option. Amounts received upon sales of merchandise under these options, and upon the sale of used merchandise, are recognized as revenue when the merchandise is sold.

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

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

Cost of Merchandise Sold. Cost of merchandise sold represents the book value net of accumulated depreciation of rental merchandise at time of sale.

Salaries and Other Expenses. Salaries and other expenses include all salaries and wages paid to store level employees, together with market managers' salaries, travel and occupancy, including any related benefits and taxes, as well as all store level general and administrative expenses and selling, advertising, occupancy, fixed asset depreciation and other operating expenses.

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

Amortization of Intangibles. Amortization of intangibles consists primarily of the amortization of the excess of purchase price over the fair market value of acquired assets and liabilities. The Financial Accounting Standards Board has recently proposed the elimination of the amortization of goodwill associated with acquisitions.

#### RECENT DEVELOPMENTS

In the second half of 2000, we resumed our strategy of increasing our store base and annual revenues and profits through opportunistic acquisitions and new store openings. During the first quarter of 2001, we acquired four stores for approximately \$1.7 million in cash in three separate transactions and opened an additional 23 stores. We also closed six stores, merging four with existing stores and selling two stores. As of May 7, 2001 we have acquired an additional 11 stores for approximately \$3.6 million in cash in three separate transactions during the second quarter of 2001. In addition, we have also opened another six stores and closed two, merging one with an existing store and selling the other. It is our intention to increase the number of stores in which we operate by an average of approximately 10-15% per year over the next several years.

We have filed a registration statement with the SEC for a public offering of 3,200,000 shares of our common stock, 1,000,000 of which will be offered by us and 2,200,000 of which will be offered by selling stockholders. We anticipate using the net proceeds to pay down existing long-term debt. A registration statement related to these securities has been filed with the SEC, but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state. Copies of the prospectus relating to the offering may be obtained, when available, from Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, New York 10036.

#### RESULTS OF OPERATIONS

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

Store Revenue. Total store revenue increased by \$47.1 million, or 12.4%, to \$425.2 million for the three months ended March 31, 2001 from \$378.1 million for the three months ended March 31, 2000. The increase in total store revenue is directly attributable to the success of our efforts on improving store operations through:

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

This focus resulted in same store revenues increasing by \$31.9 million, or 8.8%, to \$396.3 million for the three months ended March 31, 2001 from \$364.4 million for the three months ended March 31, 2000. Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending March 31, 2001 and 2000. This improvement was primarily attributable to an increase in the number of customers served, the number of items on rent, as well as revenue earned per item on rent.

**Franchise Revenue.** Total franchise revenue increased by \$115,000, or 0.8%, to \$14.5 million for the three months ended March 31, 2001 from \$14.4 million for the three months ended March 31, 2000. This increase was primarily attributable to an increase in the sale of rental merchandise to franchisees resulting from growth in the franchise store operations.

**Depreciation of Rental Merchandise.** Depreciation of rental merchandise increased by \$9.1 million, or 12.7%, to \$80.8 million for the three months ended March 31, 2001 from \$71.7 million for the three months ended March 31, 2000. This increase was primarily attributable to an increase in the number of units on rent. Depreciation of rental merchandise expressed as a percent of store rentals and fees revenue increased to 20.6% in 2001 from 20.5% in 2000.

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

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

**Franchise Cost of Merchandise Sold.** Franchise cost of merchandise sold increased by \$53,000, or 0.4%, to \$12.5 million for the three months ended March 31, 2001 from \$12.4 million for the three months ended March 31, 2000. This increase is a direct result of an increase in merchandise sold to franchisees during the three months ended March 31, 2001 as compared to the three months ended March 31, 2000.

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

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

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

**Net Earnings.** Net earnings increased by \$4.1 million, or 19.7%, to \$25.0 million for the three months ended March 31, 2001 from \$20.9 million for the three months ended March 31, 2000. This increase is primarily attributable to an increase in revenues, operational improvements in existing stores and reduced interest expenses resulting from a reduction in outstanding debt.

**Preferred Dividends.** Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. For the three months ended March 31, 2001, the value of the common stock (\$4.33 million) was greater than the stated dividend of \$2.63 million. For the three months ended March 31, 2000, the stated dividend of \$2.55 million was greater than the value of the common stock. Had in-kind dividends distributed on our preferred stock been valued at the average price for our common stock for the three months ended March 31, 2001, basic earnings per common share would have been \$.85 per share, and had these dividends been valued at the stated value, the basic earnings per common share would have been \$.90 per share.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity requirements are for debt service, working capital, capital expenditures, acquisitions and new store openings. Our primary sources of liquidity have been cash provided by operations, borrowings and sales of equity securities. During fiscal 2000 and the first quarter of 2001, we did not look to borrowings and sales of our equity securities as a source of additional liquidity. In the future, we may incur additional debt, or may issue debt or equity securities to finance our operating and growth strategies. The availability and attractiveness of any outside sources of financing will depend on a number of factors, some of which relate to our financial condition and performance, and some of which are beyond our control, such as prevailing interest rates and general economic conditions. There can be no assurance that additional financing will be available, or if available, that it will be on terms we find acceptable.

For the three months ending March 31, 2001, cash provided by operating activities decreased by \$13.6 million to \$32.0 million in 2001 from \$45.6 million during the three month period ending March 31, 2000. This decrease was primarily the result of an increase in the carrying amount of rental merchandise resulting from strong consumer demand in the first quarter of 2001. We purchased \$151.8 million and \$133.1 million of rental merchandise during the first quarter of 2001 and 2000, respectively.

Cash used in investing activities increased by \$4.2 million to \$14.2 million during the three month period ending March 31, 2001 from \$10.0 million during the three month period ending March 31, 2000. This increase is primarily attributable to the cost associated with the opening and acquisition of new stores during the first quarter of 2001. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent \$11.8 million and \$8.6 million on capital expenditures during the three month periods ending March 31, 2001 and 2000, respectively, and expect to spend an additional \$33.2 million in 2001. In the second half of 2000, we resumed our strategy of increasing our store base through opening new stores, as well as through opportunistic acquisitions. As of May 7, 2001, we have acquired 15 stores for approximately \$5.3 million in cash in six separate transactions and opened an additional 29 stores. It is our intention to increase the number of stores we operate by an average of approximately 10-15% per year over the next several years.

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

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

Borrowings. The table below shows the scheduled maturity dates of our senior debt outstanding at March 31, 2001.

YEAR ENDING DECEMBER 31, -----	(IN THOUSANDS)
April 1 to December 31, 2001	\$ 2,259
2002	2,259
2003	2,259
2004	33,216
2005	126,088
Thereafter	358,919
	-----
	\$ 525,000
	=====

Under our senior credit facility, we are required to use 25% of the net proceeds from any equity offering to repay our term loans.

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

Senior Credit Facilities. The senior credit facilities are provided by a syndicate of banks and other financial institutions led by The Chase Manhattan Bank, as administrative agent. At March 31, 2001, we had a total of \$525.0 million outstanding under these facilities, all of which was under our term loans. At March 31, 2001, we had \$76.3 million of availability under the revolving credit facility.

Borrowings under the senior credit facilities bear interest at varying rates equal to 1.25% to 2.75% over LIBOR, which was 5.08% at March 31, 2001. We also have a prime rate option under the facilities, but have not exercised it to date. At March 31, 2001, the average rate on outstanding senior debt borrowings was 7.39%.

During 1998, we entered into interest rate protection agreements with two banks. Under the terms of the interest rate agreements, the LIBOR rate used to calculate the interest rate charged on \$500.0 million of the outstanding senior term debt has been fixed at an average rate of 5.59%. The protection on \$250 million expires in 2001, and the protection on the balance expires in 2003.

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

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

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

The senior credit facilities require us to comply with several financial covenants, including a maximum leverage ratio, a minimum interest coverage ratio and a minimum fixed charge coverage ratio. At March 31, 2001, the maximum leverage ratio was 4.75:1, the minimum interest coverage ratio was 2.15:1, and the minimum fixed charge coverage ratio was 1.3:1. On that date, our actual ratios were 2.22:1, 4.44:1 and 2.22:1.

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

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

The indenture contains covenants that limit our ability to:

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

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

We may redeem the notes after August 15, 2003, at our option, in whole or in part. In addition, subject to the restrictions set forth in the senior credit facility, at any time prior to August 15, 2001 we may redeem up to 33.33% of the original aggregate principal amount of the subordinated notes with the cash proceeds of one or more equity offerings, at a redemption price of 111% of the principal amount being redeemed.

The subordinated notes also require that upon the occurrence of a change of control (as defined in the indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. If we did not comply with this repurchase obligation, this would trigger an event of default under our senior credit facilities.

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

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

Litigation. In 1998, we recorded an accrual of approximately \$125.0 million for estimated probable losses on litigation assumed in connection with the Thorn Americas acquisition. As of March 31, 2001, we have paid approximately \$115.0 million of this accrual in settlement of most of these matters and legal fees. These settlements were funded primarily from amounts available under our senior credit facilities, including the revolving credit facility and the multidraw facility, as well as from cash flow from operations. Additional settlements or judgments against us on our existing litigation could affect our liquidity.

Common Stock Repurchase Plan. In April 2000, we announced that our board of directors had authorized a program to repurchase in the open market up to an aggregate of \$25 million of our common stock. To date, no shares of common stock have been purchased by us under this share repurchase program. We have suspended this share repurchase program pending the consummation of the recent equity offering. However, we may begin repurchasing shares of our common stock at any time.

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

#### EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

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

The adoption of SFAS 133 on January 1, 2001 resulted in a cumulative pre-tax increase to other comprehensive income of \$2.6 million, or \$1.4 million after taxes. As a result of a decline in interest rates for the three months ended March 31, 2001, accumulative other comprehensive loss at the end of the period was \$2.9 million after taxes.

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

##### INTEREST RATE SENSITIVITY

As of March 31, 2001, we had \$175.0 million in senior subordinated notes outstanding at a fixed interest rate of 11.0%, and \$525.0 million in term loans outstanding and \$3.1 million outstanding under revolving credit facilities indexed to the LIBOR rate. The senior subordinated notes mature on August 15, 2008. The fair value of the senior subordinated notes is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of the senior subordinated notes at March 31, 2001 was \$176.8 million, which is \$1.8 million above their carrying value. Unlike the senior subordinated notes, the \$525.0 million in term loans and all borrowings under the senior credit facility have variable interest rates indexed to current LIBOR rates. Because the variable rate structure exposes us to risk of increased interest cost if interest rates rise, in 1998 we entered into \$500.0 million in interest rate swap agreements that lock in a LIBOR rate of 5.59%, thus hedging this risk. These contracts have a weighted average remaining life of approximately one and one half years, with \$250.0 million expiring in 2001 and \$250.0 million expiring in 2003. Given the current capital structure, including our interest rate swap agreements, we have \$28.1 million, or 4.0% of our total debt, in variable rate debt. A hypothetical 1.0% change in the LIBOR rate would affect pre-tax earnings by approximately \$300,000 for the three month period. The swap agreements had an aggregate fair value of (\$5.3) million at March 31, 2001. A hypothetical 1.0% change in the LIBOR rate would have affected the fair value of the swaps by approximately \$6.4 million.

##### MARKET RISK

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

## INTEREST RATE RISK

We hold long-term debt with variable interest rates indexed to prime or LIBOR that exposes us to the risk of increased interest costs if interest rates rise. To reduce the risk related to unfavorable interest rate movements, we have entered into certain interest rate swap contracts on \$500.0 million of debt to pay a fixed rate of 5.59%.

## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

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

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

*Colon v. Thorn Americas, Inc.* The plaintiffs filed this class action in November 1997 in New York state court. This matter was assumed by us in connection with the Thorn Americas acquisition, and appropriate purchase accounting adjustments were made for such contingent liabilities. The plaintiffs acknowledge that rent-to-own transactions in New York are subject to the provisions of New York's Rental Purchase Statute but contend the Rental Purchase Statute does not provide Thorn Americas immunity from suit for other statutory violations. Plaintiffs allege Thorn Americas has a duty to disclose effective interest under New York consumer protection laws, and seek damages and injunctive relief for Thorn Americas' failure to do so. This suit also alleges violations relating to excessive and unconscionable pricing, late fees, harassment, undisclosed charges, and the ease of use and accuracy of its payment records. In their prayers for relief, the plaintiffs have requested the following:

- o class certification;
- o injunctive relief requiring Thorn Americas to (A) cease certain marketing practices, (B) price their rental purchase contracts in certain ways, and (C) disclose effective interest;
- o unspecified compensatory and punitive damages;
- o rescission of the class members contracts;
- o an order placing in trust all moneys received by Thorn Americas in connection with the rental of merchandise during the class period;
- o treble damages, attorney's fees, filing fees and costs of suit;
- o pre- and post-judgment interest; and
- o any further relief granted by the court.

The plaintiffs have not specified a specific amount on their damages request.

The proposed class includes all New York residents who were party to Thorn Americas' rent-to-own contracts from

November 26, 1991 through November 26, 1997. We are vigorously defending this action. In November 2000, following interlocutory appeal by both parties from the denial of cross-motions for summary judgement, we obtained a favorable ruling from the Appellate Division of the State of New York, dismissing plaintiff's claims based on the alleged failure to disclose an effective interest rate. Plaintiff's other claims were not dismissed. Plaintiff moved to certify a state-wide class in December 2000. Discovery is now underway. We intend to vigorously oppose class certification. Although there can be no assurance that our position will prevail, or that we will be found not to have any liability, we believe the decision by the Appellate Division to be a significant and favorable development in this matter.

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

The Attorney General seeks injunctive relief, restoration of any losses suffered by any Wisconsin consumer harmed and civil forfeitures and penalties in amounts ranging from \$50 to \$10,000 per violation. The Attorney General's claim for monetary penalties applies to at least 6,240 transactions through February 28, 2001.

Since the filing of this suit, we have attempted to negotiate a mutually satisfactory resolution of these claims with the Wisconsin Attorney General's office, including the consideration of possible changes in our business practices in Wisconsin. To date, we have not been successful, but our efforts are ongoing. If we are unable to negotiate a settlement with the Attorney General, we intend to litigate the suits. Discovery is underway, and a pre-trial conference has been set for August 2001. Although we cannot assure you that we will be found to have no liability in this matter, we believe its ultimate resolution will not have a material adverse effect upon us.

Wilfong, et. al. v. Rent-A-Center, Inc./Margaret Bunch, et. al. v. Rent-A-Center, Inc. In August 2000, a putative nationwide class action was filed against us in federal court in East St. Louis, Illinois by Claudine Wilfong and 18 other plaintiffs, alleging that we engaged in class-wide gender discrimination following our acquisition of Thorn Americas. In December 2000, a similar suit filed by Margaret Bunch in federal court in the Western District of Missouri was amended to allege similar class action claims. The allegations underlying these matters involve charges of wrongful termination, constructive discharge, disparate treatment and disparate impact. With respect to the Wilfong matter, the plaintiffs, in their prayer for relief, have requested class certification, injunctive relief, actual damages of \$410,000,000, unspecified compensatory and punitive damages, attorney's fees, filing fees and costs of suit, pre-judgment interest, and any further relief granted by the court. In the Bunch matter, the plaintiffs make similar requests for relief, although no specific amounts are claimed as actual damages. In addition, the U.S. Equal Employment Opportunity Commission filed a motion to intervene on behalf of the plaintiffs in the Wilfong matter, which we have opposed. A decision on the motion is pending. Although these cases are in the early stages, we believe the claims are without merit. We cannot assure you, however, that we will be found to have no liability for these matters.

#### ITEM 5. OTHER INFORMATION

Our auditors Grant Thornton LLP, have advised us that from December 28, 1998 through March 27, 2000, a benefit plan managed by a third-party brokerage firm for the benefit of Grant Thornton LLP's employees owned up to 120 shares of our common stock. Accordingly, this has raised an issue as to Grant Thornton LLP's independence. Grant Thornton LLP has disclosed the situation to the SEC. Grant Thornton LLP has also advised us that, notwithstanding the benefit plan's investment in our common stock, Grant Thornton LLP intends to sign audit opinions and consents to incorporation by reference as necessary in connection with documents filed by us with the SEC and other third parties.

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

## CURRENT REPORTS ON FORM 8-K.

None.

## EXHIBITS

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
2.1(1)	-- Stock Purchase Agreement, dated as of June 16, 1998, among Renters Choice, Inc., Thorn International BV and Thorn plc (Pursuant to the rules of the Commission, the schedules and exhibits have been omitted. Upon the request of the Commission, the Company will supplementally supply such schedules and exhibits to the Commission.)
3.1(2)	-- Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.2(3)	-- Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.3(4)	-- Amended and Restated Bylaws of Rent-A-Center, Inc.
4.1(5)	-- Form of Certificate evidencing Common Stock
4.2(6)	-- Certificate of Designations, Preferences and Relative Rights and Limitations of Series A Preferred Stock of Renters Choice, Inc.
4.3(7)	-- Certificate of Designations, Preferences and Relative Rights and Limitations of Series B Preferred Stock of Renters Choice, Inc.
4.4(8)	-- Indenture, dated as of August 18, 1998, by and among Renters Choice, Inc., as Issuer, ColorTyme, Inc. and Rent-A-Center, Inc., as Subsidiary Guarantors, and IBJ Schroder Bank & Trust Company, as Trustee
4.5(9)	-- Form of Certificate evidencing Series A Preferred Stock
4.6(10)	-- Form of Exchange Note
4.7(11)	-- First Supplemental Indenture, dated as of December 31, 1998, by and among Renters Choice Inc., Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc. and IBJ Schroder Bank & Trust Company, as Trustee.
10.1(12)	-- Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan
10.2(13)	-- Credit Agreement, dated August 5, 1998, among Renters Choice, Inc., Comerica Bank, as Documentation Agent, NationsBank N.A., as Syndication Agent, and The Chase Manhattan Bank, as Administrative Agent, and certain other lenders
10.3(14)	-- First Amendment, dated as of February 25, 2000, to the Credit Agreement, dated August 5, 1998, among Rent-A-Center, Inc. (formerly known as Renters Choice, Inc.), Comerica Bank, as Documentation Agent, NationsBank N.A., as Syndication Agent, and the Chase Manhattan Bank, as Administrative Agent, and certain other lenders
10.4(15)	-- Amended and Restated Credit Agreement, dated as of August 5, 1998 as amended and restated as of June 29, 2000, among Rent-A-Center, Inc., Comerica Bank, as Documentation Agent, Bank of America, NA, as Syndication Agent, and The Chase Manhattan Bank, as Administration Agent
10.5*	-- First Amendment, dated as of May 8, 2001, to the Credit Agreement, dated as of August 5, 1998, as amended and restated as of June 29, 2000, among Rent-A-Center, Inc., the Lenders parties to the Credit Agreement, the Documentation Agent and Syndication Agent named therein and The Chase Manhattan Bank, as Administrative Agent.
10.6(16)	-- Guarantee and Collateral Agreement, dated August 5, 1998, made by Renters Choice, Inc., and certain of its Subsidiaries in favor of the Chase Manhattan Bank, as Administrative Agent
10.7(17)	-- Stockholders Agreement, dated as of August 5, 1998, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Renters Choice, Inc., and certain other persons
10.8(18)	-- Agreements to be Bound to Stockholders Agreement, each dated September 9, 1999, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Rent-A-Center, Inc. and certain other persons.

10.9(19) -- Agreements to be Bound to Stockholders Agreement, each dated November 8, 2000, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Rent-A-Center, Inc. and certain other persons.

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
10.10(20)	-- Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P., related to the Series A Convertible Preferred Stock
10.11(21)	-- Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P., related to the Series B Convertible Preferred Stock
10.12(22)	-- Stock Purchase Agreement, dated August 5, 1998, among Renters Choice, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
10.13(23)	-- Employment Agreement, dated October 1, 1998, by and between Rent-A-Center, Inc. and Bradley W. Denison

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\* Filed herewith

- (1) Incorporated herein by reference to Exhibit 2.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (2) Incorporated herein by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994
- (3) Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996
- (4) Incorporated herein by reference to Exhibit 3.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2000
- (5) Incorporated herein by reference to Exhibit 4.1 to the registrant's Form S-4 filed on January 19, 1999.
- (6) Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (7) Incorporated herein by reference to Exhibit 4.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (8) Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (9) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (10) Incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (11) Incorporated herein by reference to Exhibit 4.7 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (12) Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement of Form S-8 (File No. 333-53471)
- (13) Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (14) Incorporated herein by reference to Exhibit 10.3 to the registrant's Annual Report on form 10-K for the year ended December 31, 1999
- (15) Incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on form 10-Q for the Quarter ended June 30, 2000

- (16) Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (17) Incorporated herein by reference to Exhibit 10.21 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (18) Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998
- (19) Incorporated herein by reference to Exhibit 10.8 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2000
- (20) 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
- (21) Incorporated herein by reference to Exhibit 10.23 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (22) Incorporated herein by reference to Exhibit 2.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (23) Incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998

SIGNATURES

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

RENT-A-CENTER, INC.

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

Date: May 24, 2001  
Rent-A-Center, Inc.

## INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1(1)	-- Stock Purchase Agreement, dated as of June 16, 1998, among Renters Choice, Inc., Thorn International BV and Thorn plc (Pursuant to the rules of the Commission, the schedules and exhibits have been omitted. Upon the request of the Commission, the Company will supplementally supply such schedules and exhibits to the Commission.)
3.1(2)	-- Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.2(3)	-- Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.3(4)	-- Amended and Restated Bylaws of Rent-A-Center, Inc.
4.1(5)	-- Form of Certificate evidencing Common Stock
4.2(6)	-- Certificate of Designations, Preferences and Relative Rights and Limitations of Series A Preferred Stock of Renters Choice, Inc.
4.3(7)	-- Certificate of Designations, Preferences and Relative Rights and Limitations of Series B Preferred Stock of Renters Choice, Inc.
4.4(8)	-- Indenture, dated as of August 18, 1998, by and among Renters Choice, Inc., as Issuer, ColorTyme, Inc. and Rent-A-Center, Inc., as Subsidiary Guarantors, and IBJ Schroder Bank & Trust Company, as Trustee
4.5(9)	-- Form of Certificate evidencing Series A Preferred Stock
4.6(10)	-- Form of Exchange Note
4.7(11)	-- First Supplemental Indenture, dated as of December 31, 1998, by and among Renters Choice Inc., Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc. and IBJ Schroder Bank & Trust Company, as Trustee.
10.1(12)	-- Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan
10.2(13)	-- Credit Agreement, dated August 5, 1998, among Renters Choice, Inc., Comerica Bank, as Documentation Agent, NationsBank N.A., as Syndication Agent, and The Chase Manhattan Bank, as Administrative Agent, and certain other lenders
10.3(14)	-- First Amendment, dated as of February 25, 2000, to the Credit Agreement, dated August 5, 1998, among Rent-A-Center, Inc. (formerly known as Renters Choice, Inc.), Comerica Bank, as Documentation Agent, NationsBank N.A., as Syndication Agent, and the Chase Manhattan Bank, as Administrative Agent, and certain other lenders
10.4(15)	-- Amended and Restated Credit Agreement, dated as of August 5, 1998 as amended and restated as of June 29, 2000, among Rent-A-Center, Inc., Comerica Bank, as Documentation Agent, Bank of America, NA, as Syndication Agent, and The Chase Manhattan Bank, as Administration Agent
10.5*	-- First Amendment, dated as of May 8, 2001, to the Credit Agreement, dated as of August 5, 1998, as amended and restated as of June 29, 2000, among Rent-A-Center, Inc., the Lenders parties to the Credit Agreement, the Documentation Agent and Syndication Agent named therein and The Chase Manhattan Bank, as Administrative Agent.
10.6(16)	-- Guarantee and Collateral Agreement, dated August 5, 1998, made by Renters Choice, Inc., and certain of its Subsidiaries in favor of the Chase Manhattan Bank, as Administrative Agent
10.7(17)	-- Stockholders Agreement, dated as of August 5, 1998, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Renters Choice, Inc., and certain other persons
10.8(18)	-- Agreements to be Bound to Stockholders Agreement, each dated September 9, 1999, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Rent-A-Center, Inc. and certain other persons.

- 10.9(19) -- Agreements to be Bound to Stockholders Agreement, each dated November 8, 2000, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Rent-A-Center, Inc. and certain other persons.
- 10.10(20) -- Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P., related to the Series A Convertible Preferred Stock
- 10.11(21) -- Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P., related to the Series B Convertible Preferred Stock
- 10.12(22) -- Stock Purchase Agreement, dated August 5, 1998, among Renters Choice, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.

EXHIBIT NUMBER	DESCRIPTION
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10.13(23)	-- Employment Agreement, dated October 1, 1998, by and between Rent-A-Center, Inc. and Bradley W. Denison

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\* Filed herewith

- (1) Incorporated herein by reference to Exhibit 2.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (2) Incorporated herein by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994
- (3) Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996
- (4) Incorporated herein by reference to Exhibit 3.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2000
- (5) Incorporated herein by reference to Exhibit 4.1 to the registrant's Form S-4 filed on January 19, 1999.
- (6) Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (7) Incorporated herein by reference to Exhibit 4.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (8) Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (9) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (10) Incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (11) Incorporated herein by reference to Exhibit 4.7 to the registrant's Registration Statement Form S-4 filed on January 19, 1999
- (12) Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement of Form S-8 (File No. 333-53471)
- (13) Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (14) Incorporated herein by reference to Exhibit 10.3 to the registrant's Annual Report on form 10-K for the year ended December 31, 1999
- (15) Incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on form 10-Q for the Quarter ended June 30, 2000
- (16) Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (17) Incorporated herein by reference to Exhibit 10.21 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

- (18) Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998
- (19) Incorporated herein by reference to Exhibit 10.8 to the registrant's Annual Report on form 10-K for the year ended December 31, 2000
- (20) 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
- (21) Incorporated herein by reference to Exhibit 10.23 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (22) Incorporated herein by reference to Exhibit 2.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998
- (23) Incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998

FIRST AMENDMENT, dated as of May 8, 2001 (this "First Amendment"), to the CREDIT AGREEMENT, dated as of August 5, 1998, as amended and restated as of June 29, 2000 (the "Credit Agreement"), among RENT-A-CENTER, INC. (the "Borrower"), the Lenders parties to the Credit Agreement, the Documentation Agent and Syndication Agent named therein and THE CHASE MANHATTAN BANK, as Administrative Agent (in such capacity, the "Administrative Agent"). Terms defined in the Credit Agreement shall be used in this First Amendment with their defined meanings unless otherwise defined herein.

WITNESSETH:

WHEREAS, the Borrower wishes to amend the Credit Agreement in the manner set forth herein; and

WHEREAS, each of the parties hereto is willing to enter into this First Amendment on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

SECTION I. AMENDMENTS TO CREDIT AGREEMENT.

1. Section 1.1--Cash Equivalents. The definition of "Cash Equivalents" contained in Section 1.1 of the Credit Agreement is hereby amended by (i) changing the references to A-1 and P-1 in clause (c) to A-2 and P-2, respectively, (ii) re-designating clause (g) as clause (h), (iii) changing the reference to clause (f) in such re-designated clause (h) to a reference to clause (g) and (iv) inserting a new clause (g) which shall read in its entirety as follows:

"(g) short term investments (not exceeding 30 days) in loans made to obligors having an investment grade rating from each of S&P and Moody's"

2. Section 1.1--"Consolidated Fixed Charges". The definition of "Consolidated Fixed Charges" contained in Section 1.1 of the Credit Agreement is hereby amended by adding to the end thereof the following new clause (d):

"and (d) cash dividend payments made during such period in respect of the Preferred Stock"

3. Section 1.1--"Permitted Acquisition". The definition of "Permitted Acquisition" contained in Section 1.1 of the Credit Agreement is hereby amended by changing the amount "\$70,000,000" contained in clause (g) to the amount "\$150,000,000".

4. Section 2.11(a). Section 2.11(a) of the Credit Agreement is hereby amended by changing the percentage "50%" to the percentage "25%".

5. Section 6.11(a). Section 6.11(a) of the Credit Agreement is hereby amended by inserting, after the amount "\$20,000,000", the parenthetical "(other than any such acquisition that, together with any related acquisition, involves less than fifteen stores)".

6. Section 7.6(c). Section 7.6(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(c) so long as no Default or Event of Default shall have occurred and be continuing, the Borrower may declare and pay dividends on the Preferred Stock on and after August 5, 2003"

7. Section 7.6(d). Section 7.6(d) of the Credit Agreement is hereby amended by changing the amount "\$25,000,000" to the amount "\$50,000,000".

8. Section 7.7(a). Section 7.7(a) of the Credit Agreement is hereby amended by changing the amount "\$40,000,000" to the amount "\$50,000,000".

9. Section 7.9(a). Section 7.9(a) of the Credit Agreement is hereby amended by (i) deleting the words "expend up to \$15,000,000 to" and (ii) changing the amount "\$25,000,000" to the amount "\$50,000,000".

10. Section 7.9(c). Section 7.9(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(c) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Preferred Stock if the effect thereof is to bring forward the scheduled redemption date or increase the amount of any scheduled redemption payment or increase the rate or bring forward any date for payment of dividends thereon"

11. Section 8(k). Section 8(k) of the Credit Agreement is hereby amended by replacing the words contained in clauses (iii) and (iv) with the reference "[INTENTIONALLY OMITTED]".

#### SECTION II. MISCELLANEOUS.

1. No Change. Except as expressly provided herein, no term or provision of the Credit Agreement shall be amended, modified or supplemented, and each term and provision of the Credit Agreement shall remain in full force and effect.

2. Effectiveness. This First Amendment shall become effective as of the date hereof upon receipt by the Administrative Agent of (a) counterparts hereof duly executed by the Borrower, (b) executed consent letters authorizing the Administrative Agent to enter into this First Amendment from the Required Lenders (provided that in the event that executed consent letters are not received from the Required Prepayment Lenders, paragraph 4 of Section I shall not become effective) and (c) for the account of each Lender that has submitted an executed consent letter to the Administrative Agent (or its counsel) by 5:00 p.m., New York City time, on May 8, 2001, an amendment fee equal to 0.10% of each such Lender's Revolving Commitment and/or Term Loans.

A Fee will not be paid to any of the Lenders unless the requested amendments are approved by the Required Lenders.

3. Counterparts. This First Amendment may be executed by the parties hereto in any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

4. Governing Law. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered as of the day and year first above written.

RENT-A-CENTER, INC.

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

THE CHASE MANHATTAN BANK,  
as Administrative Agent

By: /s/ ALAN K. KING  
-----  
Name: Alan K. King  
Title: Vice President