UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

or

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

For the transition period from __________ to __________

Commission File Number: 0-25370

Rent-A-Center, Inc.
(*Exact name of registrant as specified in its charter*)

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

5501 Headquarters Drive
Plano, Texas 75024
(Address, including zip code of registrant's principal executive offices)

Registrant's telephone number, including area code: **972-801-1100**

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 ☑ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 31, 2007:

Class	Outstanding
Common stock, $.01 par value per share	69,184,951

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The accompanying notes are an integral part of these statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 1. Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Three months ended June 30, 2007	2006
	Unaudited	
Revenues		
Store		
Rentals and fees	$ 662,096	$ 527,076
Merchandise sales	39,584	38,428
Installment sales	7,646	5,728
Other	6,570	3,254
Franchise		
Merchandise sales	6,955	7,892
Royalty income and fees	1,307	1,245
	724,158	583,623
Operating expenses		
Direct store expenses		
Cost of rentals and fees	145,927	114,733
Cost of merchandise sold	29,948	28,403
Cost of installment sales	3,129	2,398
Salaries and other expenses	417,114	333,113
Franchise cost of merchandise sold	6,663	7,580
	602,781	486,227
General and administrative expenses	30,419	21,253
Amortization of intangibles	3,934	950
Total operating expenses	637,134	508,430
Operating profit	87,024	75,193
Interest expense	23,431	13,301
Interest income	(1,473)	(1,399)
Earnings before income taxes	65,066	63,291
Income tax expense	23,815	23,448
NET EARNINGS	$ 41,251	$ 39,843
Basic earnings per common share	$ 0.59	$ 0.57
Diluted earnings per common share	$ 0.58	$ 0.56

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Six months ended June 30, 2007	2006
	Unaudited	
Revenues		
Store		
Rentals and fees	$ 1,322,209	$ 1,047,459
Merchandise sales	107,921	102,591
Installment sales	16,056	11,579
Other	13,746	6,540
Franchise		
Merchandise sales	16,880	19,973
Royalty income and fees	2,645	2,456
	1,479,457	1,190,598
Operating expenses		
Direct store expenses		
Cost of rentals and fees	288,996	227,500
Cost of merchandise sold	75,978	72,533
Cost of installment sales	6,674	4,821
Salaries and other expenses	837,841	671,884
Franchise cost of merchandise sold	16,150	19,136
	1,225,639	995,874
General and administrative expenses	61,417	42,211
Amortization of intangibles	7,972	1,836
Litigation expense	51,250	—
Total operating expenses	1,346,278	1,039,921
Operating profit	133,179	150,677
Interest expense	47,527	26,324
Interest income	(3,234)	(2,859)
Earnings before income taxes	88,886	127,212
Income tax expense	32,532	47,041
NET EARNINGS	$ 56,354	$ 80,171
Basic earnings per common share	$ .80	$ 1.16
Diluted earnings per common share	$ .79	$ 1.14

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)	June 30, 2007	December 31, 2006
	Unaudited	
ASSETS		
Cash and cash equivalents	$ 79,020	$ 92,344
Accounts receivable, net of allowance for doubtful accounts of $3,827 in 2007 and $4,026 in 2006	37,033	34,680
Prepaid expenses and other assets	47,300	54,068
Rental merchandise, net		
On rent	798,285	816,762
Held for rent	237,876	239,471
Merchandise held for installment sale	2,359	2,354
Property assets, net	222,322	218,145
Deferred income taxes, net	—	1,535
Goodwill, net	1,281,010	1,253,715
Intangible assets, net	21,038	27,882
	$ 2,726,243	$ 2,740,956
LIABILITIES		
Accounts payable – trade	$ 90,608	$ 118,440
Accrued liabilities	425,875	386,279
Deferred income taxes, net	4,374	—
Senior debt	932,974	993,278
Subordinated notes payable	300,000	300,000
	1,753,831	1,797,997
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 250,000,000 shares authorized; 104,464,303 and 104,191,862 shares issued in 2007 and 2006, respectively	1,045	1,042
Additional paid-in capital	670,651	662,440
Retained earnings	1,049,813	993,567
Treasury stock, 35,303,649 and 34,003,899 shares at cost in 2007 and 2006, respectively	(749,097)	(714,090)
	972,412	942,959
	$ 2,726,243	$ 2,740,956

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six months ended June 30, 2007	Six months ended June 30, 2006
	Unaudited	
Cash flows from operating activities		
Net earnings	$ 56,354	$ 80,171
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	282,699	222,542
Bad debt expense	850	1,142
Stock-based compensation expense	2,690	3,814
Depreciation of property assets	34,577	26,994
Loss on sale or disposal of property assets	9,521	—
Amortization of intangibles	7,972	1,836
Amortization of financing fees	914	798
Deferred income taxes	5,909	(11,552)
Tax benefit related to stock option exercises	(797)	(2,600)
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(264,701)	(276,739)
Accounts receivable	(2,966)	(900)
Prepaid expenses and other assets	5,202	2,699
Accounts payable – trade	(27,832)	(16,050)
Accrued liabilities	32,745	2,825
Net cash provided by operating activities	143,137	34,980
Cash flows from investing activities		
Purchase of property assets	(52,116)	(33,321)
Proceeds from sale of property assets	1,879	1,734
Acquisitions of businesses, net of cash acquired	(12,681)	(21,420)
Net cash used in investing activities	(62,918)	(53,007)
Cash flows from financing activities		
Purchase of treasury stock	(35,007)	(4,691)
Exercise of stock options	4,990	10,560
Tax benefit related to stock option exercises	797	2,600
Payments on capital leases	(4,019)	—
Proceeds from debt	361,895	157,125
Repayments of debt	(422,199)	(164,020)
Net cash provided by (used) in financing activities	(93,543)	1,574
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,324)	(16,453)
Cash and cash equivalents at beginning of period	92,344	57,627
Cash and cash equivalents at end of period	$ 79,020	$ 41,174

Supplemental cash flow information

	Six months ended June 30, 2007	Six months ended June 30, 2006
	(in thousands)	
Cash paid during the period for:		
Interest	$45,923	$25,404
Income taxes	$19,161	$50,709

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Significant Accounting Policies and Nature of Operations.*

The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Commission's rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. We suggest that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2006. 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.

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

At June 30, 2007, we operated 3,375 company-owned stores nationwide and in Canada and Puerto Rico, including 22 stores in Wisconsin operated by a subsidiary, Get It Now, LLC, under the name "Get It Now," and seven stores in Canada operated by a subsidiary, Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Rent-A-Center's primary operating segment consists of leasing household durable goods to customers on a rent-to-own basis. Get It Now offers merchandise on an installment sales basis in Wisconsin.

As of June 30, 2007, we offered an array of financial services in 221 of our existing rent-to-own stores in 15 states under the name "Cash AdvantEdge." The financial services offered include, but are not limited to, short term secured and unsecured loans, debit cards, check cashing and money transfer services.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At June 30, 2007, ColorTyme had 276 franchised stores operating in 36 states. ColorTyme's primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

New Accounting Pronouncements. In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, *Fair Market Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures required for fair value measurements. SFAS 157 applies to other accounting pronouncements that require fair value measurements; however, it does not require any new fair value measurements. SFAS 157 is effective on a prospective basis for the reporting period beginning January 1, 2008. We do not believe the impact of adopting SFAS 157 will have a material effect on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

2. *Stock Based Compensation.* We maintain long-term incentive plans for the benefit of certain employees, consultants and directors. Under Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* ("SFAS 123R"), compensation costs are recognized net of estimated forfeitures over the award's requisite service period on a straight line basis. For the six months ended June 30, 2007 and 2006, in accordance with SFAS 123R, we recorded stock-based compensation expense, net of related taxes, of approximately $1.7 million and $2.4 million, respectively, related to stock options and restricted stock units granted. For the three months ended June 30, 2007 and 2006, in accordance with SFAS 123R, we recorded stock-based compensation expense, net of related taxes, of approximately $819,000 and $1.1 million, respectively, related to stock options and restricted stock units granted.

Information with respect to stock option activity related to the Rent-A-Center, Inc. Amended and Restated Long-Term Incentive Plan, the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan, and the Rent-A-Center, Inc. 2006 Equity Incentive Plan (collectively known as the "Plans") follows. The information is for the Plans combined because the characteristics of the awards are similar.

RENT-A-CENTER, INC. AND SUBSIDIARIES

	Equity Awards Outstanding	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2006	4,223,756	$ 19.93	$ 8.72	6.57 years	$ 40,900
Granted	966,040	28.34			
Exercised	(271,051)	17.53			
Forfeited	(221,935)	27.37			
Balance outstanding at June 30, 2007	4,696,810	$ 21.65	$ 8.51	6.73 years	$ 27,265
Exercisable at June 30, 2007	2,890,310	$ 18.32	$ 9.31	5.36 years	$ 25,096

During the six months ended June 30, 2007, the weighted average fair values of the options granted under the Plans were calculated using the following assumptions:

Employee options:	
Average risk free interest rate	4.66% — 4.80%
Expected dividend yield	—
Expected life	4.20 years
Expected volatility (30.36% to 37.90%)	Weighted average 32.79%
Employee stock options granted	932,040
Weighted average grant date fair value	$5.82
Non-employee director options:	
Average risk free interest rate	4.66% — 4.80%
Expected dividend yield	—
Expected life	7.44 years
Expected volatility	47.32%
Non-employee director stock options granted	34,000
Weighted average grant date fair value	$16.79

On January 31, 2007, the Compensation Committee of the Board of Directors of Rent-A-Center approved the issuance of 69,355 long-term incentive awards to certain key employees under the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan and the Rent-A-Center, Inc. 2006 Equity Incentive Plan, of which 43,685 were stock options and 25,670 were restricted stock units. The awards were issued as equity awards which were separated into three distinct tranches, (i) 50% of which were issued in options to purchase Rent-A-Center's common stock vesting ratably over a four year period, (ii) 25% of which were issued in restricted stock units which will vest upon the employee's completion of three years of continuous employment with us from January 31, 2007, (iii) 25% of which were issued in restricted stock units subject to performance-based vesting based upon our achievement of a specified three year earnings before interest, taxes, depreciation and amortization (EBITDA).

3. *Income Taxes.* We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109* ("FIN 48"), on January 1, 2007. Previously, we had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*. As required by FIN 48, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, we applied FIN 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of FIN 48, we were not required to recognize an increase or a decrease in the liability for unrecognized tax benefits as of January 1, 2007.

The amount of unrecognized tax benefits as of January 1, 2007 was $6.3 million, net of federal benefit, which, if ultimately recognized, will reduce our annual effective tax rate. A portion of this amount relates to one position for which the total amount of unrecognized tax benefits may significantly increase or decrease within the next 12 months. This position involves the potential disallowance of intercompany payments and our transfer pricing. Should this change occur, it will be as a result of an administrative resolution or settlement with the taxing authority. An estimate of the potential range of change cannot be made at this time. There have been no material changes in unrecognized tax benefits since we adopted FIN 48.

We file income tax returns in the U.S. federal jurisdiction and various state, foreign and local jurisdictions. With few exceptions, we are no longer subject to U.S federal, state, foreign and local income tax examinations by tax authorities for years before 2001. The IRS audit for the taxable years 2001 through 2003 has been completed, but is not yet final. While the IRS has recommended changes to our 2001 to 2003 returns, we believe that our income tax filing positions and deductions will be sustained and we do not anticipate any adjustments would result in a material change to our financial position. During 2007, the IRS has commenced an examination of our income tax returns for 2004 and 2005 that is anticipated to be completed by the end of 2008.

In adopting FIN 48 on January 1, 2007, we changed our previous method of classifying interest and penalties related to unrecognized tax benefits as income tax expense to classifying interest accrued as interest expense and penalties as operating expenses. Because the transition rules of FIN 48 do not permit the retroactive restatement of prior period financial statements, our comparative financial statements for the period ended June 30, 2006 continue to reflect interest and penalties on unrecognized tax benefits as income tax expense. We accrued approximately $1.2 million for the payment of interest at December 31, 2006. Subsequent changes to accrued interest and penalties have not been significant.

4. *Reconciliation of Merchandise Inventory.*

	Six months ended June 30, 2007	Six months ended June 30, 2006
	(In thousands)	
Beginning merchandise value	$ 1,058,587	$ 752,880
Inventory additions through acquisitions	2,889	7,084
Purchases	400,505	392,986
Depreciation of rental merchandise	(282,699)	(222,542)
Cost of goods sold	(82,652)	(77,354)
Skips and stolens	(37,711)	(26,169)
Other inventory deletions(1)	(20,399)	(12,724)
Ending merchandise value	$ 1,038,520	$ 814,161

	Three months ended June 30, 2007	Three months ended June 30, 2006
	(In thousands)	
Beginning merchandise value	$ 1,072,300	$ 794,811
Inventory additions through acquisitions	2,763	6,295
Purchases	168,104	176,840
Depreciation of rental merchandise	(142,838)	(112,194)
Cost of goods sold	(33,077)	(33,224)
Skips and stolens	(19,605)	(13,055)
Other inventory deletions(1)	(9,127)	(5,312)
Ending merchandise value	$ 1,038,520	$ 814,161

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

5. *Intangible Assets and Acquisitions.*

Intangibles consist of the following (in thousands):

	Avg. Life (years)	June 30, 2007 Gross Carrying Amount	June 30, 2007 Accumulated Amortization	December 31, 2006 Gross Carrying Amount	December 31, 2006 Accumulated Amortization
Amortizable intangible assets					
Franchise network	10	$ 3,000	$ 3,000	$ 3,000	$ 3,000
Non-compete agreements	3	6,734	5,777	6,415	5,609
Customer relationships	2	60,583	42,728	59,687	35,667
Other intangibles	3	3,264	1,038	3,264	208
Total		73,581	52,543	72,366	44,484
Intangible assets not subject to amortization					
Goodwill		1,380,162	99,152	1,352,867	99,152
Total intangibles		$ 1,453,743	$ 151,695	$ 1,425,233	$ 143,636

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

	Estimated Amortization Expense (In thousands)
2007	$ 8,433
2008	12,136
2009	405
2010	34
2011	30
Total	$ 21,038

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

	At June 30, 2007	At December 31, 2006
	(In thousands)	
Balance as of January 1,	$ 1,253,715	$ 925,960
Additions from acquisitions	9,249	331,286
Post purchase price allocation adjustments	18,046	(3,531)
Balance as of the end of the period	$ 1,281,010	$ 1,253,715

The post purchase price allocation adjustments in 2007 are attributable to inventory charge-offs for unrentable or missing merchandise acquired in the Rent-Way acquisition, additional liabilities assumed and additional costs associated with that acquisition. The post purchase price allocation adjustments in 2006 are primarily attributable to the tax benefit associated with net operating losses recorded as goodwill that were deductible for tax purposes.

Acquisitions

On November 15, 2006, we completed the acquisition of Rent-Way, Inc., and its subsidiaries, whereby Rent-Way became an indirect wholly owned subsidiary of Rent-A-Center. Rent-Way operated 782 stores in 34 states. The total purchase price of approximately $622.5 million included cash payments and borrowings under our senior credit facilities and direct transaction costs of approximately $7.4 million. We funded the acquisition with a $600.3 million increase in our senior credit facilities.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Restructuring charges were included in the purchase price allocation, which were for employment termination costs in connection with closing Rent-Way's corporate headquarters and for reserves put into place for lease buyouts for acquired stores which were closed post acquisition in compliance with management's pre-acquisition plans. We expect that the termination costs will be completed by the second quarter of 2010 and the reserves for lease buyouts will be completed no later than the second quarter of 2012. The following table summarizes activity for restructuring charges (in thousands):

Balance at December 31, 2006	$ 34,017
Adjustment to accrual	1,901
Cash activity	(16,993)
Balance at June 30, 2007	$ 18,925

The operating results of Rent-Way have been included in the consolidated financial statements since the acquisition date of November 15, 2006. The following unaudited pro forma condensed consolidated financial information reflects our results of operations for the six and three months ended June 30, 2006 as if the acquisition of Rent-Way had occurred on January 1 of that year after giving effect to purchase accounting adjustments. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place at the beginning of the period, and may not be indicative of future operating results.

(In thousands, except per share data)	Six Months Ended June 30, 2006 (Unaudited)	Three Months Ended June 30, 2006 (Unaudited)
Pro forma total revenue	$1,463,153	$716,527
Pro forma net earnings	72,441	38,854
Pro forma net earnings per share — basic	$ 1.04	$ 0.56
Pro forma net earnings per share — diluted	$ 1.03	$ 0.55
Pro forma weighted average shares — basic	69,401	69,545
Pro forma weighted average shares — diluted	70,445	70,640

6. *Earnings Per Share.*

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

(In thousands, except per share data)	Six months ended June 30, 2007		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 56,354	70,054	$ .80
Effect of dilutive stock options		997	
Diluted earnings per common share	$ 56,354	71,051	$ .79

	Six months ended June 30, 2006		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 80,171	69,401	$ 1.16
Effect of dilutive stock options		1,044	
Diluted earnings per common share	$ 80,171	70,445	$ 1.14

RENT-A-CENTER, INC. AND SUBSIDIARIES

(In thousands, except per share data)	Three months ended June 30, 2007		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 41,251	69,822	$ 0.59
Effect of dilutive stock-based awards		942	
Diluted earnings per common share	$ 41,251	70,764	$ 0.58

	Three months ended June 30, 2006		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 39,843	69,545	$ 0.57
Effect of dilutive stock-based awards		1,095	
Diluted earnings per common share	$ 39,843	70,640	$ 0.56

For the six months ended June 30, 2007 and 2006, 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 Rent-A-Center common stock, and therefore anti-dilutive, was 1,789,582 and 1,745,980, respectively.

For the three months ended June 30, 2007 and 2006, 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 Rent-A-Center common stock, and therefore anti-dilutive, was 2,017,477 and 1,648,660, respectively.

7. *Stock Repurchase Plan.* Our Board of Directors has authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $500.0 million of Rent-A-Center common stock. As of June 30, 2007, we had purchased a total of 15,928,550 shares of Rent-A-Center common stock for an aggregate of $395.8 million under this common stock repurchase program, of which 1,299,750 shares were repurchased for $35.0 million in the second quarter of 2007.

8. *Subsequent Events.* Our Board of Directors has authorized the Rent-A-Center, Inc. Deferred Compensation Plan (the “Deferred Compensation Plan”), an unfunded, nonqualified deferred compensation plan for a select group of our key management personnel and highly compensated employees. The Deferred Compensation Plan allows participants to defer up to 50% of their base compensation and any bonus compensation. Participants may invest the amounts deferred in measurement funds that are the same funds offered as the investment options in the Rent-A-Center, Inc. 401(k) Retirement Savings Plan. We may make discretionary contributions to the Deferred Compensation Plan, which are subject to a five-year graded vesting schedule based on the participant’s years of service with us. We are obligated to pay the deferred compensation amounts in the future in accordance with the terms of the Deferred Compensation Plan. The Deferred Compensation Plan first became available to eligible employees in July 2007, with deferral elections taking effect as of August 3, 2007.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

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

- uncertainties regarding the ability to open new rent-to-own stores;
- our ability to acquire additional rent-to-own stores on favorable terms;
- our ability to identify and successfully enter new lines of business offering products and services that appeal to our customer demographic, including our financial services products;
- our ability to enhance the performance of acquired stores, including the Rent-Way stores acquired in November 2006;
- our ability to control costs;
- our ability to identify and successfully market products and services that appeal to our customer demographic;
- our ability to enter into new and collect on our rental purchase agreements;
- our ability to enter into new and collect on our short term loans;
- the passage of legislation adversely affecting the rent-to-own or financial services industries;
- interest rates;
- economic pressures affecting the disposable income available to our targeted consumers, such as high fuel and utility costs;
- changes in our stock price and the number of shares of common stock that we may or may not repurchase;
- changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;
- changes in our effective tax rate;
- our ability to maintain an effective system of internal controls;
- changes in the number of share-based compensation grants, methods used to value future share-based payments and changes in estimated forfeiture rates with respect to share-based compensation;
- the resolution of our litigation;
- the court hearing the *Perez* case could refuse to approve the settlement or could require changes that are unacceptable to us or the plaintiffs;
- one or more parties filing an objection to the settlement of the *Perez* case; and
- the other risks detailed from time to time in our SEC reports.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under "Risk Factors" later in this report as well as our Annual Report on Form 10-K for our fiscal year ended December 31, 2006. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

Our Business

We are the largest rent-to-own operator in the United States with an approximate 41% market share based on store count. At June 30, 2007, we operated 3,375 company-owned stores nationwide and in Canada and Puerto Rico, including 22 stores in Wisconsin operated by our subsidiary, Get It Now, LLC, under the name "Get It Now," and seven stores located in Canada operated by our subsidiary, Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Another of our subsidiaries, ColorTyme, is a national franchisor of rent-to-own stores. At June 30, 2007, ColorTyme had 276 franchised rent-to-own stores in 36 states.

Our stores generally offer high quality durable products such as major consumer electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed-upon rental period. These rental purchase agreements are designed to appeal to a wide variety of customers by allowing them to obtain merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. These agreements also cater to customers who only have a temporary need, or who simply desire to rent, rather than purchase, the merchandise. Rental payments are made generally on a weekly basis and, together with applicable fees, constitute our primary revenue source.

Our expenses primarily relate to merchandise costs and the operations of our stores, including salaries and benefits for our employees, occupancy expense for our leased real estate, advertising expenses, lost, damaged, or stolen merchandise, fixed asset depreciation, and corporate and other expenses.

In 2005, we began offering financial services products, such as short term secured and unsecured loans, debit cards, check cashing and money transfer services, in some of our existing rent-to-own stores under the trade name "Cash AdvantEdge." As of June 30, 2007, we offered some or all of these financial services products in 221 Rent-A-Center store locations in 15 states. We expect to offer such financial services products in approximately 300 to 325 Rent-A-Center store locations by the end of 2007.

We plan to continue growing through selective and opportunistic acquisitions of existing rent-to-own stores and development of new rent-to-own stores, as well as by offering other products and services, including financial services products, which are designed to appeal to our customer demographic.

We have pursued an aggressive growth strategy since 1993. We have sought to acquire underperforming rent-to-own 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. Typically, a newly opened rent-to-own store is profitable on a monthly basis in the ninth to twelfth month after its initial opening. Historically, a typical store has achieved cumulative break-even profitability in 18 to 24 months after its initial opening. Total financing requirements of a typical new store approximate $500,000, with roughly 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 we opened during a particular quarter and the quarters preceding it. Because of significant growth since our formation, our historical results of operations and period-to-period comparisons of such results and other financial data, including the rate of earnings growth, may not be meaningful or indicative of future results.

In addition, we strategically open or acquire stores near market areas served by existing stores ("cannibalize") to enhance service levels, gain incremental sales and increase market penetration. This planned cannibalization may negatively impact our same store revenue and cause us to grow at a slower rate. There can be no assurance that we will open any new rent-to-own stores in the future, or as to the number, location or profitability thereof.

Recent Developments

Increase in Stock Repurchase Authorization. On July 30, 2007, we announced that our Board of Directors has increased the authorization for stock repurchases under our common stock repurchase plan from $400 million to $500 million. Under the Company's common stock repurchase plan, shares may be repurchased in the open market or in privately negotiated transactions at times and amounts considered appropriate by us. To date, we have repurchased a total of 15,928,550 shares for approximately $395.8 million in cash under the plan since inception. For the period January 1, 2007 through July 31, 2007, we have repurchased a total of 1,299,750 shares for approximately $35.0 million in cash.

Settlement of Dispute with ColorTyme Franchisees. On July 31, 2007, ColorTyme entered into a settlement agreement with five affiliated ColorTyme franchisees pursuant to which the franchise agreements with respect to approximately 65 ColorTyme stores were terminated. ColorTyme received a cash payment in satisfaction of the contractually required, future royalties owed to ColorTyme pursuant to the franchise agreements. As of August 2, 2007, ColorTyme had 211 franchised stores in 36 states.

Store Growth. As of July 31, 2007, we have opened two new stores, acquired three stores and merged six stores with existing locations during the third quarter of 2007. Additionally, as of July 31, 2007, we have added financial services to 22 additional existing rent-to-own locations during the third quarter of 2007.

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

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent losses and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. We believe the following are areas where the degree of judgment and complexity in determining amounts recorded in our consolidated financial statements make the accounting policies critical.

Self-Insurance Liabilities. We have self-insured retentions with respect to losses under our workers' compensation, general liability and auto liability insurance policies. We establish reserves for our liabilities associated with these losses by obtaining forecasts for the ultimate expected losses and estimating amounts needed to pay losses within our self-insured retentions.

Over the previous 10 years, our loss exposure has increased, primarily as a result of our growth. We continually institute procedures to manage our loss exposure and increases in health care costs through a greater focus on the risk management function, a transitional duty program for injured workers, ongoing safety and accident prevention training, and various programs designed to minimize losses and improve our loss experience in our store locations. We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, which are prepared using methods and assumptions in accordance with standard actuarial practice, and third party claim administrator loss estimates which are based on known facts surrounding individual claims. These assumptions incorporate expected increases in health care costs. Periodically, we reevaluate our estimate of liability within our self-insured retentions. At that time, we evaluate the adequacy of our accruals by comparing amounts accrued on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third party claim administrator loss estimates, and make adjustments to our accruals as needed. During the second quarter of 2006, we refined the process we use to determine the net amount accrued for losses within our self-insured retentions and began including company specific development factors developed by independent actuaries based on our actual loss experience. Prior to the quarter ended June 30, 2006, we used only general industry loss development factors in developing our estimate.

As of June 30, 2007, the amount accrued for losses within our self-insured retentions with respect to workers' compensation, general liability and auto liability insurance was $108.9 million, as compared to $97.7 million at December 31, 2006 and $98.5 million at June 30, 2006. If any of the factors that contribute to the overall cost of insurance claims were to change, the actual amount incurred for our self-insurance liability would be directly affected. While we believe our loss prevention programs will reduce our total cost for self-insurance claims, our actual cost could be greater than the amounts currently accrued.

Litigation Reserves. We are the subject of litigation in the ordinary course of our business. Our litigation involves, among other things, actions relating to claims that our rental purchase agreements constitute installment sales contracts, violate state usury laws or violate other state laws to protect consumers, claims asserting violations of wage and hour laws in our employment practices, as well as claims we violated the federal securities laws. In preparing our financial statements at a given point in time, we account for these contingencies pursuant to the provisions of SFAS No. 5 and FIN 14, which require that we accrue for losses that are both probable and reasonably estimable.

Each quarter, we make estimates of our probable liabilities, if reasonably estimable, and record such amounts in our consolidated financial statements. These amounts represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to reflect current facts and circumstances.

As of June 30, 2007, we had accrued $121.4 million relating to probable losses and anticipated legal fees and expenses for our outstanding litigation as follows:

Perez Matter	$109.3 million
California Attorney General Settlement	9.6 million
Other Litigation	1.0 million
Anticipated Legal Fees and Expenses	1.5 million
Total Accrual	$121.4 million

At December 31, 2006, we had accrued $77.0 million, of which $58.0 million was related to the *Perez* matter, $10.4 million was related to the *California Attorney General* settlement, $5.0 million was related to the *Burdusis/French/Corso* settlement, $2.2 million related to other litigation and an additional $1.4 million for anticipated legal fees and expenses with respect to our other outstanding litigation. At June 30, 2006, we had accrued $2.6 million relating to our outstanding litigation, of which $1.5 million was for anticipated legal fees and expenses with respect to our other outstanding litigation.

As with most litigation, the ultimate outcome of our pending litigation is uncertain. Our estimates with respect to accrual for our litigation expenses reflect our judgment as to the appropriate accounting charge at the end of a period under SFAS No. 5 and FIN 14. Factors that we consider in evaluating our litigation reserves include:

- the procedural status of the matter;
- our views and the views of our counsel as to the probability of a loss in the matter;
- the relative strength of the parties’ arguments with respect to liability and damages in the matter;
- anticipated legal fees with respect to our intended defense of the matter;
- settlement discussions, if any, between the parties;
- how we intend to defend ourselves in the matter; and
- our experience.

Significant factors that may cause us to increase or decrease our accrual with respect to a matter include:

- judgments or finding of liability against us in the matter by a trial court;
- the granting of, or declining to grant, a motion for class certification in the matter;
- definitive decisions by appellate courts in the requisite jurisdiction interpreting or otherwise providing guidance as to applicable law;
- anticipated increases or decreases in legal defense costs;

- the payment of defense costs;
- favorable or unfavorable decisions as the matter progresses;
- settlements agreed to in principle by the parties in the matter, subject to court approval; and
- final settlement of the matter.

We continue to monitor our litigation costs and review the adequacy of our legal reserves on a quarterly basis. Additional developments in our litigation or other adverse or positive developments or rulings in our litigation could affect our assumptions and, thus, our accrual.

Income Taxes. We are subject to federal, state, local and foreign income taxes. We estimate our liabilities for income tax exposure by evaluating our income tax exposure each quarter based on the information available to us, and establishing reserves in accordance with the accounting for uncertainty in income taxes criteria under FIN 48. In estimating this liability, we evaluate a number of factors in ascertaining whether we may have to pay additional taxes, interest and/or penalties when all examinations by taxing authorities are concluded. The actual amount accrued as a liability is based on an evaluation of the underlying facts and circumstances, a thorough research of the technical merits of our tax positions taken, and an assessment of the chances of us prevailing in our tax positions taken. We consult with external tax advisers in reaching our conclusions. At June 30, 2007, we had accrued $7.5 million relating to our contingent liabilities for income taxes, as compared to $7.1 million at December 31, 2006 and $5.4 million at June 30, 2006.

If we make changes to our accruals in any of the foregoing areas in accordance with the policies described above, these changes would impact our earnings. Increases to our accruals would reduce earnings and, similarly, reductions to our accruals would increase our earnings. A pre-tax change of $1.1 million in our estimates would result in a corresponding $0.01 change in our earnings per common share.

Stock-Based Compensation Expense. Determining the fair value of any share-based awards requires information about several variables including, but not limited to, expected stock volatility over the terms of the awards, expected dividend yields and the predicted employee exercise behavior. We base expected life on historical exercise and post-vesting employment-termination experience, and expected volatility on historical realized volatility trends. In addition, all stock-based compensation expense is recorded net of an estimated forfeiture rate. The forfeiture rate is based upon historical activity and is analyzed at least quarterly as actual forfeitures occur. Stock options are valued using the binomial method pricing model with the following weighted average assumptions for employee options: expected volatility of 30.36% to 37.90%, a risk-free interest rate of 4.66% to 4.80%, no dividend yield, and an expected life of 4.20 years. For non-employee director options, the stock options are valued using the binomial method pricing model with the following weighted average assumptions: expected volatility of 47.32%, a risk-free interest rate of 4.66% to 4.80%, no dividend yield, and an expected life of 7.44 years. During the six months ended June 30, 2007, we recognized $2.7 million in pre-tax compensation expense from stock awards.

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe that our consolidated financial statements provide a meaningful and fair perspective of our company. However, we do not suggest that other general risk factors, such as those discussed later in this report and in our Annual Report on Form 10-K for our fiscal year ended December 31, 2006 as well as changes in our growth objectives or performance of new or acquired stores, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Significant Accounting Policies

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

Revenue. Merchandise is rented to customers pursuant to rental purchase agreements which provide for weekly, semi-monthly or monthly rental terms with non-refundable rental payments. Generally, the customer has the right to acquire title either through a purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term and merchandise sales revenue is recognized when the customer exercises its purchase option and pays the cash price due. Cash received prior to the period in which it should be recognized is deferred and recognized according to the rental term. Revenue is accrued for uncollected amounts due based on historical collection experience. However, the total amount of the rental purchase agreement is not accrued because the customer can terminate the rental agreement at any time and we cannot enforce collection for non-payment of rents. Because Get It Now makes retail sales on an installment credit basis, Get It Now's revenue is recognized at the time of such retail sale, as is the cost of the merchandise sold, net of a provision for uncollectible accounts. The revenue from our financial services is recorded depending on the type of transaction. Fees collected on loans are recognized ratably over the term of the loan. For money orders, wire transfers, check cashing and other customer service type transactions, fee revenue is recognized at the time of the transactions.

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. Depreciation of rental merchandise is included in the cost of rentals and fees on our statement of earnings. We depreciate our rental merchandise using the income forecasting method. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity-based method similar to the units of production method. On computers that are 27 months old or older and which have become idle, depreciation is recognized using the straight-line method for a period of at least six months, generally not to exceed an aggregate depreciation period of 36 months. The purpose is to better reflect the depreciable life of a computer in our stores and to encourage the sale of older computers.

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 district managers' salaries, travel and occupancy, including any related benefits and taxes, as well as all store level general and administrative expenses and selling, advertising, insurance, occupancy, delivery, 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.

Results of Operations

Six Months Ended June 30, 2007 compared to Six Months Ended June 30, 2006

Store Revenue. Total store revenue increased by $291.8 million, or 25.0%, to $1,460.0 million for the six months ended June 30, 2007 as compared to $1,168.2 million for the six months ended June 30, 2006. The increase in total store revenue was primarily attributable to approximately $259.7 million in incremental revenue from new stores and acquisitions, primarily the Rent-Way acquisition, net of stores sold, during the first six months of 2007 as compared to 2006, as well as an increase in same store sales of 2.8%.

Same store revenues represent those revenues earned in 2,333 stores that were operated by us for each of the entire six month periods ended June 30, 2007 and 2006, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues increased by $28.1 million, or 2.8%, to $1,034.7 million for the six months ended June 30, 2007 as compared to $1,006.6 million in 2006. This increase in same store revenues was primarily attributable to an increase in the number of units on rent during the six months ended June 30, 2007 as compared to 2006.

Franchise Revenue. Total franchise revenue decreased by $2.9 million, or 12.9%, to $19.5 million for the six months ended June 30, 2007 as compared to $22.4 million in 2006. This decrease was primarily attributable to a decrease in the number of products sold to franchisees in the first six months of 2007 as compared to the first six months of 2006 due to 19 fewer franchise stores in the first six months of 2007.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs. Cost of rentals and fees for the six months ended June 30, 2007 increased by $61.5 million, or 27.0%, to $289.0 million as compared to $227.5 million for the six months ended June 30, 2006. This increase is a result of an increase in rental revenue for the six months ended June 30, 2007 compared to 2006. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased slightly to 21.9% for the six months ended June 30, 2007 compared to 21.7% for the six months ended June 30, 2006.

Cost of Merchandise Sold. Cost of merchandise sold increased by $3.4 million, or 4.7%, to $75.9 million for the six months ended June 30, 2007 from $72.5 million for the six months ended June 30, 2006. This increase was primarily a result of an increase in the number of items sold during the first six months of 2007 as compared to the first six months of 2006. The gross margin percent of merchandise sales increased slightly to 29.6% for the six months ended June 30, 2007 from 29.3% for the six months ended June 30, 2006.

Salaries and Other Expenses. Salaries and other expenses increased by $166.0 million, or 24.7%, to $837.8 million for the six months ended June 30, 2007 as compared to $671.9 million in 2006. The increase was primarily the result of an increase in expenses associated with the increase in our store base due to the acquisition of Rent-Way and includes increases in labor expense of $100.7 million, occupancy costs of $18.2 million, utility costs of $5.9 million, expenses relating to product deliveries of $15.0 million, communication expenses of $6.5 million and charge offs due to customer stolen merchandise of $11.5 million. Charge offs in our rental stores due to customer stolen merchandise, expressed as a percentage of rental store revenues, were approximately 2.6% for the six months ended June 30, 2007 as compared to 2.2% for the six months ended June 30, 2006. Salaries and other expenses expressed as a percentage of total store revenue decreased slightly to 57.4% for the six months ended June 30, 2007 from 57.5% in 2006.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $2.9 million, or 15.6%, to $16.2 million for the six months ended June 30, 2007 as compared to $19.1 million in 2006. This decrease was primarily attributable to a decrease in the number of products sold to franchisees in the first six months of 2007 as compared to 2006 due to 19 fewer franchise stores in the first six months of 2007.

General and Administrative Expenses. General and administrative expenses increased by $19.2 million, or 45.5%, to $61.4 million for the six months ended June 30, 2007 as compared to $42.2 million in 2006. General and administrative expenses expressed as a percent of total revenue increased to 4.2% for the six months ended June 30, 2007 from 3.5% in 2006. These increases are primarily attributable to additional personnel and related expansion at our corporate office to support growth, including our plans to expand into complementary lines of business in our rent-to-own stores, as well as operating expenses associated with the Rent-Way corporate office.

Amortization of Intangibles. Amortization of intangibles increased by $6.1 million or 334.2%, to $8.0 million for the six months ended June 30, 2007 from $1.8 million for the six months ended June 30, 2006. This increase was primarily attributable to the amortization of intangibles from the acquisition of Rent-Way.

Operating Profit. Operating profit decreased by $17.5 million, or 11.6%, to $133.2 million for the six months ended June 30, 2007 as compared to $150.7 million in 2006. Operating profit as a percentage of total revenue decreased to 9.0% for the six months ended June 30, 2007 from 12.7% for the six months ended June 30, 2006. This decrease was primarily attributable to an increase in pre-tax litigation expense of $51.3 million related to the *Perez* matter, offset by same store revenues and incremental revenue from new stores and acquisitions, primarily the Rent-Way acquisition, as discussed above.

Interest expense. Interest expense increased by $21.2 million, or 80.5%, to $47.5 million for the six months ended June 30, 2007 as compared to $26.3 million in 2006. This increase was primarily attributable to increased borrowings under our revolving credit facility during the first six months of 2007 as compared to 2006, an increase in senior debt outstanding relating to the Rent-Way acquisition, as well as an increase in our weighted average interest rate to 7.72% during the first six months of 2007 as compared to 7.12% during the first six months of 2006 due to an increase in the Eurodollar and prime interest rates in 2007 as compared to 2006.

Net Earnings. Net earnings decreased by $23.8 million, or 29.7%, to $56.4 million for the six months ended June 30, 2007 as compared to $80.2 million in 2006. This decrease was primarily attributable to the increases in litigation expense related to the *Perez* matter, as well as an increase in interest expense, offset by same store revenues as discussed above.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Three Months Ended June 30, 2007 compared to Three Months Ended June 30, 2006

Store Revenue. Total store revenue increased by $141.4 million, or 24.6%, to $715.9 million for the three months ended June 30, 2007 as compared to $574.5 million for the three months ended June 30, 2006. The increase in total store revenue was primarily attributable to approximately $125.6 million in incremental revenue from new stores and acquisitions, primarily the Rent-Way acquisition, net of stores sold, during the three months ended June 30, 2007 as compared to 2006, as well as an increase in same store sales of 2.7%.

Same store revenues represent those revenues earned in 2,364 stores that were operated by us for each of the entire three month periods ended June 30, 2007 and 2006, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues increased by $13.6 million, or 2.7%, to $515.6 million for the three months ended June 30, 2007 as compared to $502.0 million in 2006. This increase in same store revenues was primarily attributable to an increase in the number of units on rent during the three months ended June 30, 2007 as compared to 2006.

Franchise Revenue. Total franchise revenue decreased by $875,000, or 9.6%, to $8.3 million for the three months ended June 30, 2007 as compared to $9.1 million in 2006. This decrease was primarily attributable to a decrease in the number of products sold to franchisees in the three months ended June 30, 2007 as compared to 2006 due to 19 fewer franchise stores in the three months ended June 30, 2007.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs. Cost of rentals and fees for the three months ended June 30, 2007 increased by $31.2 million, or 27.2%, to $145.9 million as compared to $114.7 million for the three months ended June 30, 2006. This increase is a result of an increase in rental revenue for the three months ended June 30, 2007 compared to 2006. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased slightly to 22.0% for the three months ended June 30, 2007 as compared to 21.8% for the three months ended June 30, 2006.

Cost of Merchandise Sold. Cost of merchandise sold increased by $1.5 million, or 5.4%, to $29.9 million for the three months ended June 30, 2007 from $28.4 million for the three months ended June 30, 2006. This increase was primarily a result of an increase in the number of items sold during the three months ended June 30, 2007 as compared to 2006. The gross margin percent of merchandise sales decreased to 24.3% for the three months ended June 30, 2007 from 26.1% for the three months ended June 30, 2006. This decrease is attributable to a decrease in the average selling price of merchandise sold during the three months ended June 30, 2007 as compared to the three months ended June 30, 2006.

Salaries and Other Expenses. Salaries and other expenses increased by $84.0 million, or 25.2%, to $417.1 million for the three months ended June 30, 2007 as compared to $333.1 million in 2006. The increase was primarily the result of an increase in expenses associated with the increase in our store base due to the acquisition of Rent-Way and includes increases in labor expense of $51.2 million, occupancy costs of $9.4 million, utility costs of $2.6 million, expenses relating to product deliveries of $10.1 million, communication expenses of $2.4 million and charge offs due to customer stolen merchandise of $6.5 million. Charge offs in our rental stores due to customer stolen merchandise, expressed as a percentage of rental store revenues, were approximately 2.7% for the three months ended June 30, 2007 as compared to 2.2% for the three months ended June 30, 2006. Salaries and other expenses expressed as a percentage of total store revenue increased slightly to 58.3% for the three months ended June 30, 2007 from 58.0% in 2006.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $917,000, or 12.1%, to $6.7 million for the three months ended June 30, 2007 as compared to $7.6 million in 2006. This decrease was primarily attributable to a decrease in the number of products sold to franchisees in the three months ended June 30, 2007 as compared to 2006 due to 19 fewer franchise stores in the three months ended June 30, 2007.

General and Administrative Expenses. General and administrative expenses increased by $9.2 million, or 43.1%, to $30.4 million for the three months ended June 30, 2007 as compared to $21.3 million in 2006. General and administrative expenses expressed as a percent of total revenue increased to 4.2% for the three months ended June 30, 2007 from 3.6% in 2006. These increases are primarily attributable to additional personnel and related expansion at our corporate office to support growth, including our plans to expand into complementary lines of business in our rent-to-own stores.

Amortization of Intangibles. Amortization of intangibles increased by $3.0 million or 314.1%, to $3.9 million for the three months ended June 30, 2007 from $1.0 million for the three months ended June 30, 2006. This increase was primarily attributable to the amortization of intangibles from the acquisition of Rent-Way.

Operating Profit. Operating profit increased by $11.8 million, or 15.7%, to $87.0 million for the three months ended June 30, 2007 as compared to $75.2 million in 2006. Operating profit as a percentage of total revenue decreased to 12.0% for the three months ended June 30, 2007 from 12.9% for the three months ended June 30, 2006. This decrease was primarily attributable to an increase in general and administrative expenses, as discussed above.

Interest expense. Interest expense increased by $10.1 million, or 76.2%, to $23.4 million for the three months ended June 30, 2007 as compared to $13.3 million in 2006. This increase was primarily attributable to increased borrowings under our revolving credit facility during the three months ended June 30, 2007 as compared to 2006, an increase in senior debt outstanding relating to the Rent-Way acquisition, as well as an increase in our weighted average interest rate to 7.68% during the three months ended June 30, 2007 as compared to 7.12% during the three months ended June 30, 2006 due to an increase in the Eurodollar and prime interest rates in 2007 as compared to 2006.

Net Earnings. Net earnings increased by $1.4 million, or 3.5%, to $41.2 million for the three months ended June 30, 2007 as compared to $39.8 million in 2006. This increase was primarily attributable to the increase in same store revenues as discussed above.

Liquidity and Capital Resources

Cash provided by operating activities increased by $108.1 million to $143.1 million for the six months ended June 30, 2007 from $35.0 million in 2006. This increase is attributable to an increase in noncash items, primarily an increase in depreciation expense.

Cash used in investing activities increased by $9.9 million to $62.9 million for the six months ended June 30, 2007 from $53.0 million in 2006. This increase is primarily attributable to the construction of our new corporate headquarters building offset by a reduction in the acquisitions of businesses in 2007 as compared to 2006.

Cash used in financing activities increased by $95.1 million to $93.5 million for the six months ended June 30, 2007 from $1.6 million provided in 2006. This increase in 2007 as compared to 2006 is primarily related to the increases in activity under the revolving portion of our senior credit facilities coupled with the purchase of treasury stock and the addition of payments on capital leases associated with the Rent-Way acquisition.

Liquidity Requirements. Our primary liquidity requirements are for debt service, rental merchandise purchases, capital expenditures, litigation expenses, including settlements or judgments, and implementation of our growth strategies, including store acquisitions and expansion and investment in our financial services business. Our primary sources of liquidity have been cash provided by operations, borrowings and sales of debt and equity securities. In the future, 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 relate to our financial condition and performance, and some of which are beyond our control, such as prevailing interest rates and general economic conditions. There can be no assurance that additional financing will be available, or if available, that it will be on terms we find acceptable.

We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our liquidity requirements as discussed above during the next twelve months. Our revolving credit facilities, including our $20.0 million line of credit at Intrust Bank, provide us with revolving loans in an aggregate principal amount not exceeding $420.0 million, of which $309.4 million was available at July 31, 2007. At July 31, 2007, we had $51.7 million in cash. To the extent we have available cash that is not necessary to fund the items listed above, we intend to make additional payments to service our existing debt, and may repurchase additional shares of our common stock or repurchase some of our outstanding subordinated notes. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect.

A change in control would result in an event of default under our senior credit facilities, which would allow our lenders to accelerate the indebtedness owed to them. In addition, if a change in control occurs, we may be required to offer to repurchase 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 the subordinated notes, including in the event of a change in control. In the event a change in control occurs, we cannot be sure we would have enough funds to immediately pay our accelerated senior credit facility obligations and all of the subordinated notes, or that we would be able to obtain financing to do so on favorable terms, if at all.

Litigation. On April 30, 2007, we announced that we reached a settlement with the plaintiffs to resolve *Hilda Perez v. Rent-A-Center, Inc.*, a putative class action filed in the Superior Court, Law Division, Camden County, New Jersey. Under the terms of the settlement, which has now been documented and preliminarily approved by the court, we anticipate we will pay an aggregate of approximately $85.8 million in cash, to be distributed to an agreed-upon class of our customers from April 23, 1999 through March 16, 2006, as well as pay the plaintiffs' attorneys fees and costs to administer the settlement, in the aggregate amount of approximately $23.5 million. Under the terms of the settlement, we are entitled to 50% of any undistributed monies in the settlement fund. In connection with the settlement, we are not admitting liability for our past business practices in New Jersey. As previously reported, we recorded a pre-tax expense of $58.0 million in connection with the *Perez* matter during the fourth quarter of 2006, and an additional pre-tax charge of $51.3 million in the first quarter of 2007, to account for the aforementioned costs. We expect to fund the entire settlement amount in the fourth quarter of 2007, following final approval of the settlement by the court.

While we believe that the terms of this settlement are fair, there can be no assurance that the settlement will be approved by the court in its present form. We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund this settlement without adversely affecting our liquidity in a material way.

In October 2006, we announced that we had reached a settlement with the California Attorney General to resolve the inquiry received in the second quarter of 2004 regarding our business practices in California with respect to cash prices and our membership program. Under the terms of the settlement, which has now been documented and approved by the court, we will create a restitution fund in the amount of approximately $9.6 million in cash, to be distributed to certain groups of customers. We also agreed to a civil penalty in the amount of $750,000, which was paid in February 2007. We expect to fund the restitution account in the third quarter of 2007. To account for the aforementioned costs, as well as our attorneys' fees, we recorded a pre-tax charge of $10.35 million in the third quarter of 2006.

Additional settlements or judgments against us on our existing litigation could affect our liquidity. Please refer to "Legal Proceedings" later in this report.

Deferred Taxes. On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30% of the basis of qualifying property is deductible in the year the property is placed in service, with the remaining 70% of the basis depreciated under the normal tax depreciation rules. For assets placed in service between May 6, 2003 and December 31, 2004, the Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the percent of the basis of qualifying property deductible in the year the property is placed in service from 30% to 50%. Accordingly, our cash flow benefited from the resulting lower cash tax obligations in those prior years. Our operating cash flow increased by approximately $85.3 million through 2004, on a net cumulative basis, from the accelerated depreciation deductions on rental merchandise. The associated deferred tax liabilities now have begun to reverse, doing so over a three year period beginning in 2005. Approximately $14.1 million, or 16.5%, reversed in 2006 and approximately $67.0 million, or 79%, reversed in 2005. We expect that the remaining $4.2 million will reverse in 2007, which will result in additional cash taxes and a corresponding decrease in our deferred tax liabilities.

Rental Merchandise Purchases. We purchased $400.5 million and $393.0 million of rental merchandise during the six month periods ended June 30, 2007 and 2006, respectively.

Capital Expenditures. We make capital expenditures to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent $52.1 million and $33.3 million on capital expenditures during the six month periods ended June 30, 2007 and 2006, respectively, and expect to spend approximately $32.9 million for the remainder of 2007, which includes amounts we intend to spend with respect to expanding our financial services business.

In the first quarter of 2007, we relocated our corporate headquarters to a newly constructed building which we own. We remain obligated under the lease agreement with respect to our prior headquarters location for monthly rental payments in the amount of approximately $250,000 through November 2008. We are attempting to sublease some or all of the space at our prior headquarters location to offset the remaining lease obligation.

Acquisitions and New Store Openings. During the first six months of 2007, we acquired 13 stores, accounts from six locations, opened 10 new stores, merged 52 stores and sold two stores. Of the merged stores, 29 were merged with existing store locations and were part of the Rent-Way acquisition. One of the stores sold was an acquired Rent-Way store. The acquired stores and accounts were the result of eight separate transactions with an aggregate purchase price of approximately $12.7 million. Additionally, during the first six months of 2007, we have added financial services to 87 existing rent-to-own store locations, consolidated seven stores with financial services into an existing location, closed nine financial services stores and ended the second quarter of 2007 with a total of 221 stores providing these services.

As of July 31, 2007, we have opened two new stores, acquired three stores and merged six stores with existing locations during the third quarter of 2007. Additionally, as of July 31, 2007, we have added financial services to 22 additional existing rent-to-own locations during the third quarter of 2007.

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

Senior Credit Facilities. Our $1,322.5 million senior credit facility consists of a $197.5 million five-year term loan, with the loans thereunder being referred to by us as the “tranche A term loans,” a $725.0 million six-year term loan, with the loans thereunder being referred to by as the “tranche B term loans,” and a $400.0 million five-year revolving credit facility. The tranche A term loans are payable in 19 consecutive quarterly installments equal to $2.5 million from December 31, 2006 through June 30, 2009, $5.0 million from September 30, 2009 through June 30, 2010 and $37.5 million from September 30, 2010 through June 30, 2011. The tranche B term loans are repayable in 23 consecutive quarterly installments equal to approximately $1.8 million from December 31, 2006 through June 30, 2011 and approximately $172.6 million from September 30, 2011 through June 30, 2012.

The table below shows the scheduled maturity dates of our senior term loans outstanding at June 30, 2007.

Year Ending December 31,	(In thousands)
2007	$ 8,634
2008	17,268
2009	22,268
2010	92,268
2011	423,873
Thereafter	330,238
	$ 894,549

The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which $110.6 million had been utilized as of July 31, 2007. As of July 31, 2007, $289.4 million was available under our revolving facility. The revolving credit facility expires in July 2011.

Borrowings under our senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus .75% to 1.75%, or the prime rate plus up to .75%, at our election. The weighted average Eurodollar rate on our outstanding debt was 5.36% at June 30, 2007. The margins on the Eurodollar rate and on the prime rate, which are initially 1.75 and 0.75, respectively, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under the senior credit facilities. A commitment fee equal to 0.15% to 0.50% of the unused portion of the revolving facility is payable quarterly, and fluctuates dependent upon an increase or decrease in our consolidated leverage ratio. The initial commitment fee is equal to 0.50% of the unused portion of the revolving facility. At July 31, 2007, there was no amount outstanding on our revolving facility. The weighted average Eurodollar rate on our outstanding debt was 5.37% at July 31, 2007.

Our senior credit facilities are secured by a security interest in substantially all of our tangible and intangible assets, including intellectual property. Our senior credit facilities are also secured by a pledge of the capital stock of our wholly-owned U.S. subsidiaries (other than certain specified subsidiaries).

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

- incur additional debt in excess of $150 million at any one time outstanding;
- repurchase our capital stock and 7 1/2% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x (subject to a restricted payments basket, for which approximately $60.0 million is available for use as of June 30, 2007);
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all our property or business;
- sell assets, other than inventory, in the ordinary course of business;
- make investments or acquisitions unless we meet financial tests and other requirements;
- make capital expenditures; or
- enter into an unrelated line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio of no greater than 4.25:1 for the period beginning December 31, 2006 through December 30, 2007, 3.5:1 for the period beginning December 31, 2007 through December 30, 2008, and 3.25:1 on or after December 31, 2008; and a minimum fixed charge coverage ratio of no less than 1.35:1. The table below shows the required and actual ratios under our credit facilities calculated as at June 30, 2007:

	Required Ratio		Actual Ratio
Maximum consolidated leverage ratio	No greater than	4.25:1	2.86:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.82:1

Events of default under our senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facility would occur if a change of control occurs. This is defined to include the case where a third party becomes the beneficial owner of 35% or more of our voting stock or certain changes in Rent-A-Center's Board of Directors occurs. An event of default would also occur if one or more judgments were entered against us of $30.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

We utilize our revolving credit facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the revolving credit facility for general corporate purposes. The funds drawn on individual occasions have varied in amounts of up to $50.0 million, with total amounts outstanding ranging from $10.0 million up to $88.0 million. The amounts drawn are generally outstanding for a short period of time and are generally paid down as cash is received from our operating activities.

7 1/2% Senior Subordinated Notes. On May 6, 2003, we issued $300.0 million in senior subordinated notes due 2010, bearing interest at 7 1/2%, pursuant to an indenture dated May 6, 2003, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York, as trustee. The proceeds of this offering were used to fund the repurchase and redemption of our then outstanding 11% senior subordinated notes.

The 2003 indenture contains covenants that limit our ability to:

- incur additional debt;
- sell assets or our subsidiaries;
- grant liens to third parties;

- pay cash dividends or repurchase stock (subject to a restricted payments basket for which approximately $143.3 million was available for use as of June 30, 2007); and
- engage in a merger or sell substantially all of our assets.

Events of default under the 2003 indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $50.0 million, as well as in the event a judgment is entered against us in excess of $50.0 million that is not discharged, bonded or insured.

The 7$^{1}/_{2}$% notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The premium for the period beginning May 1, 2007 through April 30, 2008 is 102.50%. The 7$^{1}/_{2}$% notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facilities. We are not required to maintain any financial ratios under the 2003 indenture.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of June 30, 2007:

	Payments Due by Period				
Contractual Cash Obligations	**Total**	**2007**	**2008-2009**	**2010-2011**	**Thereafter**
	(In thousands)				
Senior Credit Facilities (including current portion)	$ 932,974(1)	$ 11,059	$ 39,537	$ 552,140	$ 330,238
7$^{1}/_{2}$% Senior Subordinated Notes(2)	367,500	11,250	45,000	311,250	—
Operating Leases	517,465	92,569	290,587	123,443	10,866
Capital Leases	17,656	3,700	10,777	3,179	—
Total(3)	$ 1,835,595	$ 118,578	$ 385,901	$ 990,012	$ 341,104

(1) Includes amounts due under the Intrust line of credit. Amount referenced does not include interest payments. Our senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus .75% to 1.75% or the prime rate plus up to .75% at our election. The weighted average Eurodollar rate on our outstanding debt at June 30, 2007 was 5.36%.

(2) Includes interest payments of $11.25 million on each of May 1 and November 1 of each year.

(3) As of January 1, 2007, we have $6.3 million in uncertain tax positions, net of federal benefit. Because of the uncertainty of the amounts to be ultimately paid as well as the timing of such payments, these liabilities are not reflected in the contractual obligations table.

Store Leases. We lease space for substantially all of our stores and service center locations, as well as our previous corporate headquarters and our regional offices under operating leases expiring at various times through 2015. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc. (“Wells Fargo”), who provides $35.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. The Wells Fargo agreement expires on September 30, 2010. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association (“Texas Capital Bank”) under an agreement similar to the Wells Fargo financing. Rent-A-Center East, Inc., a subsidiary of Rent-A-Center, guarantees the obligations of ColorTyme under each of these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $55.0 million, of which $29.3 million was outstanding as of June 30, 2007. Mark E. Speese, Rent-A-Center’s Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

Settlement of Dispute with ColorTyme Franchisees. On July 31, 2007, ColorTyme entered into a settlement agreement with five affiliated ColorTyme franchisees pursuant to which the franchise agreements with respect to approximately 65 ColorTyme stores were terminated. ColorTyme received a cash payment in satisfaction of the contractually required, future royalties owed to ColorTyme pursuant to the franchise agreements. None of the franchisees purchased merchandise inventory from ColorTyme. We do not expect the termination of these franchise agreements and the departure of these stores from the ColorTyme franchise system to have a material adverse impact on our financial position, results of operation or cash flow.

Repurchases of Outstanding Securities. Our Board of Directors has authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $500.0 million of Rent-A-Center common stock. As of June 30, 2007, we had purchased a total of 15,928,550 shares of Rent-A-Center common stock for an aggregate of $395.8 million under this common stock repurchase program, of which 1,299,750 shares were repurchased for $35.0 million in the second quarter of 2007.

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. Fluctuations in our targeted customers' monthly disposable income could adversely impact our results of operations.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity

As of June 30, 2007, we had $300.0 million in subordinated notes outstanding at a fixed interest rate of 7$^1/_2$%, $894.5 million in term loans, $36.0 million in revolving credit and $2.4 million outstanding on our line of credit at interest rates indexed to the Eurodollar rate. The fair value of the 7$^1/_2$% subordinated notes at June 30, 2007 was $304.5 million, estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

Market Risk

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

Interest Rate Risk

We hold long-term debt with variable interest rates indexed to prime or Eurodollar rate that exposes us to the risk of increased interest costs if interest rates rise. As of June 30, 2007, we have not entered into any interest rate swap agreements. Based on our overall interest rate exposure at June 30, 2007, a hypothetical 1.0% increase or decrease in interest rates would have the effect of causing a $9.5 million additional pre-tax charge or credit to our statement of earnings than would otherwise occur if interest rates remained unchanged.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and

Exchange Commission's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective.

Changes in internal controls. For the quarter ended June 30, 2007, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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. We account for our litigation contingencies pursuant to the provisions of SFAS No. 5 and FIN 14, which require that we accrue for losses that are both probable and reasonably estimable.

As of June 30, 2007, we had accrued $121.4 million relating to probable losses for our outstanding litigation as follows:

Perez Matter	$109.3 million
California Attorney General Settlement	9.6 million
Other Litigation	1.0 million
Anticipated Legal Fees and Expenses	1.5 million
Total Accrual	$121.4 million

We continue to monitor our litigation exposure, and will review the adequacy of our legal reserves on a quarterly basis in accordance with applicable accounting rules. Please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies Involving Critical Estimates, Uncertainties or Assessments in Our Financial Statements*" regarding our process for evaluating our litigation reserves. Except as described below, we are not currently a party to any material litigation and, other than as set forth above, we have not established any other reserves for our outstanding litigation.

Colon v. Thorn Americas, Inc. The plaintiff filed this putative class action in November 1997 in New York state court. This matter was assumed by us in connection with the Thorn Americas acquisition in 1998. The plaintiff acknowledges that rent-to-own transactions in New York are subject to the provisions of New York's Rental Purchase Statute but contends the Rental Purchase Statute does not provide us immunity from suit for other statutory violations. The plaintiff alleges we have a duty to disclose effective interest under New York consumer protection laws, and seeks damages and injunctive relief for 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 payment records. In the prayer for relief, the plaintiff requests class certification, injunctive relief requiring us to cease certain marketing practices and price our rental purchase contracts in certain ways, unspecified compensatory and punitive damages, rescission of the class members contracts, an order placing in trust all moneys received by us in connection with the rental of merchandise during the class period, treble damages, attorney's fees, filing fees and costs of suit, pre- and post-judgment interest, and any further relief granted by the court. The plaintiff has not alleged a specific monetary amount with respect to the request for damages.

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

From June 2003 until May 2005, there was no activity in this case. On May 18, 2005, we filed a motion to dismiss the plaintiff's claim and to decertify the class, based upon the plaintiff's failure to schedule her claim in this matter in her earlier voluntary bankruptcy proceeding. The plaintiff opposed our motion to dismiss the case and asked the court to grant it an opportunity to find a substitute class representative in the event the court determined Ms. Colon was no longer adequate. On January 17, 2006, the court issued an order denying our motion to dismiss, but indicated that Ms. Colon was not a suitable class representative and noted that no motion to intervene to add additional class representatives had been filed. On March 14, 2006, plaintiffs' counsel filed a motion seeking leave to intervene Shaun Kelly as an additional class representative. In response to plaintiffs' motion, the court ordered the parties to confer regarding a possible mediation and ruled that we could depose Mr. Kelly before filing any objection to his intervention. Plaintiffs' counsel did not respond to our repeated requests to schedule Mr. Kelly's deposition or schedule a mediation. Accordingly, on January 30, 2007, we filed a notice pursuant to the applicable rules requiring the plaintiff to serve notice of its intent to proceed with its case within 90 days.

On April 27, 2007, the plaintiff filed a reply to our notice, and on that same date plaintiffs' counsel offered to produce Mr. Kelly for deposition. In the reply to our notice, the plaintiff moved the court for an additional 180 days in which to conduct discovery before filing a formal response to our notice, or in the alternative, the plaintiff asked to be permitted to file its response immediately and to conduct some limited discovery while awaiting a trial date. Plaintiff's motion resulted in a notice from the court, which we received on May 7, 2007, that the case had been dismissed on June 2, 2006, due to the parties' failure to appear at a court-ordered conference of which neither we, nor to our knowledge, plaintiff had notice. We also did not have notice of the dismissal order. On July 16, 2007, the court denied plaintiff's motion to vacate the dismissal order. In the event plaintiff seeks a reconsideration or appeal of the court's order, we intend to file a response opposing such requests and seeking such other relief as may be appropriate.

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

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

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

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

On September 30, 2003, the court granted our motion to dismiss without prejudice, dismissed without prejudice the outside directors' and underwriters' separate motions to dismiss and denied our motion to transfer venue. In its order on the motions to dismiss, the court granted the lead plaintiffs leave to replead the case within certain parameters.

On July 7, 2004, the plaintiffs again repled their claims by filing a third amended consolidated complaint, raising allegations of similar violations against the same parties generally based upon alleged facts not previously asserted. We, along with certain officer and director defendants and the underwriter defendants, filed motions to dismiss the third amended consolidated complaint on August 23, 2004. A hearing on the motions was held on April 14, 2005. On July 25, 2005, the court ruled on these motions, dismissing with prejudice the claims against our outside directors as well as the underwriter defendants, but denying our motion to dismiss. In evaluating this motion to dismiss, the court was required to view the pleadings in the light most favorable to the plaintiffs and to take the plaintiffs' allegations as true. On August 18, 2005, we filed a motion to certify the dismissal order for an interlocutory appeal, which was denied on November 14, 2005. A hearing on class certification was held on June 22, 2006. No ruling on class certification has been made by the court. Discovery is ongoing.

We continue to believe the plaintiffs' claims in this matter are without merit and intend to vigorously defend ourselves in this matter, while exploring opportunities to resolve it on reasonable terms. However, we cannot assure you that we will be found to have no liability in this matter.

California Attorney General Inquiry. In October 2006, we announced that we had reached a settlement with the California Attorney General to resolve the inquiry received in the second quarter of 2004 regarding our business practices in California with respect to cash prices and our membership program. Under the terms of the settlement, which has now been documented and approved by the court, we will create a restitution fund in the amount of approximately $9.6 million in cash, to be distributed to certain groups of customers. Restitution checks will contain a restrictive endorsement releasing us from claims that arise from or relate to the cash price set forth in the rental purchase agreement and the customer's purchase of the Preferred Customer Club. We are working with the Attorney General and the settlement administrator to finalize the implementation procedures for the restitution program and expect to fund the restitution account in the third quarter of 2007. We also agreed to a civil penalty in the amount of $750,000, which was paid in the first quarter of 2007. To account for the aforementioned costs, as well as our attorneys' fees, we recorded a pre-tax charge of $10.35 million in the third quarter of 2006.

Hilda Perez v. Rent-A-Center, Inc., et al. On April 30, 2007, we announced that we reached a prospective settlement with the plaintiffs to resolve this putative class action filed in the Superior Court, Law Division, Camden County, New Jersey which alleges that the rent-to-own contracts entered into by Perez and a class of similarly situated individuals violated New Jersey's Retail Installment Sales Act and New Jersey's Consumer Fraud Act because such contracts imposed a time price differential in excess of the 30% per annum interest rate permitted under New Jersey's criminal usury statute. Under the terms of the settlement, which has now been documented and preliminarily approved by the court, we anticipate we will pay an aggregate of approximately $85.8 million in cash, to be distributed to an agreed-upon class of our customers from April 23, 1999 through March 16, 2006, as well as pay the plaintiffs' attorneys fees and costs to administer the settlement, in the aggregate amount of approximately $23.5 million. Under the terms of the settlement, we are entitled to 50% of any undistributed monies in the settlement. In connection with the settlement, we are not admitting liability for our past business practices in New Jersey. As previously reported, we recorded a pre-tax expense of $58.0 million in connection with the Perez matter during the fourth quarter of 2006, and an additional pre-tax charge of $51.3 million in the first quarter of 2007, to account for the aforementioned costs.

The terms of the settlement are subject to obtaining final approval from the court. Notice of the settlement was mailed to class members on July 27, 2007, and published in several newspapers on or about July 20 and 27, 2007. Objections to the settlement, if any, must be filed with the court on or before September 4, 2007, and the final approval hearing is scheduled for September 14, 2007. The order finally approving the settlement, if issued by the court, will be subject to a 45 day appeal period. We have the right to terminate the settlement if a sufficient number of class members file objections. We expect to fund the entire settlement amount in the fourth quarter of 2007, following final approval of the settlement by the court and expiration of the appeal period. While we believe that the terms of this settlement are fair, there can be no assurance that the settlement will receive final approval from the court in its present form.

State Wage and Hour Class Actions

Eric Shafer et al. v. Rent-A-Center, Inc. This matter is a state-wide class action originally filed on May 20, 2002, in the Superior Court of California for Los Angeles County. A similar matter, entitled *Victor E. Johnson et al. v. Rent-A-Center, Inc.* was filed on February 24, 2004, in the Orange County Superior Court. These actions were coordinated before the Los Angeles County Superior Court on March 7, 2005.

Plaintiffs in these actions allege that we improperly classified our California store managers as exempt from overtime under California wage and hour law and failed to pay them overtime. In addition, they allege that we failed to provide our California store managers with meal and rest periods, failed to pay store managers overtime due when their employment ended, and engaged in unfair business practices. Plaintiffs' seek to recover back overtime wages and accompanying waiting time penalties, civil penalties under California Labor Code Section 2699, certain injunctive relief and attorneys fees.

On July 15, 2005, plaintiffs filed their motion for class certification, which we opposed. On June 23, 2006, the court granted class certification as to plaintiffs' claims for back overtime wages and accompanying waiting time penalties, and as to plaintiffs' unfair business practices claim. The court denied class certification as to plaintiffs' meal and rest period claims and as to plaintiffs' claim for civil penalties under California Labor Code Section 2699.

The class consists of all store managers employed by us in California since September 1998. We estimate the class size to be approximately 982 current and former store managers. From September 1998 through March 31, 2007, we operated an average of 140 stores in California each year during that period. Equivalent hourly rates for annual salaries paid to the class members ranged from approximately $16.83-$31.25 per hour based on a 40 hour work week. Plaintiffs assert that store managers were required to work approximately 10-20 hours of overtime per week. Overtime wages would be calculated at 1.5 times the hourly rate for any hours worked over 8 in a day or over 40 in a week. In addition, California law provides for a waiting time penalty of up to thirty days' wages when an employer willfully fails to pay any compensation due to an employee upon separation.

The court's class certification ruling is procedural only and does not address the merits of plaintiffs' claims. We believe that class certification was improper and that our store managers are properly classified as exempt from overtime. We intend to file a motion for class de-certification no later than January 31, 2008. In addition, we continue to believe the plaintiffs' claims in this matter are without merit and intend to vigorously defend ourselves as this matter progresses. We cannot assure you, however, that we will be found to have no liability in these matters.

Item 1A. Risk Factors.

You should carefully consider the risks described below before making an investment decision. We believe these are all the material risks currently facing our business. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should also refer to the other information included or incorporated by reference in this report, including our financial statements and related notes.

We may not be able to successfully implement our growth strategy, which could cause our future earnings to grow more slowly or even decrease.

Our continued growth depends on our ability to increase sales in our existing rent-to-own stores. For the six months ended June 30, 2007, our same store sales increased by 2.8% compared to the six months ended June 30, 2006. Our same store sales increased by 1.9% in 2006 and decreased by 2.3% and 3.6% in 2005 and 2004, respectively. As a result of new store openings in existing markets and because mature stores will represent an increasing proportion of our store base over time, our same store revenues in future periods may be lower than historical levels.

As part of our growth strategy, we also plan to grow through expansion into the financial services business. We face risks associated with integrating this new business into our existing operations. In addition, the financial services industry is highly competitive and regulated by federal, state and local laws.

We intend to also increase our total number of rent-to-own stores in both existing markets and new markets through a combination of new store openings and store acquisitions. This growth strategy is subject to various risks, including uncertainties regarding our ability to open new rent-to-own stores and our ability to acquire additional rent-to-own stores on favorable terms. We increased our store base by 227 stores in 2004. In 2005, however, we decreased our store base by 115 stores, as part of our critical evaluation of all stores and in anticipation of continued store growth. In 2006, our store base increased another 646 stores, primarily as a result of the Rent-Way acquisition on November 15, 2006. As of June 30, 2007, our store base has decreased 31 stores during 2007. We may not be able to continue to identify profitable new store locations or underperforming competitors as we currently anticipate.

Our growth strategy could place a significant demand on our management and our financial and operational resources. If we are unable to implement our growth strategy, our earnings may grow more slowly or even decrease.

If we fail to effectively manage the growth and integration of our new rent-to-own stores, our financial results may be adversely affected.

The addition of new rent-to-own stores, both through store openings and through acquisitions, requires the integration of our management philosophies and personnel, standardization of training programs, realization of operating efficiencies and effective coordination of sales and marketing and financial reporting efforts. In addition, acquisitions in general are subject to a number of special risks, including adverse short term effects on our reported operating results, diversion of management’s attention and unanticipated problems or legal liabilities. Further, a newly opened rent-to-own store generally does not attain positive cash flow during its first year of operations.

There are legal proceedings pending against us seeking material damages. The costs we incur in defending ourselves or associated with settling any of these proceedings, as well as a material final judgment or decree against us, could materially adversely affect our financial condition by requiring the payment of the settlement amount, a judgment or the posting of a bond.

Some lawsuits against us involve claims that our rental agreements constitute installment sales contracts, violate state usury laws or violate other state laws enacted to protect consumers. We are also defending a class action lawsuit alleging we violated the securities laws and lawsuits alleging we violated state wage and hour laws. Because of the uncertainties associated with litigation, we cannot estimate for you our ultimate liability for these matters, if any. Significant settlement amounts or final judgments could materially and adversely affect our liquidity. The failure to pay any material judgment would be a default under our senior credit facilities and the indenture governing our outstanding subordinated notes.

Our debt agreements impose restrictions on us which may limit or prohibit us from engaging in certain transactions. If a default were to occur, our lenders could accelerate the amounts of debt outstanding, and holders of our secured indebtedness could force us to sell our assets to satisfy all or a part of what is owed.

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

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

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

A change of control could accelerate our obligation to pay our outstanding indebtedness, and we may not have sufficient liquid assets to repay these amounts.

Under our senior credit facilities, an event of default would result if a third party became the beneficial owner of 35.0% or more of our voting stock or upon certain changes in the constitution of Rent-A-Center’s Board of Directors. As of June 30, 2007, we are required to make principal payments under our senior credit facilities of $11.1 million in 2007, $17.2 million in 2008, $22.3 million in 2009, $92.3 million in 2010 and $790.1 million after 2010. These payments reduce our cash flow.

Under the indenture governing our outstanding subordinated notes, in the event that a change in control occurs, we may be required to offer to purchase all of our outstanding subordinated notes at 101% of their original aggregate principal amount, plus accrued interest to the date of repurchase. A change in control also would result in an event of default under our senior credit facilities, which would allow our lenders to accelerate indebtedness owed to them.

If the lenders under our debt instruments accelerate these obligations, we may not have sufficient liquid assets to repay amounts outstanding under these agreements.

Rent-to-own transactions are regulated by law in most states. Any adverse change in these laws or the passage of adverse new laws could expose us to litigation or require us to alter our business practices.

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

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

Financial services transactions are regulated by federal law as well as the laws of certain states. Any adverse changes in these laws or the passage of adverse new laws with respect to the financial services business could slow our growth opportunities, expose us to litigation or alter our business practices in a manner that we may deem to be unacceptable.

Our financial services business is subject to federal statutes and regulations such as the USA Patriot Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, and similar state laws. In addition, 34 states and the District of Columbia provide safe harbor regulations for short term consumer lending, and two additional states permit short term consumer lending by licensed dealers. Safe harbor regulations typically set maximum fees, size and length of the loans. Congress and/or the various legislatures in the states where we currently intend to offer financial services products may adopt new legislation or amend existing legislation with respect to our financial services business that could require us to alter our business practices in a manner that we may deem to be unacceptable, which could slow our growth opportunities.

Our business depends on a limited number of key personnel. The loss of any one of these individuals could disrupt our business.

Our continued success is highly dependent upon the personal efforts and abilities of our executive management. While we do have an employment agreement with Mark E. Speese, our Chairman of the Board and Chief Executive Officer, we do not have employment contracts with any other members of executive management, including Mitchell E. Fadel, our President and Chief Operating Officer. In addition, we do not maintain key-person insurance on the lives of any of these officers and the loss of any one of them could disrupt our business.

Our organizational documents and debt instruments contain provisions that may prevent or deter another group from paying a premium over the market price to our stockholders to acquire our stock.

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

We are a holding company and are dependent on the operations and funds of our subsidiaries.

We are a holding company, with no revenue generating operations and no assets other than our ownership interests in our direct and indirect subsidiaries. Accordingly, we are dependent on the cash flow generated by our direct and indirect operating subsidiaries and must rely on dividends or other intercompany transfers from our operating subsidiaries to generate the funds necessary to meet our obligations, including the obligations under our senior credit facilities and our outstanding subordinated notes. The ability of our subsidiaries to pay dividends or make other payments to us is subject to applicable state laws. Should one or more of our subsidiaries be unable to pay dividends or make distributions, our ability to meet our ongoing obligations could be materially and adversely impacted.

Our stock price is volatile, and you may not be able to recover your investment if our stock price declines.

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

- quarterly variations in our results of operations, which may be impacted by, among other things, changes in same store sales, when and how many rent-to-own stores we acquire or open, and the rate at which we add financial services to our existing rent-to-own stores;
- quarterly variations in our competitors' results of operations;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- the stock price performance of comparable companies; and
- general market conditions or market conditions specific to particular industries.

Failure to achieve and maintain effective internal controls could have a material adverse effect on our business and stock price.

Effective internal controls are necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our brand and operating results could be harmed. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

While we continue to evaluate and improve our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

For the year ended December 31, 2006, our management has determined that our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Please refer to management's annual report on internal control over financial reporting, and the report by Grant Thornton LLP, which appear in our Annual report on Form 10-K for our fiscal year ended December 31, 2006. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On October 24, 2003, we announced that our Board of Directors had authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and in privately negotiated transactions, up to an aggregate of $100.0 million of Rent-A-Center common stock. Over a period of time, our Board of Directors increased the authorization for stock repurchases under our common stock repurchase program to $500.0 million. As of June 30, 2007, we had repurchased $395.8 million in aggregate purchase price of Rent-A-Center common stock under our stock repurchase program. In the second quarter of 2007, we effected the following repurchases of our common stock:

RENT-A-CENTER, INC. AND SUBSIDIARIES

Period	Total Number of Shares Purchased	Average Price Paid per Share (including fees)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs (including fees)
April 1 through April 30				
May 1 through May 30	1,299,750	$26.9337	1,299,750	$104,152,399(1)
June 1 through June 30				
Total	1,299,750	$26.9337	1,299,750	$104,152,399(1)

(1) Includes the $100.0 million increase in authorization for stock repurchases under our common stock repurchase program which was announced on July 30, 2007.

Item 4. Submission of Matters to a Vote of Security Holders.

Our Annual Meeting of Stockholders was held on May 15, 2007. At the meeting, our stockholders voted on two matters: (1) election of three Class I Directors, and (2) ratification of the Audit Committee's appointment of Grant Thornton, LLP, registered independent accountants, as our independent auditors for the fiscal year ended December 31, 2007.

The individuals named below were re-elected to a three-year term as Class I Directors:

Nominee	Votes For	Votes Withheld
Mary Elizabeth Burton	62,060,504	4,639,183
Peter P. Copses	63,957,658	2,742,029
Mitchell E. Fadel	64,233,764	2,465,923

The following directors' terms of office as a director continued after the Annual Meeting of Stockholders:

Mark E. Speese
Michael J. Gade
Jeffery M. Jackson
J.V. Lentell
Leonard H. Roberts

The appointment of Grant Thornton, LLP, registered independent accountants, as our independent auditors for the fiscal year ended December 31, 2007, was ratified with voting on the proposal as follows:

Votes For	Votes Against	Abstentions
66,675,503	14,293	9,891

Item 6. Exhibits.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

By: /s/ Robert D. Davis

Robert D. Davis
Senior Vice President-Finance,
Chief Financial Officer and Treasurer

Date: August 3, 2007

RENT-A-CENTER, INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Rent-A-Center, Inc., as amended (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002.)
3.2	Certificate of Amendment to the Certificate of Incorporation of Rent-A-Center, Inc., dated May 19, 2004 (Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
3.3	Amended and Restated Bylaws of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.(ii) to the registrant's Current Report on Form 8-K dated as of September 20, 2005.)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-4/A filed on January 13, 1999.)
4.2	Certificate of Designations, Preferences and relative Rights and Limitations of Series C Preferred Stock of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
4.3	Certificate of Elimination of Series C Preferred Stock (Incorporated herein by reference to Exhibit 3.(i) to the registrant's Current Report on Form 8-K dated as of September 20, 2005.)
4.4	Indenture, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.)
4.5	First Supplemental Indenture, dated as of December 4, 2003, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.6 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
4.6	Second Supplemental Indenture, dated as of April 26, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
4.7	Third Supplemental Indenture, dated as of May 7, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.8	Fourth Supplemental Indenture, dated as of May 14, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.9	Fifth Supplemental Indenture, dated as of June 30, 2005, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.10	Sixth Supplemental Indenture, dated as of April 17, 2006, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
4.11	Seventh Supplemental Indenture, dated as of October 17, 2006, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.11 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
4.12	Eighth Supplemental Indenture, dated as of November 15, 2006, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.12 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)

RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit No.	Description
10.1+	Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
10.2	Amended and Restated Guarantee and Collateral Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2004, made by Rent-A-Center, Inc. and certain of its Subsidiaries in favor of JPMorgan Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated July 15, 2004.)
10.3	Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.14 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.)
10.4	Supplemental Letter Agreement to Franchisee Financing Agreement, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.5	First Amendment to Franchisee Financing Agreement, dated August 30, 2005, by and among Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.)
10.6	Amended and Restated Franchise Financing Agreement, dated October 1, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
10.7	First Amendment to Amended and Restated Franchisee Financing Agreement, dated December 15, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
10.8	Second Amendment to Amended and Restated Franchisee Financing Agreement, dated as of March 1, 2004, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.24 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
10.9	Third Amendment to Amended and Restated Franchisee Financing Agreement, dated as of September 29, 2006, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.10	Fourth Amendment to Amended and Restated Franchisee Financing Agreement, dated as of December 19, 2006, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.11+	Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.12+	Form of Stock Option Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.13+	Summary of Director Compensation (Incorporated herein by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.14+	Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.)
10.15+	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.)
10.16+	Form of Loyalty and Confidentiality Agreement entered into with management (Incorporated herein by reference to Exhibit 10.17 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.)

RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit No.	Description
10.17+	Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.18+	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.19+	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.20+	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.21+	Rent-A-Center, Inc. 2006 Equity Incentive Plan and Amendment (Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 4, 2007)
10.22+	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.23+	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.24+	Form of Stock Option Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.25+	Form of Executive Transition Agreement entered into with management (Incorporated herein by reference to Exhibit 10.21 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.26+	Employment Agreement, dated October 2, 2006, between Rent-A-Center, Inc. and Mark E. Speese (Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.27+	Non-Qualified Stock Option Agreement, dated October 2, 2006, between Rent-A-Center, Inc. and Mark E. Speese (Incorporated herein by reference to Exhibit 10.23 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.28+*	Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan
10.29	Second Amended and Restated Credit Agreement, dated as of July 13, 2006, among Rent-A-Center, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Union Bank of California, N.A., as documentation agent, Lehman Commercial Paper Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated July 13, 2006.)
10.30	Third Amended and Restated Credit Agreement, dated as of November 15, 2006, among Rent-A-Center, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Union Bank of California, N.A., as documentation agent, Lehman Commercial Paper Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated November 15, 2006.)
21.1	Subsidiaries of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 21.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
31.1*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
31.2*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
32.2*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

+ Management contract or compensatory plan or arrangement

* Filed herewith.

RENT-A-CENTER, INC.
DEFERRED COMPENSATION PLAN

Effective as of July 1, 2007

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RENT-A-CENTER, INC.
DEFERRED COMPENSATION PLAN

ARTICLE I

ESTABLISHMENT AND PURPOSE OF THE PLAN

1.01 Establishment of the Plan. Rent-A-Center, Inc. (the "Company") desires to adopt and establish an unfunded deferred compensation plan for a select group of its key management and highly compensated employees. Effective as of July 1, 2007 (the "Effective Date"), the Company has by execution of this document created a plan which shall be known as the "Rent-A-Center, Inc. Deferred Compensation Plan."

1.02 Purpose. The purpose of the Plan is to provide deferred compensation and retirement income to a select group of key management personnel and highly compensated employees who contribute materially to the continued growth, development and future business success of the Company.

It is the intention of the Company that the Plan meet all of the requirements necessary or appropriate to qualify it as a non-qualified, unfunded, unsecured plan of deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and all Plan provisions shall be interpreted accordingly.

ARTICLE II

DEFINITIONS

2.01 "Account" or "Accounts" shall mean all or any of the Deferred Account maintained under Section 4.01, the Matching Contribution Account maintained under Section 4.02 and the Discretionary Contribution Account maintained under Section 4.03 or any other Section of the Plan to reflect a Participant's interest (or the undistributed interest of a Beneficiary) under the Plan to the extent any one or more of such Accounts have been created for a Participant or Beneficiary. Each Account shall be a bookkeeping entry only and shall be utilized solely as a devise for the measurement and determination of the amounts to be paid to a Participant, or his designated Beneficiary, pursuant to this Plan.

2.02 "Annual Installment Method" shall be an annual installment payment over the number of years selected by the Participant in accordance with this Plan, calculated as follows: (i) for the first annual installment, the Participant's vested Account shall be calculated as of the close of business on or around the Participant's Benefit Distribution Date, as determined by the Committee in its sole discretion, and (ii) for remaining annual installments, the Participant's vested Account shall be calculated on every anniversary of such calculation date, as applicable. Each annual installment shall be calculated by multiplying the balance of the Participant's Account attributable to the Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution

Account by a fraction, the numerator of which is one and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a ten (10) year Annual Installment Method for the Termination Benefit, the first payment shall be 1/10 of the vested Account, calculated as described in this definition. The following year, the payment shall be 1/9 of the vested Account, calculated as described in this definition.

2.03 "Base Salary" shall mean the annual base rate of cash compensation paid by the Company to or for the benefit of a Participant for services rendered or labor performed during any calendar year while a Participant, including base pay a Participant could have received in cash in lieu of (A) deferrals pursuant to Section 3.03 and (B) contributions made on his behalf to any retirement plan which is qualified under section 401 of the Code and which is maintained by the Company or any affiliated company, or to any cafeteria plan under section 125 of the Code which is maintained by the Company or any affiliated company, if such plans exist.

2.04 "Beneficiary" shall mean any person or entity, designated in accordance with Section 4.16, entitled to receive benefits which are payable upon or after a Participant's death pursuant to the terms of this Plan.

2.05 "Benefit Distribution Date" shall mean the date that triggers distribution of a Participant's vested Account. A Participant's Benefit Distribution Date shall be determined upon the occurrence of any one of the following:

(a) If the Participant experiences a Termination of Employment, for any reason other than the Participant's Retirement or death, his or her Benefit Distribution Date shall be the date on which the Participant experiences a Termination of Employment unless the Participant is a Specified Employee in which case the Specified Employee's Benefit Distribution Date will be the six (6) month anniversary of the date on which the Specified Employee experiences a Termination of Employment; or

(b) If a Participant experiences a Termination of Employment as a result of the Participant's Retirement, his or her Benefit Distribution Date shall be the date on which the Participant experiences a Termination of Employment unless the Participant is a Specified Employee in which case the Specified Employee's Benefit Distribution Date will be the six (6) month anniversary of the date on which the Specified Employee experiences a Termination of Employment as a result of his or her Retirement; provided, however, in the event the Participant has changed his or her retirement benefit election in accordance with Section 4.10, his or her Benefit Distribution Date shall be postponed in accordance with Section 4.10, as applicable; or

(c) The date on which the Committee is provided with proof that is satisfactory to the Committee of the Participant's death, if the Participant dies prior to the complete distribution of his or her vested Account; or

(d) The date on which the Participant becomes Disabled; or

(e) The date on which the Company experiences a Change of Control, as determined by the Committee in its sole discretion, if (i) the Participant has elected to receive a distribution of his Account in connection with a Change of Control Benefit, as set forth in Section 4.13(a) below, and (ii) if a Change of Control occurs prior to the Participant's Termination of Employment, Retirement, death or Disability.

2.06 "Board" shall mean the Board of Directors of the Company, as from time to time constituted.

2.07 "Bonus Compensation" shall mean any cash compensation, in addition to Base Salary, Commissions and Performance-Based Compensation, earned by a Participant for services rendered during a Plan Year, under any bonus or cash incentive plan maintained by the Company.

2.08 "Change of Control" means the occurrence of any of the following events:

(a) <u>Change in the ownership of the Company</u>.

(1) A change in the ownership of a corporation occurs on the date that any one person, or more than one person acting as a group (as defined in paragraph (2)), acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. However, if any one person or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the Company (or to cause a change in the effective control of the Company (within the meaning of Section 2.08(b), below)). An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this section. This section (a) applies only when there is a transfer of stock of the Company (or issuance of stock of a corporation) and stock in the Company remains outstanding after the transaction (see Section 2.08(c) below for rules regarding the transfer of assets of the Company).

(2) For purposes of paragraph (a), persons will not be considered to be acting as a group solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a Company that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in both the Company and another corporation and

the Company and the other corporation enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in the Company only with respect to the ownership in the Company prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

(3) For purposes of determining stock ownership, section 318(a) of the Code applies. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treas. Reg. § 1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

(b) Change in the effective control of the Company.

(1) Notwithstanding that the Company has not undergone a change in ownership under section 2.08(a) above, a change in the effective control of the Company occurs on the date that either:

(i) Any one person, or more than one person acting as a group (as determined under paragraph (4)), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 40 percent or more of the total voting power of the stock of the Company; or

(ii) A majority of members of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors prior to the date of the appointment or election.

In the absence of an event described in paragraph (i) or (ii), a change in the effective control of the Company will not have occurred.

(2) A change in effective control also may occur in any transaction in which either of the two corporations involved in the transaction has a Change in Control under (a) or (c). Thus, for example, assume Corporation P transfers more than 40 percent of the total gross fair market value of its assets to Corporation O in exchange for 40 percent of O's stock. P has undergone a change in ownership of a substantial portion of its assets under (c) and O has a change in effective control under this (b).

(3) If any one person, or more than one person acting as a group, is considered to effectively control the Company (within the meaning of this (b)), the

acquisition of additional control of the Company by the same person or persons is not considered to cause a change in the effective control of the Company (or to cause a change in the ownership of the Company within the meaning of (a)).

(4) For purposes of determining whether or not persons should be considered to be acting as a group solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering see Section 2.08(a)(2).

(5) For purposes of determining stock ownership, see (a)(3) above.

(c) <u>Change in the ownership of a substantial portion of the Company's assets</u>.

(1) A change in the ownership of a substantial portion of the Company's assets occurs on the date that any one person, or more than one person acting as a group (as determined in paragraph (3)), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

(2) There is no Change in Control Event under this (c) when there is a transfer of assets of the Company to an entity that is controlled by the shareholders of the Company immediately after the transfer, as provided in this paragraph (2). A transfer of assets by the Company will not be treated as a change in the ownership of such assets if the assets are transferred to -

(i) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

(ii) An entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

(iii) A person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or

(iv) An entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii).

For purposes of this paragraph (2) and except as otherwise provided, a person's status is determined immediately after the transfer of the assets.

For example, a transfer to a corporation in which the Company has no ownership interest before the transaction, but which is a majority-owned subsidiary of the Company after the transaction is not treated as a change in the ownership of the assets of the Company.

(3) For purposes of determining whether or not persons should be considered to be acting as a group solely because they purchase assets of the same corporation at the same time, or as a result of the same public offering. see Section 2.08(a)(2).

(4) For purposes of determining stock ownership, see (a)(3) above.

2.09 “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time. References to any section of the Internal Revenue Code shall include any successor provision thereto.

2.10 “Commissions” shall mean any cash compensation, in addition to Base Salary, Bonus Compensation and Performance–Based Compensation, earned by a Participant for services rendered during a Plan Year, under any commission policy or program maintained by the Company.

2.11 “Committee” shall mean the committee appointed in accordance with Article VI hereof. If no Committee is appointed pursuant to Article IV hereof, “Committee” shall mean the Board.

2.12 “Common Stock” shall mean the Common Stock, par value $0.01 per share, of the Company.

2.13 “Company” shall mean Rent-A-Center, Inc.

2.14 “Compensation” shall mean Base Salary, Bonus Compensation, Commissions, and Performance-Based Compensation.

2.15 “Deferred Account” shall mean the separate bookkeeping account established and maintained by the Company to reflect the amount of Compensation deferred by the Participant pursuant to Section 3.03 hereof, as adjusted in accordance with Article IV hereof. A Participant shall have a 100% non-forfeitable interest in his Deferred Account at all times.

2.16 “Deferred Compensation Agreement” shall mean the form, which may be in electronic format, established from time to time by the Committee, or its designee, that an Eligible Employee completes, signs and returns to the Committee in order to become a Participant in the Plan and to make any applicable elections under the Plan.

2.17 “Disabled” or “Disability” shall mean the determination that a Participant:

(a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

(b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company.

2.18 "Discretionary Contribution" shall mean the amount the Company contributes to the Plan on behalf of any Participant, pursuant to the provisions of Section 3.06 hereof.

2.19 "Discretionary Contribution Account" shall mean the separate account maintained for each Participant to record the Discretionary Contribution made to the Plan on behalf of such Participant pursuant to Section 3.06 hereof, as adjusted in accordance with Article IV hereof.

2.20 "Effective Date" shall mean July 1, 2007.

2.21 "Eligible Employee" shall mean employees who are selected by the Committee to be eligible to participate in the Plan in accordance with Section 3.01, and who, because of their positions and responsibilities, contribute materially to the continued growth, development and future business success of the Company or are charged with the overall management of the daily operating activities of the Company. Participation in the Plan shall be limited to a select group of the Company's key management or highly compensated employees.

2.22 "Employee" shall mean a person who is an employee of an Employer.

2.23 "Employer" shall mean that Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.

2.24 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time. References to any section of ERISA shall include any successor provision thereto.

2.25 "Fair Market Value" shall mean with respect to the Common Stock, as of any date, (i) if the Common Stock is listed or admitted to trade on a national securities exchange, the closing price of the Common Stock on the composite tape of the principal national securities exchange on which the Common Stock is so listed or admitted to trade, on such date or, if there is no trading in s the Common Stock on such date, then the closing price of the Common Stock as quoted on such composite tape on the next preceding date on which there was trading in the Common Stock, as published in *The Wall Street Journal* or such other source as the Committee or the Board deems reliable; (ii) if the Common Stock is not listed or admitted to trade on a national securities exchange, then the closing price of the Common Stock as quoted on the National Market System of the NASD; (iii) if the Common Stock is not listed or admitted to trade on a national securities exchange or the National Market System of the NASD, the mean between the bid and asked price for the Common Stock on such date, as furnished by the NASD through NASDAQ or a similar organization if NASDAQ is no longer reporting such information; or (iv) if the Common Stock is not listed or admitted to trade on a national securities exchange or the National Market System of the NASD and if bid and asked prices for the Common Stock are not so furnished by the NASD or a similar organization, the value established by the Board. Fair market value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

2.26 "Matching Contribution" shall mean the amount the Company contributes to the Plan on behalf of any Participant, pursuant to the provisions of Section 3.05 hereof.

2.27 "Matching Contribution Account" shall mean the separate account maintained for each Participant to record the Matching Contribution made to the Plan on behalf of such Participant pursuant to Section 3.05 hereof, as adjusted in accordance with the provisions of Article IV hereof.

2.28 "Participant" shall mean an Eligible Employee who becomes a participant in the Plan pursuant to Article III hereof and any former Eligible Employee who is entitled to benefits under the Plan.

2.29 "Plan" shall mean the Rent-A-Center, Inc. Deferred Compensation Plan as set forth in this document, and as hereafter amended.

2.30 "Plan Year" shall mean the twelve (12) consecutive month period which begins on January 1 and ends on the following December 31. For the first Plan Year there shall be an initial short Plan Year from July 1, 2007 to December 31, 2007.

2.31 "Qualified Plan" shall mean the Rent-A-Center, Inc. 401(k) Retirement Savings Plan as in effect from time to time.

2.32 "Retirement" shall mean, with respect to an Employee, Termination of Employment with all Employers for any reason other than death or Disability, as determined in accordance with section 409A of the Code and related Treasury guidance and regulations, on or after the attainment of (a) age fifty-five (55).

2.33 "Specified Employee" shall mean, for any twelve (12) consecutive month period which begins on April 1 and ends on the following March 31 (the "Applicable Year"), any Employee who satisfies the definition of a key employee (as defined in section 416(i) of the Code without regard to section 416(i)(5) of the Code) for the most recent Plan Year which ends prior to the Applicable Year, as determined pursuant to procedures established from time to time by the Committee.

2.34 "Termination of Employment" shall mean the separation from service with all Employers, voluntarily or involuntarily, for any reason, as determined in accordance with section 409A of the Code and related Treasury guidance and regulations.

2.35 "Unforeseeable Emergency" shall mean a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in section 152(a) of the Code), (ii) a loss of the Participant's property due to casualty, or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee.

2.36 "Year of Vesting Service" shall mean a Plan Year during which the Participant completes not less than 1,000 hours of service for an Employer or, to the extent provided by the Committee in its sole discretion, a predecessor employer.

2.37 The words "herein," "hereof," and "hereunder" shall refer to the Plan.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.01 Eligibility. Each Plan Year, the Committee shall select those Employees of an Employer who shall be Eligible Employees for such Plan Year. Any Eligible Employee shall become a Participant in the Plan by making an election and executing a Deferred Compensation Agreement as set forth in Section 3.03 below. The determination as to the eligibility of any individual to participate in the Plan for any Plan Year, and the termination of such individual's eligibility to continue to participate in the Plan for any Plan Year, shall be in the sole and absolute discretion of the Committee or its designee, whose decision in that regard shall be conclusive and binding for all purposes hereunder.

3.02 Cessation of Eligible Employee Status. If any Participant does not incur a Termination of Employment but ceases to be an Eligible Employee, then, during the period that the Participant is not an Eligible Employee, the Participant's deferred compensation election under Section 3.03 hereof shall cease and the Participant shall not receive any further allocation of Matching Contributions or Discretionary Contributions, if any, under the Plan; however, such Participant's Account shall continue to be adjusted as provided in Section 4.05 hereof. If an individual again becomes an Eligible Employee, such Eligible Employee shall, effective as of the first day of the Plan Year immediately following the Plan Year in which the individual again becomes an Eligible Employee, be able to become a Participant in the Plan by making an election and executing a Deferred Compensation Agreement as set forth in Section 3.03 below

3.03 Deferred Compensation — General Rules.

(a) An Eligible Employee may elect, pursuant to a Deferred Compensation Agreement entered into with the Company, to participate in the Plan and to make an initial election to defer the receipt of a portion of the Compensation otherwise payable to him by the Company. All elections made under this Section 3.03 shall be (i) made in writing on a Deferred Compensation Agreement or such other form as may, from time to time, be prescribed by the Committee or its designee, (ii) filed with the Committee or its designee pursuant to procedures established by the

Committee, and (iii) irrevocable for the Plan Year for which made. The Deferred Compensation Agreement must be signed by the Participant and delivered to the Company at such time as required by the Committee or its designee. For each Plan Year other than the Plan Year during which he first becomes a Participant, an Eligible Employee's election to defer receipt of Compensation, and contribute to his Deferred Account established under this Plan, must be made prior to the first day of the Plan Year in which such Compensation is earned.

(b) With respect to the first Plan Year an Employee is eligible to participate, the Eligible Employee must execute his Deferred Compensation Agreement and make his initial election within thirty (30) days after he first becomes eligible to participate in the Plan, or within such other deadline as may be established by the Committee, in its sole discretion, or such Participant will not be allowed defer Compensation for the Plan Year; provided, however, that, if an Eligible Employee's first date of eligibility is the first day of a Plan Year, the Eligible Employee must make his first deferral election prior to the first day of such Plan Year. Notwithstanding the foregoing, if Compensation is earned based on a specified performance period, such as a Plan Year, and a deferral election is made in the first year of eligibility but after the beginning of such performance period, such Compensation shall, for purposes of such deferral election, be deemed earned ratably throughout the performance period so that the deferral election applicable to such Compensation shall be applicable to the portion of the Compensation eared after the effective date of the deferral election. That portion of such Compensation to which such deferral election shall relate shall be determined by multiplying the total amount of such Compensation by a fraction the numerator of which is the number of days remaining in the performance period after the effective date of the deferral election and the denominator of which is the total number of days in the applicable performance period.

(c) The rate of deferred compensation, if any, which each Participant elects for his Compensation must be in whole percentage points or dollar amounts. An initial election: (i) shall be made in accordance with this Section 3.03; (ii) shall be effective as soon as practicable after the executed Deferred Compensation Agreement is delivered to the Committee or its designee; (iii) shall only apply with respect to Compensation that relates to services performed subsequent to the effective date of the election as provided in Section 3.03(b); (iv) shall be irrevocable (except as provided in Sections 3.02 or 3.03(f) hereof); and (v) shall remain in force for the balance of the Plan Year in which the Participant's participation begins. A deferred compensation election will not carry over from Plan Year to Plan Year and a Participant must complete a new Deferred Compensation Agreement for each Plan Year in compliance with Section 3.03(b). If a Participant fails to complete a new Deferred Compensation Agreement in accordance with the provisions of Section 3.03(a) prior to the first day of any Plan Year in which the Participant continues to be eligible to participate in the Plan then the Participant will be deemed to have elected not to defer any compensation under the Plan for such Plan Year and any election the Participant makes during such Plan Year will not be effective until the next Plan Year. Notwithstanding the foregoing, if a Participant receives a legally binding right to a payment which is payable in a Plan Year subsequent to the Plan Year in which such legally binding right is received, and such legally binding right is subject to a forfeiture restriction which is based on the Participant's continued service for a period of at least twelve (12) months from the date the Participant obtains the legally binding right to the compensation, the Participant may make an election to defer such compensation on or before the thirtieth (30th) day after the Participant obtains the legally binding right to such compensation, provided that the election is made at least twelve (12) months in advance of the earliest date at which the forfeiture condition could lapse.

(d) If a Participant is entitled to receive "performance-based compensation," an irrevocable deferral election pertaining to such compensation may be made by timely delivering an Deferred Compensation Agreement to the Committee or its designee, in accordance with its rules and procedures, no later than the last day of the Plan Year which ends prior to the Plan Year in which the performance period applicable to the performance-based compensation begins. "Performance-Based Compensation" shall be compensation, the payment or amount of which is contingent on the satisfaction of pre-established organizational or individual performance criteria, which satisfies the requirements of section 409A Code and related Treasury guidance or regulations. In no event shall an election to defer performance-based compensation be permitted after such compensation has become both substantially certain to be paid and readily ascertainable.

(e) The Committee or its designee shall establish and communicate to Participants uniform and nondiscriminatory procedures for the election of deferred compensation and may, pursuant to the provisions of Article VII, change said procedures at such times and in such manner as the Committee or its designee may determine to be necessary or desirable.

(f) A Participant may not change (increase or decrease) a deferred compensation election for a Plan Year once that Plan Year has begun. Notwithstanding the foregoing, a Participant's deferral election under this Plan will be automatically revoked by the Committee or its designee if the Participant receives a distribution on account of an Unforeseeable Emergency as provided in Section 4.15, or receives a hardship distribution from a plan qualified under section 401(a) of the Code which includes a cash or deferred arrangement as described in section 401(k) of the Code. A Participant whose deferral election is discontinued during a Plan Year may not resume a deferred compensation election until the Plan Year following the Plan Year with respect to which the discontinuance occurred. Termination of Employment by a Participant or the separation from service for any reason, including death, Disability or Retirement, shall be deemed to revoke any election then in effect, effective immediately following the close of the pay period in which such termination or cessation occurs.

3.04 Deferred Compensation — Amounts.

(a) Base Salary Deferrals. A Participant may elect to defer receipt of up to 50% of his Base Salary for any Plan Year. Deferrals of Base Salary under this Plan shall be made before elective deferrals or contributions of Base Salary under any other plan maintained by the Company. Base Salary deferrals made by a Participant shall be credited to such Participant's Deferred Account as of the date the deferred Base Salary would have been received by such Participant in cash had no deferral been made pursuant to this Section 3.04.

(b) Bonus Compensation, Commissions and Performance-Based Compensation Deferrals. A Participant may elect to defer receipt of up to 100% of his Bonus Compensation or Commissions for any Plan Year and up to 100% of his Performance-Based Compensation for any applicable performance period. If any such compensation for a Plan Year is payable in more than one future Plan Year under the applicable bonus or incentive pay plan, a Participant shall also make a separate election under this Section 3.04 with respect to such Bonus Compensation for each Plan Year in which such Bonus Compensation is payable. Deferrals of Bonus Compensation, commissions or performance-based compensation under this Plan shall be made before elective deferrals or contributions of Bonus Compensation commission and/or performance-based compensation under any other plan maintained by the Company. Bonus Compensation commissions or performance-based compensation deferrals made by a Participant shall be credited to such Participant's Deferred Account as of the date the deferred Bonus Compensation, commissions or performance-based compensation would have been received by such Participant had no deferral been made pursuant to this Section 3.04.

(c) Minimum Limit. A Participant's election to defer his Compensation must reasonably be expected to result in a minimum deferral of One Thousand Dollars ($1,000) for any Plan Year that he elects deferral of any amounts of his Compensation.

(d) Maximum Limit. A Participant's election to defer his Compensation may not exceed Two Hundred and Fifty Thousand Dollars ($250,000). To the extent a Participant's election to defer his Compensation would result in a deferral which exceeds Two Hundred and Fifty Thousand Dollars ($250,000), it will be limited pursuant to procedures established by the Committee to the extent necessary so that the Participant's deferral does not exceed the maximum limit.

3.05 Matching Contribution. Each Plan Year, an Employer may make a Matching Contribution to the Plan on behalf of a Participant as a percentage of the Base Salary, Bonus Compensation, Commission or Performance-Based Compensation deferred by the Participant for the Plan Year, such percentage to be in such amount as the Employer in its sole discretion may authorize; provided, however, that the Employer may determine that no Matching Contribution shall be made for a Plan Year.

In addition, an Employer may elect to make as a Matching Contribution to a Participant's Matching Contribution Account established under this Plan the portion of such Participant's matching contributions the Participant would otherwise be eligible to receive under the Qualified Plan which cannot be credited to his or her account under the Qualified Plan because of a limitation contained in the Qualified Plan or Code, including, but not limited to, sections 402(g), 401(k)(3), 401(m)(2), and 401(a)(17) of the Code; provided, however, that no such matching contributions otherwise available under the Qualified Plan which relate to a period of time prior to the Participant's participation in this Plan may be added to his Matching Contribution Account hereunder.

3.06 Discretionary Contribution. Each Plan Year, an Employer may, from time to time, make a Discretionary Contribution to the Plan on behalf of a Participant in such amount as the Employer in its sole discretion may authorize; provided, however, that an Employer may determine that no Discretionary Contribution shall be made for a Plan Year. A Discretionary Contribution on behalf of a Participant shall not be deemed to entitle the Participant to, or to disqualify the Participant from, any other Discretionary Contribution an Employer might make during a Plan Year or any subsequent Plan year. A Discretionary Contribution on behalf of one Participant shall not be deemed to entitle any other Participant in the Plan to a Discretionary Contribution, and Discretionary Contributions made by an Employer during a Plan Year may be made solely to new Participants, or to existing Participants, or to a greater or lesser number of Participants or in different amounts among Participants.

3.07 FICA and Other Taxes.

(a) Annual Deferral Amounts. For each Plan Year in which a Participant has amounts withheld from his Compensation pursuant to a Deferred Compensation Agreement, the Participant's Employer(s) shall, to the extent applicable, withhold from that portion of the Participant's Base Salary or Bonus, that is not being deferred, in a manner determined by the Employer(s), the Participant's share, if any, of the FICA and other employment taxes on such Annual Deferral Amount that the Employer is required to withhold. If necessary, the Committee may reduce the Annual Deferral Amount in order to comply with this Section 3.07.

(b) Company Matching Contributions and Discretionary Contributions. When a Participant becomes vested in a portion of his or her Company Matching Contributions and/or Company Discretionary Contributions, the Participant's Employer(s) shall, to the extent applicable, withhold from that portion of the Participant's Base Salary and/or Bonus, that is not deferred, in a manner determined by the Employer(s), the Participant's share of the FICA and other employment taxes, if any, on such Company Matching Contributions and/or Company Discretionary Contributions. If necessary, the Committee may reduce the vested portion of the Participant's Company Matching Contributions or Company Discretionary Contributions, as applicable, in order to comply with this Section 3.07.

(c) Distributions. The Participant's Employer(s), or the trustee of the trust, if any, shall, to the extent applicable, withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, if any, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and/or the trustee of the Trust.

ARTICLE IV

BENEFITS AND VALUATION OF ACCOUNTS

4.01 Withholding and Crediting of Annual Deferral Amounts. For each Plan Year, the portion of a Participant's Base Salary that the Participant has elected to defer, pursuant to the execution of a Deferred Compensation Agreement in accordance with Section 3.03, shall be withheld from each regularly scheduled Base Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Base Salary. The portion of a Participant's Bonus Compensation, Commissions and Performance-Based Compensation to be deferred and contributed to the Plan pursuant to the Participant's Deferred Compensation Agreement shall be withheld at the time such Compensation is or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself. Any such Compensation deferred pursuant to this Section 4.01(a) shall be credited to a Participant's Deferral Account at the time such amounts would otherwise have been paid to the Participant.

4.02 Employer Matching Contribution. For each Plan Year, an Employer, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Matching Contribution Account under this Plan, which amount shall be for that Participant for that Plan Year. The amount so credited to a Participant's Matching Contribution Account may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant's Matching Contribution Account for a Plan Year may be zero, even though one or more other Participants receive a Company Matching Contribution for that Plan Year. Under no circumstances shall the total amount of the annual Company Matching Contribution for a Plan Year for all Participants of an Employer exceed the maximum percentage determined for such Plan Year by the Employer. The Company Matching Contribution described in this Section 4.02 if any, shall be credited on a date or dates to be determined by the Committee, in its sole discretion.

4.03 Employer Discretionary Contribution. For each Plan Year, an Employer, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Discretionary Contribution Account under this Plan, which amount shall be for that Participant for that Plan Year. A Participant's Discretionary Contribution for any Plan Year shall be an amount determined by the Employer, in its sole discretion. The amount so credited to a Participant under this Plan for any Plan Year (i) may be smaller or larger than the amount credited to any other Participant, and (ii) may differ from the amount credited to such Participant in the preceding Plan Year. The Participant's Discretionary

Contribution, if any, shall be credited on a date or dates to be determined by the Committee, in its sole discretion.

4.04 Crediting of Amounts after Benefit Distribution. Notwithstanding any provision in this Plan to the contrary, should the complete distribution of a Participant's vested Account occur prior to the date on which any portion of (i) the Participant's Compensation that a Participant has elected to defer in accordance with Section 3.03, (ii) the Company Matching Contribution, or (iii) the Company Discretionary Contribution, would otherwise be credited to the Participant's Account, such amounts shall not be credited to the Participant's Account, but shall be paid to the Participant in a manner determined by the Committee, in its sole discretion.

4.05 Periodic Determination of Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution Account. In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution Account in accordance with the following rules:

(a) Measurement Funds. The Committee, in its sole discretion, shall establish one or more measurement funds or such other investments ("Measurement Fund") in which a Participant may elect to have his Account deemed invested, for the purpose of crediting or debiting additional amounts to his Deferred Account, Matching Contribution Account and Discretionary Contribution Account. As necessary, the Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund. Any such discontinuance, addition or substitution will be effective as of the first day of the first calendar quarter that begins at least thirty (30) days after the day on which the Committee gives Participants advance written notice of such change.

(b) Election of Measurement Funds. A Participant, in connection with his initial deferral election in accordance with Section 3.03 above, shall elect, on the Deferred Compensation Agreement, or on such other form as the Committee or its designee may prescribe, one or more Measurement Fund(s) (as described in Section 4.05(a) above) to be used to determine the amounts to be credited or debited to his Deferred Account, Matching Contribution Account and Discretionary Contribution Account. If a Participant does not elect a Measurement Fund(s) to be used to determine the amounts to be credited or debited to his Deferred Account, Matching Contribution Account and Discretionary Contribution Account, the Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution Account shall automatically be allocated to the Measurement Fund the Committee, in its sole discretion, determines is the most likely to preserve the principal balance of the Participant's Account. The Participant may (but is not required to) elect, by submitting to the Committee a revised Deferred Compensation Agreement, or such other form as the Committee or its designee may prescribe, to add or delete one or more Measurement Fund(s) to be used to determine the amounts to be credited or debited to his Deferred Account, Matching Contribution Account and Discretionary Contribution Account, or to change the portion of his Deferred Account, Matching Contribution Account and Discretionary Contribution Account allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall apply as of the first business day of the first calendar quarter that begins after the election is received by the Committee or its designee. Notwithstanding the foregoing, the Committee, in its sole discretion, may impose limitations on the frequency with which one or more of the Measurement Funds elected in accordance with this Section 4.05 may be added or deleted by such Participant; furthermore, the Committee, in its sole discretion, may impose limitations on the frequency with which the Participant may change the portion of his Deferred Account, Matching Contribution Account and Discretionary Contribution Account allocated to each previously or newly elected Measurement Fund.

(c) Proportionate Allocation. In making any election described in Section 4.05(b) above, the Participant shall specify on the Deferred Compensation Agreement, or such other form as the Committee or its designee may prescribe, in increments of one percent (1%), the percentage of his Deferred Account, Matching Contribution Account and Discretionary Contribution Account as applicable, to be allocated/reallocated among the Measurement Funds selected by the Participant. In addition, a Participant may be permitted to make a separate election with respect to the allocation of the balance in each of his Deferred Accounts Matching Contribution Account and Discretionary Contribution Account and with respect to his future contributions to each such Account.

(d) Crediting or Debiting Method. The performance of each Measurement Fund (either positive or negative) will be determined on a daily basis based on the manner in which such Participant’s Deferred Account, Matching Contribution Account and Discretionary Contribution Account has been hypothetically invested among the Measurement Funds by the Participant. Such Measurement Fund performance shall be credited or debited to a Participant’s Deferred Account, Matching Contribution Account and Discretionary Contribution Account, as applicable.

(e) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant’s election of any such Measurement Fund, the allocation of his Deferred Account, Matching Contribution Account and Discretionary Contribution Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant’s Deferred Account, Matching Contribution Account and Discretionary Contribution Account shall not be considered or construed in any manner as an actual investment of his Deferred Account, Matching Contribution Account and Discretionary Contribution Account in any such Measurement Fund. In the event that the Company (or the trustee, if a trust is established pursuant to Section 5.02), in its own discretion, decides to invest funds in any or all of the investments on which the Measurement

Funds are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or, if applicable, the trust; the Participant shall at all times remain an unsecured creditor of the Company.

4.06 Deferred Stock Account Measurement Fund.

(a) The Committee, in its sole discretion, may establish a Deferred Stock Account as one of the Measurement Funds. If a Deferred Stock Account is established, amounts allocated to the Deferred Stock Account shall be deemed to be invested in shares of Common Stock ("Measurement Share"). On the date any amounts are allocated to the Deferred Stock Account, such amounts will be deemed invested in the whole and fractional number of Measurement Shares determined by dividing the total contribution allocated to the Deferred Stock Account by the Fair Market Value of a share of Common Stock on the date the contributions are allocated to the Deferred Stock Account. Amounts contributed to the Deferred Stock Account shall remain invested in Measurement Shares.

(b) For all purposes of the Deferred Stock Account, the value of a Measurement Share on any given date will be an amount equal to the Fair Market Value of a share of Common Stock as of that date. The change in the value of a Participant's Deferred Stock Account shall be determined on a daily basis based the change in the value of the total number of Measurement Shares credited to the Participant's Deferred Stock Account (either positive or negative).

(c) A Participant's Deferred Stock Account may be adjusted to reflect the addition of the value of dividends issued on the Common Stock of the Company.

4.07 Vesting.

(a) Deferred Account. A Participant shall at all times be 100% vested in his Deferred Account.

(b) Matching Contribution Account and Discretionary Contribution Account. Unless otherwise provided by the Committee, in its sole discretion, in connection with any specific Matching Contribution or Discretionary Contribution made on behalf of a Participant or Participants, a Participant shall vest in each Matching Contribution and Discretionary Contribution, plus amounts credited and debited on such amount, on each anniversary of the date on which any such Matching Contribution or Discretionary Contribution was credited to the Matching Contribution Account or Discretionary Contribution Account, as applicable, in accordance with the following schedule; provided, however, that the Participant must be in the service of an Employer as an Employee on each such anniversary to receive vesting credit:

Years of Vesting Service with all Employers	Vested Percentage
Less than 1 year	0%
1 year or more, but less than 2	20%
2 years or more, but less than 3	40%
3 years or more, but less than 4	60%
4 years or more, but less than 5	80%
5 years or more	100%

Unless otherwise provided by the Committee, in its sole discretion, in connection with any specific Matching Contribution or Discretionary Contribution made on behalf of a Participant or Participants, for the purpose of determining the vested percentage of a Participant's Matching Contribution Account or Discretionary Contribution Account, as applicable, total Years of Vesting Service with all Employers shall determine the Participant's vested percentage in his Matching Contribution Account or Discretionary Contribution Account.

(c) Forfeitures. The percentage of a Participant's Matching Contribution Account and Discretionary Contribution Account that he does not receive on account of Termination of Employment prior to 100% vesting in accordance with Section 4.07(b) will be considered a "Forfeiture" and shall remain as a general asset of the Company. In the event a trust is established for payment of benefits as provided for in Article V, the Committee shall use Forfeitures (calculated as of the last day of the Plan Year in which the Forfeitures occur) to pay applicable Plan administration expenses or to reduce any Matching Contribution or Discretionary Contribution made to Participants for such Plan Year. If no Matching Contribution or Discretionary Contribution is made for such Plan Year, then such Forfeitures shall be available to pay applicable Plan administration expenses or to offset Matching Contributions or Discretionary Contributions made in a future Plan Year and, until allocated to a Participant's Account, no Participant shall have any interest in or right to any Forfeiture.

(d) Vesting Computation Period. For the purposes of computing a Participant's nonforfeitable right to the amounts in his Matching Contribution Account and Discretionary Contribution Account, Years of Vesting Service will be measured by the Plan Year. Unless otherwise provided by the Committee, in its sole discretion, in connection with any specific Matching Contribution or Discretionary Contribution made on behalf of a Participant or Participants, an Eligible Employee's service with the Company prior to the date he becomes a Participant will be counted towards Years of Vesting Service in this Plan.

(e) Vesting Upon Disability, Death or Retirement. A Participant's right to his Matching Contribution Account and Discretionary Contribution Account shall be 100% vested due to such Participant's Disability, death, Early Retirement or Retirement.

(f) Vesting Upon a Change of Control. A Participant's right to his Matching Contribution Account and Discretionary Contribution Account shall be 100% vested due to a Change of Control pursuant to Section 2.08.

(g) Vesting in Event of Plan Termination. If the Plan terminates in accordance with Section 8.01 hereof, each Participant shall be 100% vested in his Accounts.

4.08 Distribution Elections.

(a) Time of Payment. With respect to each election by a Participant to defer Compensation pursuant to Article III, such Participant shall elect to commence payment of such deferral (and the earnings credited thereto) on one of the following dates:

(i) Retirement; or

(ii) A specific future month and year, but not earlier than five (5) years from the date of the deferral, and not later than the first day of the Plan Year following the Plan Year in which the Participant attains age fifty-nine and one-half ($59^1/_2$).

(b) Form of Payment.

(i) Compensation. At the time a Participant makes an initial election to defer Compensation pursuant to Article III, such Participant shall elect the form of payment with respect to such initial deferral and all subsequent deferrals (and the earnings credited thereto) from one of the following forms:

(A) A lump sum; or

(B) Annual Installment Method for a period of up to fifteen (15) years.

Generally, payments pursuant to a Participant's election shall commence no later than sixty (60) days after the Participant's Benefit Distribution Date. Notwithstanding the foregoing, a scheduled distribution described in Section 4.08(a)(ii) shall be made in a lump sum and shall be paid out during a sixty (60) day period commencing immediately after the first day of any Plan Year designated by the Participant.

(ii) Matching Contribution Account and Discretionary Contribution Account. Unless otherwise elected by the Participant, pursuant to procedures established by the Committee in their sole discretion, any such distributions of Compensation shall include any related amounts the Participant's Employer may have contributed to the Participant's Matching Contribution Account and Discretionary Contribution Account (and the earnings credited thereto).

(iii) Deferred Stock Account. Notwithstanding the forgoing, any portion of a Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution Account deemed invested in the Deferred Stock Account shall be distributed in a lump sum in shares of Common Stock rounded down to the nearest whole share determined pursuant to Section 4.06 on or as soon as administratively practicable following the Participant's Benefit Distribution Date. Any balance in the Deferred Stock Account which constitutes a fractional share of Common Stock shall be distributed in a lump sum in cash.

(iv) Payment Election Generally. Except as provided in Sections 4.08(c) and 4.10, elections made by a Participant in this Section 4.08 regarding the time and form of payment of a deferral, and the earnings credited thereto, shall be irrevocable once made.

(c) Postponing Scheduled Distributions. A Participant may elect to postpone a scheduled distribution described in Section 4.08(a)(ii) above, and have such amount paid out during a sixty (60) day period commencing immediately after an allowable alternative distribution date designated by the Participant in accordance with this Section 4.8(c). In order to make this election, the Participant must submit a new election form to the Committee in accordance with the following criteria:

(i) Such election form must be submitted to and accepted by the Committee in its sole discretion at least twelve (12) months prior to the Participant's scheduled distribution date which was designated pursuant ;

(ii) The new scheduled distribution date selected by the Participant must be the first day of a Plan Year, and must be at least five years after the previously designated scheduled distribution date; and

(iii) The election of the new scheduled distribution date shall have no effect until at least twelve (12) months after the date on which the election is made.

(d) Other Benefits Take Precedence Over Scheduled Distributions. Should a Benefit Distribution Date occur that triggers a benefit under Sections 4.9, 4.10, 4.11, 4.12, or 4.13 any Annual Deferral Amount that is subject to a Scheduled Distribution election under Section 4.8 shall not be paid in accordance with Section 4.8, but shall be paid in accordance with the other applicable Section. Notwithstanding the foregoing, the Committee shall interpret this Section 4.8(d) in a manner that is consistent with section 409A of the Code and related Treasury guidance and Regulations.

4.09 Termination Benefit.

(a) A Participant who has a Termination of Employment shall receive, as a Termination Benefit, his or her vested Account, calculated as of the close of business on or around the Participant's Benefit Distribution Date, as determined by the Committee in its sole discretion.

(b) The Termination Benefit shall be paid to the Participant in a lump sum payment no later than sixty (60) days after the Participant's Benefit Distribution Date.

4.10 Retirement Benefit.

(a) Upon a Participant's Retirement, the Participant shall receive a retirement benefit, which shall be equal to the Participant's fully vested Account as provided for in Sections 4.05 and 4.06, calculated as of the close of business on or around the Participant's Benefit Distribution Date, as determined by the Committee in its sole discretion.

(b) Payment of Retirement Benefit.

(i) In connection with his or her commencement of participation in the Plan, a Participant may elect pursuant to Section 4.08(b) to receive his retirement benefit either in a lump sum, or pursuant to an Annual Installment Method of up to fifteen (15) years. If a Participant does not make any election with respect to the payment of the retirement benefit, then such Participant shall be deemed to have elected to receive the retirement benefit in a lump sum.

(ii) The Participant may change the form of payment of his retirement benefit by submitting an election changing his form of payment, on such form as may be prescribed by the Committee or its designee, in accordance with the following criteria:

(A) The election to modify the retirement benefit shall have no effect until at least twelve (12) months after the date on which the election is made; and

(B) The first retirement benefit payment shall be delayed at least five (5) years from the Participant's originally scheduled Benefit Distribution Date described in Section 2.04.

For purposes of applying the requirements above, the right to receive the retirement benefit in installment payments shall be treated as the entitlement to a single payment. The Committee shall interpret all provisions relating to changing the retirement benefit election under this Section 4.11 in a manner that is consistent with section 409A of the Code and related Treasury guidance or regulations.

The form of payment election most recently accepted by the Committee that has become effective shall govern the payout of the retirement benefit.

(iii) The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the Participant's Benefit Distribution Date. Remaining installments, if any, shall be paid no later than sixty (60) days after each anniversary of the Participant's Benefit Distribution Date.

4.11 Disability. If a Participant terminates employment due to Disability, payment of the amounts credited to such Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution Account shall, be distributed to the Participant in a lump sum in cash within sixty (60) days following the Participant's Benefit Distribution Date.

4.12 Death. In the event of a Participant's death at a time when amounts are credited to such Participant's Accounts and prior to Retirement, the amounts credited to the Participant's Deferred Account, Matching Contribution Account and Discretionary Contribution Account shall be distributed in a lump sum in cash to such Participant's designated Beneficiary or Beneficiaries within sixty (60) days of the Participant's Benefit Distribution Date. Notwithstanding the foregoing, if a Participant dies after Early Retirement or Retirement and at the time of the Participant's death the Participant was receiving his benefits under the Plan pursuant in installments pursuant to Section 4.08(b) herein, the balance in the Participant's Accounts will continue to be paid in the same form to the Participant's Beneficiary.

4.13 Change Of Control Benefit.

(a) Election of Change of Control Benefit. A Participant, in connection with his or her commencement of participation in the Plan, shall irrevocably elect on an on the Deferred Compensation Agreement whether to (i) receive a Change of Control Benefit upon the occurrence of a Change of Control, which shall be equal to the Participant's vested Account, calculated as of the close of business on or around the Participant's Benefit Distribution Date, as determined by the Committee in its sole discretion, or (ii) to have his Account remain in the Plan upon the occurrence of a Change of Control and to have his Account remain subject to the terms and conditions of the Plan. If a Participant does not make any election with respect to the payment of his Account in connection with a Change of Control, then such Participant's Account shall remain in the Plan upon a Change of Control and shall be subject to the terms and conditions of the Plan.

(b) Matching Contribution Account and Discretionary Contribution Account. In the event of a Change of Control, the unvested balance in each Participant's Matching Contribution Account and Discretionary Contribution Account will accelerate and vest, pursuant to Section 4.07(f) of the Plan.

(c) Payment of Change of Control Benefit. The Change of Control Benefit, if any, shall be paid to the Participant in a lump sum no later than sixty (60) days after the Participant's Benefit Distribution Date. Notwithstanding the foregoing, the Committee shall interpret all provisions in this Plan relating the payment of a benefit as a result of a Change of Control in a manner that is consistent with section 409A of the Code and related Treasury guidance and regulations.

4.14 Withdrawal Payout/Suspensions for Unforeseeable Emergencies.

(a) If the Participant experiences an Unforeseeable Emergency, the Participant may petition the Committee to receive a partial or full payout from the Plan, subject to the provisions set forth below.

(b) The payout, if any, from the Plan shall not exceed the lesser of (i) the Participant's vested Account, calculated as of the close of business on or around the date on which the amount becomes payable, as determined by the Committee in its sole discretion, or (ii) the amount necessary to satisfy the Unforeseeable Emergency, plus amounts necessary to pay Federal, state, or local income taxes or penalties reasonably anticipated as a result of the distribution. Notwithstanding the foregoing, a Participant may not receive a payout from the Plan to the extent that the Unforeseeable Emergency is or may be relieved (A) through reimbursement or compensation by insurance or otherwise, (B) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (C) by cessation of deferrals under this Plan.

(c) If the Committee, in its sole discretion, approves a Participant's petition for payout from the Plan, the Participant shall receive a payout from the Plan within sixty (60) days of the date of such approval, and the Participant's deferrals under the Plan shall be terminated as of the date of such approval.

(d) In addition, a Participant's deferral elections under this Plan shall be terminated to the extent the Committee determines, in its sole discretion, that termination of such Participant's deferral elections is required pursuant to Treas. Reg. §1.401(k)-1(d)(3) for the Participant to obtain a hardship distribution from an Employer's 401(k) Plan. If the Committee determines, in its sole discretion, that a termination of the Participant's deferrals is required in accordance with the preceding sentence, the Participant's deferrals shall be terminated as soon as administratively practicable following the date on which such determination is made.

(e) Notwithstanding the foregoing, the Committee shall interpret all provisions relating to a payout and/or termination of deferrals under this Section 4.15 in a manner that is consistent with section 409A of the Code and related Treasury guidance and Regulations.

4.15 Designation of Beneficiaries. Each Participant shall have the right, at any time, to designate the primary and contingent Beneficiary or Beneficiaries to receive his Account balance under the Plan upon the death of the Participant. The designated Beneficiary under the Plan may be the same or different from the beneficiary designation under any other plan of the Employer in which the Participant participates.

(a) Spousal Consent for Beneficiary Designation Change. A Participant shall designate a Beneficiary or change a Beneficiary designation by completing a Beneficiary designation form, and returning the signed form to the Committee or its designee, and otherwise complying with the terms of the Beneficiary designation form and the Plan's rules and procedures applicable to Beneficiary designations. If the Participant names someone other than his spouse as the sole primary Beneficiary, the Committee or its designee may, in its sole discretion, determine that spousal consent is required to be provided in a form designated by the Committee or its designee, executed by such Participant's spouse and returned to the Committee or its designee. Upon the acceptance by the Committee or its designee of a new Beneficiary designation form, all Beneficiary designations previously filed shall be canceled. The Committee or its designee shall be entitled to rely on the last Beneficiary designation form filed by the Participant and accepted by the Committee or its designee prior to his death.

(b) Revocation of Spousal Beneficiary Designation Upon Divorce. If a Participant is divorced and the Participant's former spouse is the Beneficiary named by the Participant on a Beneficiary designation form accepted by the Committee or its designee prior to the effective date of the divorce, the former spouse shall be deemed to have predeceased the Participant and the Participant's Account balance under the Plan shall be paid to the remaining primary or contingent Beneficiaries, as applicable, with the exception of any portion of the Participant's Account balance under the Plan previously awarded to the Participant's former spouse under Section 9.11 pursuant to a valid court order issued in connection with a division of property in a divorce proceeding.

(c) No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in this Section 4.16, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's Account, then the Participant's designated Beneficiary shall be deemed to be his surviving spouse. If the Participant has no surviving spouse, the remaining Account balance under the Plan payable to a Beneficiary shall be paid first in equal shares to the Participant's surviving children and if the Participant has no surviving children, in equal shares to the Participant's surviving parents and if the Participant has no surviving parents, to the executor or personal representative of the Participant's estate

(d) Uncertainty Concerning Beneficiary. If the Committee or its designee is uncertain about the proper Beneficiary to receive payments following the death of a Participant, the Committee or its designee shall have the right, exercisable in its discretion, to cause the Employer to withhold such payments until the matter is resolved to the Committee's satisfaction.

(e) Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge the Employer and the Committee from all further obligations under the Plan with respect to the Participant or the Beneficiary.

4.16 Forfeiture for Cause. A Participant (or the Participant's Beneficiary) shall not be entitled to receive any portion of the amount credited to such Participant's Matching Contribution Account and Discretionary Contribution Account, and all amounts credited to such Accounts shall be permanently forfeited by the Participant as a result of the Participant's termination of employment for Cause. For purposes of this Section 4.17 "Cause" means (i) "cause" as that term may be defined in any written employment agreement between the Participant and an Employer which may at any time be in effect, or (ii) in the absence of such a definition in a then-effective written employment agreement (in the determination of the Committee), the occurrence of one or more of the following events:

(a) Participant's failure to substantially perform such of Participant's duties with an Employer as determined by the Committee or the Employer;

(b) Participant's willful failure or refusal to perform specific directives of his Employer, which directives are consistent with the scope and nature of Participant's duties and responsibilities;

(c) Participant's conviction of a felony;

(d) a breach of Participant's fiduciary duty to an Employer or any act or omission of Participant that (A) results in the assessment of a criminal penalty against an Employer, (B) is otherwise in violation of any federal, state, local or foreign law or regulation (other than traffic violations and other similar misdemeanors), (C) adversely affects or could reasonably be expected to adversely affect the business reputation of an Employer, or (D) otherwise constitutes willful misconduct, gross negligence, or any act of dishonesty or disloyalty;

(e) the violation by Participant of any policy, rule or directive established by an Employer; or

(f) an Employer's determination that Participant's performance or conduct was unacceptable.

4.17 Unclaimed Benefits. In the case of a benefit payable on behalf of a Participant, if the Committee or its designee is unable to locate the Participant or Beneficiary to whom such benefit is payable, such benefit shall be forfeited to the Company by the later of (a) the Committee's determination that the Participant or Beneficiary cannot be located, or (b) one (1) year from the last date on which any written communication was sent to the Participant or Beneficiary. Notwithstanding the foregoing, if subsequent to any such forfeiture the Participant or Beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit shall be paid by the Employer or restored to the Plan by the Employer.

ARTICLE V

SOURCE OF PAYMENT OF BENEFITS

5.01 Source of Funds. The Plan is a nonqualified, unfunded, deferred compensation plan. All benefits payable under the Plan shall be from the general assets of the Company, which are subject to the claims of the Company's general creditors. Neither the Participants nor any Beneficiary shall have any right, title or interest whatever in or to, or any claim, preferred or otherwise, in or to, any particular assets of the Company as a result of participation in the Plan, any policy or contract as provided for herein, or any trust that the Company may establish to aid in providing the payments described in the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust or a fiduciary relationship of any kind between the Company and a Participant or any other person. Neither a Participant nor a Beneficiary of a Participant shall acquire any interest greater than that of an unsecured creditor in any assets of the Company or in any trust that the Company may establish for the purposes of paying benefits hereunder.

5.02 Establishment of a Trust.

(a) In order to provide assets from which to fulfill the obligations of the Participants and their Beneficiaries under the Plan, the Company may establish a trust by a trust agreement with a third party, the trustee, to which each Employer may, in its discretion, contribute cash or other property, including securities issued by the Company, to provide for the benefit payments under the Plan (the "Trust"). All assets paid into any Trust shall at all times before actual payment to a Participant or Beneficiary remain subject to the claims of the general creditors of the Company. In the absence of action by the Committee, nothing herein shall be construed to create or require the creation of a trust for the purpose of paying benefits owing under the Plan.

(b) To the extent a Trust established in connection with this Plan, if any, has sufficient assets, the trustee of such Trust shall pay benefits to Participants or their Beneficiaries, except to the extent an Employer pays the benefits directly and provides adequate evidence of such payment to the Trustee. To the extent the trustee does not or cannot pay benefits out of a Trust established in connection with this Plan, the benefits shall be paid by the Participant's Employer. Any benefit payments made to a Participant or for his benefit pursuant to any provision of the Plan shall be debited to such Participant's Deferred Account, Deferred Stock Account, Matching Contribution Account or Discretionary Contribution Account, as appropriate.

5.03 Interrelationship of the Plan and the Trust. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.

5.04 Distributions From the Trust. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

5.05 Purchase of Insurance Policies or Contracts. Although the Plan is to be deemed totally unfunded, in addition to the discretionary authority to establish a trust as provided for herein, the Company may, but shall not be obligated to, purchase one or more life insurance or annuity policies or contracts for the purpose of providing for its obligations hereunder. Any such policies or contracts, if so purchased, shall name the Company or the trust as beneficiary and sole owner, with all incidents of ownership therein, including (but not limited to) the right to cash and loan values, dividends (if any), death benefits, and the right of termination. Any such policies or contracts purchased hereunder shall remain a general restricted asset of the Company or of the trust. Unless otherwise provided by the Company, no policy or contract as provided for herein shall be deemed to be held in trust for the benefit of a Participant or any Beneficiary.

ARTICLE VI

ADMINISTRATION

6.01 Appointment of Committee. The administration of the Plan will be the responsibility of the Committee or its designee. The Committee shall be appointed by the Board or its designee and shall consist of one (1) or more members. Each member of the Committee shall serve for a term of one (1) year and until his successor shall be appointed. A member may serve for more than one (1) term. If the Committee consists of more than one (1) member, the Committee shall appoint one (1) of the members as Chairman by majority vote. The Committee, by majority vote, shall be authorized to remove any member of the Committee with or without cause by notifying such member in writing, and may fill vacancies in the Committee, however caused. A member of the Committee may resign upon ten (10) days' prior notice by delivery of his written resignation to the other members of the Committee. Subject to its ability to delegate such authority to its authorized designee as provided in Sections 6.03 and 6.08 herein, the Committee shall have the sole power, duty and responsibility for directing the administration of the Plan in accordance with its terms.

6.02 Compensated Expenses of the Committee. The members of the Committee shall serve without compensation for their services as such, but the reasonable and necessary expenses of the Committee shall be paid as provided in Section 9.09. When, in its discretion, the Company or any adopting employer deems it advisable, the Committee shall be authorized to have the records of the Committee audited by an independent auditor, and reasonable and necessary expenses thereby incurred shall be paid as provided in Section 9.09 hereof.

6.03 Secretary and Agents of the Committee. The Committee may appoint a Secretary who may, but need not, be a member of the Committee, and may employ such agents and such clerical and other personnel as reasonably may be required for the purpose of administering the Plan. Such administrative personnel shall carry out the duties and responsibilities assigned to them by the Committee. The Committee in its sole discretion may delegate the duty and responsibility for directing and administering the Plan in accordance with its terms to such personnel or such other designees as the Committee may decide, in which case such individuals will have the authority delegated to them by the Committee until such time as the Committee revokes such authority. The Committee may also appoint such accountants, counsel, and actuaries and other advisers as it deems necessary or desirable in connection with the administration of the Plan. Expenses necessarily incurred for such purpose shall be paid as provided in Section 9.09 hereof.

6.04 Actions of Committee.

(a) A majority of the members of the Committee shall constitute a quorum for the transaction of business, and shall have full power to act hereunder. Action by the Committee shall be official if approved by a vote of a majority of the members present at any official meeting. The Committee may, without a meeting, authorize or approve any action by written instrument signed by a majority of all of the members. Any written memorandum signed by the Chairman, or any other member of the Committee, or by any other person duly authorized by the Committee to act, in respect of the subject matter of the memorandum, shall have the same force and effect as a formal resolution adopted in open meeting.

(b) A member of the Committee may not vote or decide upon any matter relating solely to him or vote in any case in which his individual right or claim to any benefit under the Plan is specifically involved. If, in any case in which a Committee member is so disqualified to act, the remaining members then present cannot, by majority vote, act or decide, the Committee will appoint a temporary substitute member to exercise all of the powers of the disqualified member concerning the matter in which he is disqualified.

(c) The Committee shall maintain minutes of its meetings and written records of its actions, and as long as such minutes and written records are maintained, members may participate and hold a meeting of the Committee by means of conference telephone or similar communications equipment which permits all persons participating in the meeting to hear each other. Participation in such a meeting constitutes presence in person at such meeting.

6.05 Authority of Committee. The Committee or its designee is authorized to take such actions as may be necessary to carry out the provisions and purposes of the Plan and shall have the discretionary authority to control and manage the operation and administration of the Plan. In order to effectuate the purposes of the Plan, the Committee or its designee shall have the fiduciary power and discretion to construe and interpret the Plan, to supply any omissions therein, to reconcile and correct any errors or inconsistencies, to decide any questions in the administration and application of the Plan, and to make equitable adjustments for any mistakes or errors made in the administration of the Plan. All such actions or determinations made by the Committee, and the application of rules and regulations to a particular case or issue by the Committee, in good faith, shall not be subject to review by any person or entity, but shall be final, binding and conclusive on all persons ever interested hereunder. In construing the Plan and in exercising its power under provisions requiring Committee approval, the Committee shall attempt to ascertain the purpose of the provisions in question and when such purpose is known or reasonably ascertainable, such purpose shall be given effect to the extent feasible. Likewise, the Committee is authorized to determine all questions with respect to the individual rights of all Participants and their Beneficiaries under this Plan, including, but not limited to, all issues with respect to valuation of Accounts, and Retirement, Disability or Termination of Employment, and shall direct any trustee concerning the allocation, payment and distribution of any funds held in trust for purposes of the Plan.

6.06 General Administrative Powers. The Committee or its designee shall have authority to make, and from time to time, revise rules and regulations for the administration of the Plan.

6.07 Plan Administrator. "Plan Administrator" shall mean the Committee or its designee. The Plan Administrator shall exercise such authority and responsibility as it deems appropriate to comply with the provisions of federal law and governmental regulations issued thereunder and to carry out any duties imposed hereby.

6.08 Duties of Administrative Personnel. Administrative personnel appointed pursuant to Section 6.03 hereof, shall be responsible for such matters as the Committee shall delegate to them by written instrument, including, but not limited to communications to Employees at the direction of the Committee, reports to the Committee involving questions of eligibility and contributions, and assisting Participants and Beneficiaries in the completion of forms prescribed by the Committee. Administrative personnel may not make any decision as to Plan policy, interpretations, practices or procedures unless the authority to make such decisions has been delegated to them in writing by the Committee. All administrative personnel shall perform their allocated function within the policies, interpretations, rules, practices and procedures established by the Committee, except that administrative personnel shall coordinate matters related to the Plan with the appropriate departments of the Company and each adopting employer as the Committee directs.

6.09 Indemnity. The Company shall indemnify and hold harmless each "Indemnified Person," as defined below, against any and all claims, demands, suits, proceedings, losses, damages, interest, penalties, expenses (specifically including, but not limited to counsel fees to the extent approved by the Company or otherwise provided by law, court costs and other reasonable expenses of litigation), and liability of every kind, including amounts paid in settlement, with the approval of the Company, arising from any action or cause of action related to the Indemnified Person's act or acts or failure to act. Such indemnity shall apply regardless of whether such claims, demands, suits, proceedings, losses, damages, interest, penalties, expenses, and liability arise in whole or in part from the negligence or other fault of the Indemnified Person, except when the same is judicially determined to be due to gross negligence, fraud, recklessness, willful or intentional misconduct of such Indemnified Person. "Indemnified Person" shall mean each member of the Committee and each individual otherwise acting in an administrative capacity with respect to the Plan.

6.10 Review Procedures Under ERISA.

(a) Presentation of Claim. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee or its designee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

(b) Notification of Decision. The Committee or its designee shall consider a Claimant's claim within a reasonable time, but no later than 90 days (45 days in the case of a claim for Disability benefits) after receiving the claim. If the Committee or its designee determines that special circumstances require an extension of time for processing the claim (or in the case of a claim for Disability benefits, an extension is necessary for reasons beyond the control of the Plan), written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 90 day (or 45 day) period. In no event shall such extension exceed a period of 90 days (30 days in the case of a claim for Disability benefits which may be further extended for an additional 30 days if the additional extension is due to reasons beyond the control of the Plan) from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. The Committee or its designee shall notify the Claimant in writing that the Claimant's requested determination has been made, and that the claim has been allowed in full; or that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:

(i) the specific reason(s) for the denial of the claim, or any part of it;

(ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;

(iv) if the claim is a claim for Disability benefits, any internal rule, guideline, protocol or other similar criterion which was relied on in connection with the review of the claim and that such internal rule, guideline, protocol or similar criterion may be obtained by the Claimant at the Claimant's request free of charge;

(v) if the claim is a claim for Disability benefits, and the denial is based on medical necessity or other similar exclusion or limit, Claimant's right to receive free of charge an explanation of how that exclusion or limit and any related clinical judgments apply to the Claimant's medical circumstances;

(vi) an explanation of the claim review procedure set forth in Section 6.10(d) below; and

(vii) a statement of the Claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

(c) Review of a Denied Claim. On or before 60 days (180 days in the case of a claim for Disability benefits) after receiving a notice from the Committee or its designee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee or its designee a written request for a review of the denial of the claim. The Claimant (or the Claimant's duly authorized representative):

(i) may, upon request and free of charge, have reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;

(ii) may submit written comments or other documents; and/or

(iii) may request a hearing, which the Committee or its designee, as applicable, in its sole discretion, may grant.

(d) Decision on Review. The Committee or its designee shall render its decision on review promptly, and no later than 60 days (45 days in the case of a claim for Disability benefits) after the Committee or its designee receives the Claimant's written request for a review of the denial of the claim. If the Committee or its designee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 60 day (or 45 day) period. In no event shall such extension exceed a period of 60 days (45 days in the case of a Disability claim) from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee or its designee expects to render the benefit determination. In rendering its decision, the Committee or its designee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. In the case of a claim for Disability benefits, the review on appeal must be made by a different decision-maker from the Committee or its designee and the decision-maker cannot give procedural deference to the original decision. The decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

(i) specific reasons for the decision;

(ii) specific reference(s) to the pertinent Plan provisions upon which the decision was based;

(iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits;

(iv) if the claim is a claim for Disability benefits, any internal rule, guideline, protocol or other similar criterion which was relied on in connection with the review of the claim and that such internal rule, guideline, protocol or similar criterion may be obtained by the Claimant at the Claimant's request free of charge;

(v) if the claim is a claim for Disability benefits, and the denial is based on medical necessity or other similar exclusion or limit, Claimant's right to receive free of charge an explanation of how that exclusion or limit and any related clinical judgments apply to the Claimant's medical circumstances; and

(vi) a statement of the Claimant's right to bring a civil action under section 502(a) of ERISA.

(e) Legal Action. A Claimant's compliance with the foregoing provisions of this Section 6.10 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE VII

PARTICIPATION BY EMPLOYERS

7.01 Adoption of Plan by Affiliated Company. Any affiliated company of the Company, whether or not presently existing, may adopt this Plan, effective as of the date indicated in the instrument of adoption, if such affiliated company and the Company execute an instrument in writing allowing for the affiliated company's adoption of this Plan. The provisions of this Plan shall apply only to each employer severally, except as otherwise specifically provided herein or in such employer's instrument of adoption.

7.02 Rights and Obligations of the Company and the Employers. Throughout this instrument, a distinction is purposely drawn between rights and obligations of the Company and rights and obligations of each other employer. The rights and obligations specified as belonging to the Company shall belong only to the Company. Each employer shall have the obligation to pay the benefits owing to its own Participants, and no employer shall have the obligation to pay benefits to the Participants of any other employer. Any failure by an employer to fulfill its own obligations under this Plan shall have no effect upon any other employer. An employer may withdraw from this Plan without affecting any other employer.

7.03 Withdrawal from Plan.

(a) Notice of Withdrawal. Any employer may withdraw from the Plan upon giving the Committee, the Company and the trustee of any trust established under Article V with respect to such employer at least sixty (60) days' notice in writing of its intention to withdraw.

(b) Trustee Segregation of Trust Assets upon Withdrawal. Upon the withdrawal by an employer pursuant to this Article, the trustee of any trust established pursuant to Article V with respect to such employer shall segregate the share of the assets in the trust, the value of which shall equal the total credited to the Accounts of Participants of the withdrawing employer.

7.04 Continuance by Successor Company. In the event of the liquidation, dissolution, merger, consolidation or reorganization of an employer, the successor company may adopt the Plan for the benefit of the Employees of such employer. If such successor company does adopt the Plan, it shall, in all respects, be substituted for such employer under the Plan. Any such substitution of such successor company shall constitute an assumption of Plan liabilities by such successor company, and such successor company shall have all of the powers, duties and responsibilities of such employer under the Plan. If such successor company does not adopt the Plan, the Plan shall be terminated with respect to such employer in accordance with the provisions of the Plan.

ARTICLE VIII

TERMINATION OF PLAN, AMENDMENT OR MODIFICATION

8.01 Termination of Plan. Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to terminate the Plan. In the event of a termination of the Plan, the Measurement Funds available to Participants following the termination of the Plan shall be comparable in number and type to those Measurement Funds available to Participants in the Plan Year preceding the Plan Year in which the termination of the Plan is effective. Following a termination of the Plan, Participant Accounts shall remain in the Plan until the Participant becomes eligible for the benefits provided in Article 4 in accordance with the provisions of that Article. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination. Notwithstanding the foregoing, to the extent permissible under section 409A of the Code and related Treasury guidance or

Regulations, during the thirty (30) days preceding or within twelve (12) months following a Change in Control an Employer shall be permitted to (i) terminate the Plan by action of its board of directors, and (ii) distribute the vested Accounts to Participants in a lump sum no later than twelve (12) months after the Change in Control, provided that all other substantially similar arrangements sponsored by such Employer are also terminated and all balances in such arrangements are distributed within twelve (12) months of the termination of such arrangements.

8.02 Amendment.

(a) Any Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer. Notwithstanding the foregoing, no amendment or modification shall be effective to decrease the value of a Participant's vested Account in existence at the time the amendment or modification is made.

(b) Notwithstanding any provision of the Plan to the contrary, in the event that the Company determines that any provision of the Plan may cause amounts deferred under the Plan to become immediately taxable to any Participant under section 409A of the Code, and related Treasury guidance or Regulations, the Company may (i) adopt such amendments to the Plan and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Company determines necessary or appropriate to preserve the intended tax treatment of the Plan benefits provided by the Plan and/or (ii) take such other actions as the Company determines necessary or appropriate to comply with the requirements of section 409A of the Code, and related Treasury guidance or Regulations.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.01 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of section 401(a) of the Code and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. The Plan shall be administered and interpreted (i) in a manner consistent with that intent, and (ii) in accordance with section 409A of the Code and related Treasury guidance and Regulations.

9.02 Effect of Payment. The full payment of the Participant's vested Account under Article IV of the Plan shall completely discharge the Company's obligations to a Participant and his or her designated Beneficiaries under this Plan, and the Participant's participation in the Plan shall terminate.

9.03 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

9.04 Employer's Liability. An Employer's liability for the payment of benefits shall be defined only by the Plan. An Employer shall have no obligation to a Participant under the Plan except as expressly provided herein.

9.05 No Right to Continue in Employment. The adoption and maintenance of this Plan and the execution of any Deferred Compensation Agreement shall not be deemed to constitute an employment contract between the Company or any of its affiliated companies and any Eligible Employee. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing herein contained shall be deemed (i) to give to any Eligible Employee the right to be retained in the employ of the Company or any of its affiliated companies; (ii) to affect the right of the Company or any of its affiliated companies to discipline or discharge any Eligible Employee at any time; or (iii) to affect any Eligible Employee's right to terminate his employment at any time.

9.06 Binding Effect. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Participants, and their heirs, assigns and personal representatives.

9.07 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.

9.08 Integrated Plan. This Plan constitutes the final and complete expression of agreement among the parties hereto with respect to the subject matter hereof.

9.09 Controlling Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Texas without regard to its conflicts of laws principles.

9.10 Expenses. The expenses of agents or advisers and any other reasonable costs and expenses relating to the adoption, implementation, interpretation and administration of the Plan shall be paid by the Plan, to the extent not paid by the Company.

9.11 Notice. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Rent-A-Center, Inc.
Attn: The Rent-A-Center Benefits Committee
5501 Headquarters Dr.
Plano, TX 75024

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

9.12 Inalienability of Benefits.

(a) The right of any Participant or Beneficiary to any benefit or payment under the Plan shall not be subject to alienation or assignment, and to the fullest extent permitted by law, shall not be subject to attachment, execution, garnishment, sequestration or other legal or equitable process. In the event a Participant or Beneficiary who is receiving or is entitled to receive benefits under the Plan attempts to assign, transfer or dispose of such right, or if an attempt is made to subject said right to such process, such assignment, transfer or disposition shall be null and void.

(b) Notwithstanding the foregoing, if a Participant's former spouse is awarded all or a portion of a Participant's Account under the Plan pursuant to a division of property in connection with a divorce, such former spouse's share of the Participant's Account shall be her separate property and shall be transferable by the Participant's former spouse by will or pursuant to the laws of descent and distribution. In order to be effective, notice of such division of the Participant's Account under the Plan pursuant to a division of property in connection with divorce must be provided in a form which generally complies with the requirements of section 414(p)(1)(B) of the Code, as applicable, and any other requirements prescribed by the Committee or its authorized representative. Any such share of a Participant's Account to which the Participant's former spouse may be entitled shall become immediately due and payable to the former spouse and may be distributed to the former spouse at any time.

9.13 Court Order. The Committee is authorized to comply with any court order in any action in which the Plan or the Committee has been named as a party, including any action involving a determination of the rights or interests in a Participant's benefits under the Plan. Notwithstanding the foregoing, the Committee shall interpret this provision in a manner that is consistent with section 409A of the Cod and other applicable tax law.

9.14 Spouse's Interest. The interest in a Participant's Account hereunder of a Participant's spouse, if any, who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse or such spouse's estate in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

9.15 Withholding. The Plan Administrator shall determine whether or not federal income tax withholding is required with respect to any distribution or withdrawal hereunder. Notwithstanding any other provision of this Plan to the contrary, all rights and benefits of a Participant or Beneficiary are subject to withholding of any tax required by law to be withheld.

9.16 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

9.17 Incompetent. If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

9.18 Distribution in the Event of Income Inclusion Under 409A. If any portion of a Participant's Account Balance under this Plan is required to be included in income by the Participant prior to receipt due to a failure of this Plan to meet the requirements of Code section 409A of the Code and related Treasury guidance or regulations, the Participant may petition the Committee or Administrator, as applicable, for a distribution of that portion of his Account that is required to be included in his income. Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the portion of his Account required to be included in income as a result of the failure of the Plan to meet the requirements of section 409A of the Code and related Treasury guidance or regulations, which amount shall not exceed the Participant's unpaid vested Account under the Plan. If the petition is granted, such distribution shall be made within ninety (90) days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the Participant's benefits to be paid under this Plan.

9.19 Deduction Limitation on Benefit Payments. If the Company reasonably anticipates that the Company's deduction with respect to any distribution from this Plan would be limited or eliminated by application of section 162(m) of the Code, then to the extent deemed necessary by the Company to ensure that the entire amount of any distribution from this Plan is deductible, the Company may delay payment of any amount that would otherwise be distributed from this Plan. Any amounts for which distribution is delayed pursuant to this Section shall continue to be credited/debited with additional amounts in accordance with Sections 4.05 and 4.06, above. The delayed amounts (and any amounts credited thereon) shall be distributed to the Participant (or his Beneficiary) at the earliest date the Company reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of section 162(m) of the Code.

9.20 Obligations to the Company. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owed to any Employer, then such Employer may offset such amounts owing it against the amount of benefits otherwise distributable.

Exhibit 31.1

I, Mark E. Speese, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rent-A-Center, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

/s/ Mark E. Speese
Mark E. Speese
Chairman of the Board
and Chief Executive Officer

Exhibit 31.2

I, Robert D. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rent-A-Center, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

/s/ Robert D. Davis

Robert D. Davis
Senior Vice President-Finance, Treasurer
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "***Company***") on Form 10-Q for the period ended June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Mark E. Speese, Chairman of the Board and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark E. Speese
Mark E. Speese
Chairman of the Board and
Chief Executive Officer

Dated: August 3, 2007

A signed original of this written statement required by Section 906 has been provided to Rent-A-Center, Inc. and will be retained by Rent-A-Center, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "***Company***") on Form 10-Q for the period ended June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Robert D. Davis, Senior Vice President — Finance, Treasurer and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: August 3, 2007

A signed original of this written statement required by Section 906 has been provided to Rent-A-Center, Inc. and will be retained by Rent-A-Center, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.