UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

or

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

Commission File No. 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**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	**The Nasdaq Global Select Market, Inc.**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Aggregate market value of the 51,850,190 shares of Common Stock held by non-affiliates of the registrant at the closing sales price as reported on The Nasdaq Global Select Market, Inc. on June 30, 2016	**$**	**636,720,333**
Number of shares of Common Stock outstanding as of the close of business on February 21, 2017:		**53,196,843**

Documents incorporated by reference:

Portions of the definitive proxy statement relating to the 2017 Annual Meeting of Stockholders of Rent-A-Center, Inc. are incorporated by reference into Part III of this report.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," "seeks" or words of similar meaning, or future or conditional verbs, such as "will," "should," "could," "may," "aims," "intends," or "projects." A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. These forward-looking statements are all based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Annual Report on Form 10-K and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise. Factors that could cause or contribute to these differences include, but are not limited to:

- the general strength of the economy and other economic conditions affecting consumer preferences and spending;
- factors affecting the disposable income available to our current and potential customers;
- changes in the unemployment rate;
- difficulties encountered in improving the financial and operational performance of our business segments;
- our chief executive officer and chief financial officer transitions, including our ability to effectively operate and execute our strategies during the interim period and difficulties or delays in identifying and attracting a permanent chief executive officer and chief financial officer, each with the required level of experience and expertise;
- failure to manage our store labor and other store expenses;
- our ability to identify, develop and successfully execute strategic initiatives;
- disruptions caused by the implementation and operation of our new store information management system, including capacity-related outages;
- our ability to successfully market smartphones and related services to our customers;
- our ability to develop and successfully implement virtual or e-commerce capabilities;
- disruptions in our supply chain;
- limitations of, or disruptions in, our distribution network;
- rapid inflation or deflation in prices of our products;
- our ability to execute and the effectiveness of a store consolidation, including our ability to retain the revenue from customer accounts merged into another store location as a result of a store consolidation;
- our available cash flow;
- our ability to identify and successfully market products and services that appeal to our customer demographic;
- consumer preferences and perceptions of our brands;
- uncertainties regarding the ability to open new locations;
- our ability to acquire additional stores or customer accounts on favorable terms;
- our ability to control costs and increase profitability;
- our ability to retain the revenue associated with acquired customer accounts and enhance the performance of acquired stores;
- our ability to enter into new and collect on our rental or lease purchase agreements;
- the passage of legislation or adoption of regulations adversely affecting the rent-to-own industry;
- our compliance with applicable statutes or regulations governing our transactions;
- changes in interest rates;
- adverse changes in the economic conditions of the industries, countries or markets that we serve;

- information technology and data security costs;
- the impact of any breaches in data security or other disturbances to our information technology and other networks and our ability to protect the integrity and security of individually identifiable data of our customers and employees;
- changes in our stock price, the number of shares of common stock that we may or may not repurchase, and future dividends, if any;
- changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;
- changes in our effective tax rate;
- fluctuations in foreign currency exchange rates;
- our ability to maintain an effective system of internal controls;
- the resolution of our litigation; and
- the other risks detailed from time to time in our reports to the Securities and Exchange Commission.

PART I

Item 1. *Business.*

History of Rent-A-Center

Unless the context indicates otherwise, references to “we,” “us” and “our” refer to the consolidated business operations of Rent-A-Center, Inc., the parent, and any or all of its direct and indirect subsidiaries. For any references in this document to Note A through Note U, refer to the Notes to Consolidated Financial Statements in Item 8.

We are one of the largest rent-to-own operators in North America, focused on improving the quality of life for our customers by providing them the opportunity to obtain ownership of high-quality durable products, such as consumer electronics, appliances, computers (including tablets), smartphones, and furniture (including accessories), under flexible rental purchase agreements with no long-term obligation. We were incorporated in the State of Delaware in 1986, and our common stock is traded on the Nasdaq Global Select Market under the symbol "RCII."

Our principal executive offices are located at 5501 Headquarters Drive, Plano, Texas 75024. Our telephone number is (972) 801-1100 and our company website is www.rentacenter.com. We do not intend for information contained on our website to be part of this Annual Report on Form 10-K. We make available free of charge on or through our website our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the “SEC”). Additionally, we provide electronic or paper copies of our filings free of charge upon request.

The Rental Purchase Transaction

The rental purchase transaction is a flexible alternative for consumers to obtain use and enjoyment of brand name merchandise with no long-term obligation. Key features of the rental purchase transaction include:

Brand name merchandise. We offer well-known brands such as LG, Samsung, Sony and Vizio home electronics; Frigidaire, General Electric, LG, Samsung and Whirlpool appliances; Acer, Apple, Asus, Samsung and Toshiba computers and/or tablets; LG and Samsung smartphones; and Ashley, Powell and Standard furniture.

Convenient payment options. Our customers make payments on a weekly, semi-monthly or monthly basis in our stores, kiosks, online or by telephone. We accept cash, credit or debit cards. Rental payments are generally made in advance and, together with applicable fees, constitute our primary revenue source. Approximately 85% and 92% of our rental purchase agreements are on a weekly term in our Core U.S. rent-to-own stores and our Mexico segment, respectively. Payments are made in advance on a monthly basis in our Acceptance Now segment.

No negative consequences. A customer may terminate a rental purchase agreement at any time without penalty.

No credit needed. Generally, we do not conduct a formal credit investigation of our customers. We verify a customer’s residence and sources of income. References provided by the customer are also contacted to verify certain information contained in the rental purchase order form.

Delivery & set-up included. We generally offer same-day or next-day delivery and installation of our merchandise at no additional cost to the customer in our rent-to-own stores. Our Acceptance Now locations rely on our third-party retail partners to deliver merchandise rented by the customer. Such third-party retail partners typically charge us a fee for delivery, which we pass on to the customer.

Product maintenance & replacement. We provide any required service or repair without additional charge, except for damage in excess of normal wear and tear. Repair services are provided through our network of service centers, the cost of which may be reimbursed by the vendor if the item is still under factory warranty. If the product cannot be repaired at the customer’s residence, we provide a temporary replacement while the product is being repaired. If the product cannot be repaired, we will replace it with a product of comparable quality, age and condition.

Lifetime reinstatement. If a customer is temporarily unable to make payments on a piece of rental merchandise and must return the merchandise, that customer generally may later re-rent the same piece of merchandise (or if unavailable, a substitute of comparable quality, age and condition) on the terms that existed at the time the merchandise was returned, and pick up payments where they left off without losing what they previously paid.

Flexible options to obtain ownership. Ownership of the merchandise generally transfers to the customer if the customer has continuously renewed the rental purchase agreement for a period of seven to 30 months, depending upon the product type, or exercises a specified early purchase option.

Our Growth Strategy

Beginning in 2013, we launched a multi-year program designed to transform and modernize our operations in order to improve the profitability of the Core U.S. segment while continuing to grow our Acceptance Now segment. This program was focused on building new competencies and capabilities through a variety of operational and infrastructure initiatives such as introducing a new labor model in our Core U.S. rent-to-own stores, formulating a customer-focused, value-based pricing strategy, developing a new sourcing and distribution model, implementing new technology into our Acceptance Now locations, and introducing e-commerce capabilities to our Core U.S. segment. Many of these initiatives are now complete.

We remain focused on strengthening our Core business while continuing to build upon Acceptance Now's recent success with signing pilot agreements with two new national retailers representing a significant scale opportunity. We will continue to review strategic priorities and opportunities in both businesses to enhance value.

In order to position the Company for long-term growth and profitability, we are taking important steps to drive operational improvements, including:

- achieving an optimal product mix by shifting to a higher concentration of the higher-end, aspirational products that our customers want, and which have always helped make Rent-A-Center a leader in the rent-to-own industry;
- providing a better value proposition and being more customer centric, which will help us extend average rental time, translating to happier, more loyal customers that return to us in the future;
- stabilizing our workforce by adding back a full-time co-worker to most of our stores, as we believe that investing in the frontline will improve customer satisfaction and business results;
- utilizing technology investments and new capabilities to enable or accelerate business strategies and find innovative, engaging ways to better serve customers; and
- implementing a streamlined collection process and enhancing customer service through employee training to reduce delinquencies and collection times.

Our Operating Segments

We report four operating segments: Core U.S., Acceptance Now, Mexico, and Franchising. Additional information regarding our operating segments is presented in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* contained in Item 7 of this Annual Report on Form 10-K, and financial information regarding these segments and revenues by geographic area are provided in Note S to the consolidated financial statements contained in this Annual Report on Form 10-K. Substantially all of our revenues for the past three years originated in the United States.

Core U.S.

Our Core U.S. segment is our largest operating segment, comprising approximately 70% of our consolidated net revenues for the year ended December 31, 2016. Approximately 79% of our business in this segment is from repeat customers.

At December 31, 2016, we operated 2,463 company-owned stores in the United States, Canada and Puerto Rico, including 45 retail installment sales stores under the names "Get It Now" and "Home Choice." We routinely evaluate the markets in which we operate and will close, sell or merge underperforming stores.

Acceptance Now

Through our Acceptance Now segment, we generally provide an on-site rent-to-own option at a third-party retailer's location. In the event a retail purchase credit application is declined, the customer can be introduced to an in-store Acceptance Now representative who explains an alternative transaction for acquiring the use and ownership of the merchandise. Because we neither require nor perform a formal credit investigation for the approval of the rental purchase transaction, applicants who meet certain basic criteria are generally approved. We believe our Acceptance Now program is beneficial for both the retailer and the consumer. The retailer captures more sales because we buy the merchandise directly from them and future rental payments are generally made at the retailer's location. We believe consumers also benefit from our Acceptance Now program because they are able to obtain the products they want and need without the necessity of credit. The gross margins in this segment are lower than the gross margins in our Core U.S. segment because we pay retail for the product. Through certain retail partners, we offer our customers the option

to obtain ownership of the product at or slightly above the full retail price if they pay within 90 days. In some cases, the retailer provides us a rebate on the cost of the merchandise if the customer exercises this 90 day option.

Each Acceptance Now kiosk location typically consists of an area with a computer, desk and chairs. We occupy the space without charge by agreement with each retailer. Accordingly, capital expenditures with respect to a new Acceptance Now location are minimal, and any exit costs associated with the closure of an Acceptance Now location would also be immaterial on an individual basis. Our operating model is highly agile and dynamic because we can open and close locations quickly and efficiently.

We rely on our third-party retail partners to deliver merchandise rented by the customer. Such third-party retail partners typically charge us a fee for delivery, which we pass on to the customer. In the event the customer returns rented merchandise, we pick it up at no additional charge. Merchandise returned from an Acceptance Now kiosk location is offered for rent at one of our Core U.S. rent-to-own stores.

We intend to grow the Acceptance Now segment by increasing the number of our retail partners and the number of locations with our existing retail partners. As of December 31, 2016, we operated 1,431 staffed kiosk locations inside furniture and electronics retailers located in 40 states and Puerto Rico, and 478 virtual (direct) locations.

Mexico

Our Mexico segment currently consists of our company-owned rent-to-own stores in Mexico. At December 31, 2016, we operated 130 stores in this segment. The financial performance of our Mexico segment met our expectations in 2016 as a result of the operational initiatives implemented in 2015, and we are evaluating additional strategies for our operations in Mexico.

We are subject to the risks of doing business internationally as described under "Risk Factors."

Franchising

The stores in our Franchising segment use Rent-A-Center's, ColorTyme's or RimTyme's trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. Franchising'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 transaction.

At December 31, 2016, this segment franchised 229 stores in 31 states operating under the Rent-A-Center (152 stores), ColorTyme (39 stores) and RimTyme (38 stores) names. These rent-to-own stores primarily offer high quality durable products such as consumer electronics, appliances, computers, furniture and accessories, wheels and tires.

As franchisor, Franchising receives royalties of 2.0% to 6.0% of the franchisees' monthly gross revenue and, generally, an initial fee up to $35,000 per new location.

The following table summarizes our locations allocated among these operating segments as of December 31:

	2016	2015	2014
Core U.S.	2,463	2,672	2,824
Acceptance Now Staffed	1,431	1,444	1,406
Acceptance Now Direct	478	532	—
Mexico	130	143	177
Franchising	229	227	187
Total locations	4,731	5,018	4,594

The following discussion applies generally to all of our operating segments, unless otherwise noted.

Rent-A-Center Operations

Store Expenses

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 other expenses.

As a result of the investment in new stores and kiosk locations and their growth curves, our quarterly earnings are impacted by how many new locations we opened during a particular quarter and the quarters preceding it.

Product Selection

Our Core U.S. and Mexico stores generally offer merchandise from five basic product categories: consumer electronics, appliances, computers (including tablets), smartphones, and furniture (including accessories). Although we seek to maintain sufficient inventory in our stores to offer customers a wide variety of models, styles and brands, we generally limit merchandise to prescribed levels to maintain strict inventory controls. We seek to provide a wide variety of high quality merchandise to our customers, and we emphasize products from name-brand manufacturers. Customers may request either new merchandise or previously rented merchandise. Previously rented merchandise is generally offered at a similar weekly or monthly rental rate as is offered for new merchandise, but with an opportunity to obtain ownership of the merchandise after fewer rental payments.

Consumer electronic products offered by our stores include high definition televisions, home theater systems, video game consoles and stereos. Appliances include refrigerators, freezers, washing machines, dryers, and ranges. We offer desktop, laptop, tablet computers and smartphones. Our furniture products include dining room, living room and bedroom furniture featuring a number of styles, materials and colors. Accessories include lamps and tables and are typically rented as part of a package of items, such as a complete room of furniture. Showroom displays enable customers to visualize how the product will look in their homes and provide a showcase for accessories.

The merchandise assortment may vary in our non-U.S. stores according to market characteristics and consumer demand unique to the particular country in which we are operating. For example, in Mexico, the appliances we offer are sourced locally, providing our customers in Mexico the look and feel to which they are accustomed in that product category.

Acceptance Now locations offer the merchandise available for sale at the applicable third-party retailer, primarily furniture and accessories, consumer electronics and appliances.

For the year ended December 31, 2016, furniture and accessories accounted for approximately 37% of our consolidated rentals and fees revenue, consumer electronic products for 22%, appliances for 16%, computers for 6%, smartphones for 4% and other products and services for 15%.

Product Turnover

On average, in the Core U.S. segment, a rental term of 15 months or exercising an early purchase option is generally required to obtain ownership of new merchandise. Product turnover is the number of times a product is rented to a different customer. On average, a product is rented (turned over) to three customers before a customer acquires ownership. Merchandise returned in the Acceptance Now segment is moved to a Core U.S. store where it is offered for rent. Ownership is attained in approximately 25% of first-time rental purchase agreements in the Core U.S. segment. The average total life for each product in our Core U.S. segment is approximately 18 months, which includes the initial rental period, all re-rental periods and idle time in our system. To cover the higher operating expenses generated by product turnover and the key features of rental purchase transactions, rental purchase agreements require higher aggregate payments than are generally charged under other types of purchase plans, such as installment purchase or credit plans.

Collections

Store managers use our management information system to track collections on a daily basis. If a customer fails to make a rental payment when due, store personnel will attempt to contact the customer to obtain payment and reinstate the agreement, or will terminate the account and arrange to regain possession of the merchandise. We attempt to recover the rental items as soon as possible following termination or default of a rental purchase agreement, generally by the seventh day. Collection efforts are enhanced by the personal and job-related references required of customers, the personal nature of the relationships between our employees and customers, and the availability of lifetime reinstatement. Currently, we track past due amounts using a guideline of seven days in our Core U.S. segment and 30 days in the Acceptance Now segment. These metrics align with the majority of the rental purchase agreements in each segment, since payments are generally made weekly in the Core U.S. segment and monthly in the Acceptance Now segment.

If a customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Core U.S. segment, on or before the 150th day in the Acceptance Now segment and on or before the 60th day in the Mexico segment.

Management

Our executive management team has extensive rent-to-own or similar retail experience and has demonstrated the ability to grow and manage our business through their operational leadership and strategic vision. In addition, our regional and district managers have long tenures with us, and we have a history of promoting management personnel from within. We believe this extensive industry and company experience will allow us to effectively execute our growth strategies.

Purchasing

Our centralized inventory management organization utilizes a combination of automated and manual merchandise planning, forecasting and replenishment processes to determine appropriate inventory levels to maintain in our third-party distribution centers and company-owned stores. Inventory levels are monitored on a daily basis, and purchase orders are processed and sent to manufacturers and distributors on a weekly basis to replenish inventory housed in our third-party distribution centers. We use customized software solution that builds recommended store replenishment orders based on current store inventory levels, current store rental and return trends, seasonality, product needs, desired weeks of supply targets, and other key factors. Approved orders are then passed through an automated solution to our third party distribution center and furniture manufacturers and product ships to the stores. The replenishment system and associated processes allow us to retain tight control over our inventory, ensure assortment diversity in our stores and assists us in having the right products available at the right time.

In our Core U.S. and Mexico segments, we purchase our rental merchandise from a variety of suppliers. In 2016, approximately 12% of our merchandise purchases were attributable to Ashley Furniture Industries. No other brand accounted for more than 10% of merchandise purchased during these periods. We do not generally enter into written contracts with our suppliers that obligate us to meet certain minimum purchasing levels. Although we expect to continue relationships with our existing suppliers, we believe there are numerous sources of products available, and we do not believe the success of our operations is dependent on any one or more of our present suppliers.

In our Acceptance Now segment, we purchase the merchandise selected by the customer from the applicable third-party retailer at the time such customer enters into a rental purchase agreement with us.

With respect to our Franchising segment, the franchise agreement requires the franchised stores to exclusively offer for rent or sale only those brands, types and models of products that Franchising has approved. The franchised stores are required to maintain an adequate mix of inventory that consists of approved products for rent as dictated by Franchising policy manuals. Franchising negotiates purchase arrangements with various suppliers it has approved, and franchisees purchase directly from those suppliers and from inventory housed in our third-party distribution centers.

Marketing

We promote our products and services through television and radio commercials, print advertisements, store telemarketing, digital display advertisements, direct email campaigns, social networks, paid and organic search, website and store signage. Our advertisements emphasize such features as product and name-brand selection, the opportunity to pay as you go without credit, long-term contracts or obligations, delivery and set-up at no additional cost, product repair and loaner services at no extra cost, lifetime reinstatement and multiple options to acquire ownership, including 90 day option pricing, an early purchase option or through a fixed number of payments. In addition, we promote the “RAC Worry-Free Guarantee®” to further highlight these aspects of the rental purchase transaction. We believe that by leveraging our advertising efforts to highlight the benefits of the rental purchase transaction, we will continue to educate our customers and potential customers about the rent-to-own alternative to credit as well as solidify our reputation as a leading provider of high-quality, branded merchandise and services.

Franchising has established national advertising funds for the franchised stores, whereby Franchising has the right to collect up to 3% of the monthly gross revenue from each franchisee as contributions to the fund. Franchising directs the advertising programs of the fund, generally consisting of television and radio commercials and print advertisements. Franchising also has the right to require franchisees to expend up to 3% of their monthly gross revenue on local advertising.

Industry & Competition

According to a report published by the Association of Progressive Rental Organizations in 2016, the $8.5 billion rent-to-own industry in the United States, Mexico and Canada consists of approximately 9,200 stores, serves approximately 4.8 million customers and approximately 83% of rent-to-own customers have household incomes between $15,000 and $50,000 per year. The rent-to-own industry provides customers the opportunity to obtain merchandise they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. We believe the number of consumers lacking access to credit is increasing. According to data released by the Fair Isaac Corporation on September 13, 2016, consumers in the "subprime" category (those with credit scores below 650) made up 31% of the United States population.

The rent-to-own industry is experiencing rapid change with the emergence of virtual and kiosk-based operations, such as our Acceptance Now business. These new industry participants are disrupting traditional rent-to-own stores by attracting customers and making the rent-to-own transaction more acceptable to potential customers. In addition, banks and consumer finance companies are developing products and services designed to compete for the traditional rent-to-own customer.

These factors are increasingly contributing to an already highly competitive environment. Our stores and kiosks compete with other national, regional and local rent-to-own businesses, including on-line only competitors, as well as with rental stores that do not offer their customers a purchase option. With respect to customers desiring to purchase merchandise for cash or on credit, we also compete with retail stores, online competitors, and non-traditional lenders. Competition is based primarily on convenience, store location, product selection and availability, customer service, rental rates and terms.

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. Generally, our customers will more frequently exercise the 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, primarily due to federal income tax refunds. Furthermore, we tend to experience slower growth in the number of rental purchase agreements in the third quarter of each fiscal year when compared to other quarters throughout the year. We expect these trends to continue in the future.

Trademarks

We own various trademarks and service marks, including Rent-A-Center® and RAC Worry-Free Guarantee® that are used in connection with our operations and have been registered with the United States Patent and Trademark Office. The duration of our trademarks is unlimited, subject to periodic renewal and continued use. In addition, we have obtained trademark registrations in Mexico, Canada and certain other foreign jurisdictions. We believe we hold the necessary rights for protection of the trademarks and service marks essential to our business. The products held for rent in our stores also bear trademarks and service marks held by their respective manufacturers.

Franchising licenses the use of the Rent-A-Center and ColorTyme trademarks and service marks to its franchisees under the franchise agreement. Franchising owns various trademarks and service marks, including ColorTyme® and RimTyme®, that are used in connection with its operations and have been registered with the United States Patent and Trademark office. The duration of these marks is unlimited, subject to periodic renewal and continued use.

Employees

As of February 21, 2017, we had approximately 21,600 employees.

Government Regulation

Core U.S. & Acceptance Now

State Regulation. Currently, 46 states, the District of Columbia and Puerto Rico have rental purchase statutes that recognize and regulate rental purchase transactions as separate and distinct from credit sales. We believe this existing legislation is generally favorable to us, as it defines and clarifies the various disclosures, procedures and transaction structures related to the rent-to-own business with which we must comply. With some variations in individual states, most related state legislation requires the lessor to make prescribed disclosures to customers about the rental purchase agreement and transaction, and provides time periods during which customers may reinstate agreements despite having failed to make a timely payment. Some state rental purchase laws prescribe grace periods for non-payment, prohibit or limit certain types of collection or other practices, and limit certain fees that may be charged. Ten states limit the total rental payments that can be charged to amounts ranging from 2.0 times to 2.4 times the disclosed cash price or the retail value of the rental product. Five states limit the cash price of merchandise to amounts ranging from 1.56 to 2.5 times our cost for each item.

Although Minnesota has a rental purchase statute, the rental purchase transaction is also treated as a credit sale subject to consumer lending restrictions pursuant to judicial decision. Therefore, we offer our customers in Minnesota an opportunity to purchase our merchandise through an installment sale transaction in our Home Choice stores. We operate 17 Home Choice stores in Minnesota.

North Carolina has no rental purchase legislation. However, the retail installment sales statute in North Carolina expressly provides that lease transactions which provide for more than a nominal purchase price at the end of the agreed rental period are not credit sales under the statute. We operate 99 rent-to-own stores, and 82 and 73 Acceptance Now Staffed and Acceptance Now Direct locations, respectively, in North Carolina.

Courts in Wisconsin and New Jersey, which do not have rental purchase statutes, have rendered decisions which classify rental purchase transactions as credit sales subject to consumer lending restrictions. Accordingly, in Wisconsin, we offer our customers an opportunity to purchase our merchandise through an installment sale transaction in our Get It Now stores. In New Jersey, we have modified our typical rental purchase agreements to provide disclosures, grace periods, and pricing that we believe comply with the retail installment sales act. We operate 28 Get It Now stores in Wisconsin and 46 Rent-A-Center stores in New Jersey.

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

Federal Regulation. To date, no comprehensive federal legislation has been enacted regulating or otherwise impacting the rental purchase transaction. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") does not regulate leases with terms of 90 days or less. Because the rent-to-own transaction is for a term of week to week, or at most, month to month, and established federal law deems the term of a lease to be its minimum term regardless of extensions or renewals, if any, we believe the rent-to-own transaction is not covered by the Dodd-Frank Act.

From time to time, we have supported legislation introduced in Congress that would regulate the rental purchase transaction. While both beneficial and adverse legislation may be introduced in Congress in the future, any adverse federal legislation, if enacted, could have a material and adverse effect on us.

Mexico and Canada

No comprehensive legislation regulating the rent-to-own transaction has been enacted in Mexico or Canada. We use substantially the same rental purchase transaction in those countries as in the U.S. stores, but with such additional provisions as we believe may be necessary to comply with such country's specific laws and customs.

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 in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

Our success depends on the effective implementation and continued execution of our strategies.

Our Core U.S. store base is mature and our Acceptance Now business operates in an intensively competitive environment. We recently completed a multi-year program designed to address these dynamics by transforming and modernizing our operations in order to improve the profitability of the Core U.S. segment while continuing to grow profitably our Acceptance Now segment. We remain focused on strengthening our Core business while continuing to build upon Acceptance Now's recent success with signing pilot agreements with two new national retailers representing a significant scale opportunity. We will continue to review strategic priorities and opportunities in both businesses to enhance value.

In order to position the Company for long-term growth and profitability, we are taking important steps to drive operational improvements, including:

- achieving an optimal product mix by shifting to a higher concentration of the higher-end, aspirational products that our customers want, and which have always helped make Rent-A-Center a leader in the rent-to-own industry;
- providing a better value proposition and being more customer centric, which will help us extend average rental time, translating to happier, more loyal customers that return to us in the future;
- stabilizing our workforce by adding back a full-time co-worker to most of our stores, as we believe that investing in the frontline will improve customer satisfaction and business results;
- utilizing technology investments and new capabilities to enable or accelerate business strategies and find innovative, engaging ways to better serve customers; and
- implementing a streamlined collection process and enhancing customer service through employee training to reduce delinquencies and collection times.

There is no assurance that we will be able to implement and execute these strategic initiatives in accordance with our expectations. Higher costs or failure to achieve targeted results associated with the implementation of such new programs or initiatives could adversely affect our results of operations or negatively impact our ability to successfully execute future strategies, which may result in an adverse impact on our business and financial results.

We are highly dependent on the financial performance of our Core U.S. operating segment.

Our financial performance is highly dependent on our Core U.S. segment, which comprised approximately 70% of our consolidated net revenues for the year ended December 31, 2016. Any significant decrease in the financial performance of the Core U.S. segment may also have a material adverse impact on our ability to implement our growth strategies.

We are in a management transition period in which the individuals serving as both our chief executive officer and chief financial officer are acting in interim roles. We may not be able to effectively operate and execute our strategies during this interim period and may encounter difficulties or delays in identifying and attracting a permanent chief executive officer and chief financial officer, each with the required level of experience and expertise.

On December 2, 2016, Guy J. Constant resigned as Executive Vice President - Finance, Chief Financial Officer & Treasurer of the Company, and Maureen B. Short was named as Interim Chief Financial Officer. On January 9, 2017, Robert D. Davis resigned as Chief Executive Officer and a director of the Company. On that date, our founder, former chief executive officer, and Chairman of the Board, Mark E. Speese, was named as Interim Chief Executive Officer. We are in the process of searching for a permanent chief executive officer and chief financial officer. However, if we are unsuccessful in appointing a chief executive officer and a chief financial officer each with the required level of experience and expertise in a timely manner, our operations and business strategies could be materially and adversely affected. Any significant leadership change or executive management transition creates uncertainty, involves inherent risk, and may involve a diversion of resources and management attention, be disruptive to our daily operations or impact public or market perception, any of which could negatively impact our ability to operate effectively or execute our strategies and result in a material adverse impact on our business, financial condition, results of operations or cash flows.

Our ability to attract and retain key employees may be adversely impacted by the recent executive departures and resulting management transition, and our recent financial results.

Executive leadership transitions can be inherently difficult to manage and may cause disruption to our business. As a result of the recent changes in our executive management team, our existing management team has taken on substantially more responsibility,

which has resulted in greater workload demands and could divert their attention away from other key areas of our business. In addition, management transition inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution, and our results of operations and financial condition could suffer as a result.

Our future success depends in large part upon our ability to attract and retain key management executives and other key employees. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including cash and equity compensation. Because of our lower than expected operating results for the year ended December 31, 2016, our senior management did not earn any amounts under the annual cash incentive plan for 2016, and salary increases and future cash incentive compensation opportunities could be limited. In addition, our long-term incentive program includes equity awards in the form of stock options and restricted stock units. Any prolonged inability to provide salary increases or cash incentive compensation opportunities, or if the anticipated value of such equity awards does not materialize or our equity compensation otherwise ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate executives and key employees could be weakened. In addition the uncertainty and operational disruptions caused by the management changes and related transitions could result in additional key employees deciding to leave the Company. If we are unable to retain, attract and motivate talented employees with the appropriate skill sets, we may not achieve our objectives and our results of operations could be adversely impacted.

Failure to effectively manage our costs could have a material adverse effect on our profitability.

Certain elements of our cost structure are largely fixed in nature. Consumer spending remains uncertain, which makes it more challenging for us to maintain or increase our operating income in the Core U.S. segment. The competitiveness in our industry and increasing price transparency means that the focus on achieving efficient operations is greater than ever. As a result, we must continuously focus on managing our cost structure. Failure to manage our labor and benefit rates, advertising and marketing expenses, operating leases, charge-offs due to customer stolen merchandise, other store expenses or indirect spending could materially adversely affect our profitability.

Our Acceptance Now segment depends on the success of our third-party retail partners and our continued relationship with them.

Our Acceptance Now segment revenues depend in part on the ability of unaffiliated third-party retailers to attract customers. The failure of our third-party retail partners to maintain quality and consistency in their operations and their ability to continue to provide products and services, or the loss of the relationship with any of these third-party retailers and an inability to replace them, could cause our Acceptance Now segment to lose customers, substantially decreasing the revenues and earnings of our Acceptance Now segment. This could adversely affect our financial results. In 2016, approximately 73% of the total revenue of the Acceptance Now segment originated at our Acceptance Now kiosks located in stores operated by six retail partners. We may be unable to continue growing the Acceptance Now segment if we are unable to find third-party retailers willing to partner with us or if we are unable to enter into agreements with third-party retailers acceptable to us.

The success of our business is dependent on factors affecting consumer spending that are not under our control.

Consumer spending is affected by general economic conditions and other factors including levels of employment, disposable consumer income, prevailing interest rates, consumer debt and availability of credit, costs of fuel, inflation, recession and fears of recession, war and fears of war, pandemics, inclement weather, tax rates and rate increases, timing of receipt of tax refunds, consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security. Unfavorable changes in factors affecting discretionary spending could reduce demand for our products and services resulting in lower revenue and negatively impacting the business and its financial results.

If we are unable to compete effectively with the growing e-commerce sector, our business and results of operations may be materially adversely affected.

With the continued expansion of Internet use, as well as mobile computing devices and smartphones, competition from the e-commerce sector continues to grow. We have launched virtual capabilities within our Acceptance Now and Core U.S. segments. There can be no assurance we will be able to grow our e-commerce business in a profitable manner. Certain of our competitors, and a number of e-commerce retailers, have established e-commerce operations against which we compete for customers. It is possible that the increasing competition from the e-commerce sector may reduce our market share, gross margin, and operating margin, and may materially adversely affect our business and results of operations in other ways.

Disruptions in our supply chain and other factors affecting the distribution of our merchandise could adversely impact our business.

Any disruption in the operation of our distribution centers could result in our inability to meet our customers' expectations, higher costs, an inability to stock our stores or longer lead time associated with distributing merchandise. Any such disruption within our

supply chain network, including damage or destruction to one of our five regional distribution centers, could result in decreased net sales, increased costs and reduced profits.

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 senior unsecured notes restrict our ability to pay dividends and engage in various operational matters. In addition, covenants under our senior credit facilities 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, pay dividends, 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, 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. 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 current insurance program may expose us to unexpected costs and negatively affect our financial performance.

Our insurance coverage is subject to deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on our operations. Because we self-insure a significant portion of expected losses under our workers' compensation, general liability, vehicle and group health insurance programs, unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including potential increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs. This could have a material adverse effect on our financial condition and results of operations.

Our operations in Mexico are subject to political or regulatory changes and significant changes in the economic environment and other concerns.

We opened our first store in Mexico in October 2010, and operated 130 stores in Mexico as of December 31, 2016. Changes in the business, regulatory or political climate in Mexico could adversely affect our operations there. Mexico is also subject to certain potential risks and uncertainties that are beyond our control, such as violence, social unrest, enforcement of property rights and public safety and security that could restrict or eliminate our ability to open new or operate some or all of our locations in Mexico, or significantly reduce customer traffic or demand. In addition, our assets, investments in, earnings from and dividends from our Mexican subsidiaries must be translated to U.S. dollars from the Mexican peso. Accordingly, we are exposed to risks associated with fluctuations of the exchange rate for the Mexican peso which may have an impact on our future costs or on future cash flows from our Mexico operations, and could adversely affect our financial performance.

Failure to improve our financial performance in Mexico could result in our taking actions that may change or impact our projected results in the future.

We are pursuing several operational initiatives designed to improve the financial performance of our operations in Mexico. If we are unable to achieve an acceptable level of profitability in Mexico, we will consider all available alternatives for our operations in Mexico, some of which may change or impact our projected results in the future.

Our transactions are regulated by and subject to the requirements of various federal and state laws and regulations, which may require significant compliance costs and expose us to litigation. Any negative change in these laws or the passage of unfavorable new laws could require us to alter our business practices in a manner that may be materially adverse to us.

Currently, 46 states, the District of Columbia and Puerto Rico have passed laws that regulate rental purchase transactions as separate and distinct from credit sales. One additional state has a retail installment sales statute that excludes leases, including rent-to-own transactions, from its coverage if the lease provides for more than a nominal purchase price at the end of the rental period. The specific rental purchase 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 that may be charged over the life of a rental purchase agreement and the laws of five states limit the cash prices for which we may offer merchandise.

Similar to other consumer transactions, our rental purchase transaction is also governed by various federal and state consumer protection statutes. These consumer protection statutes, as well as the rental purchase statutes under which we operate, provide various consumer remedies, including monetary penalties, for violations. In our history, we have been the subject of 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, both favorable and adverse legislation seeking to regulate our business has been introduced in Congress. 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 in a manner that could have a material adverse effect on our business, financial condition and results of operations.

Our reputation, ability to do business and operating results may be impaired by improper conduct by any of our employees, agents or business partners.

Our operations in the U.S. and abroad are subject to certain laws generally prohibiting companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, such as the U.S. Foreign Corrupt Practices Act, and similar anti-bribery laws in other jurisdictions. Our employees, contractors or agents may violate the policies and procedures we have implemented to ensure compliance with these laws. Any such improper actions could subject us to civil or criminal investigations in the U.S. and in other jurisdictions, could lead to substantial civil and criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could cause us to incur significant legal fees, and could damage our reputation.

We may be subject to legal proceedings from time to time which seek 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.

In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. Significant settlement amounts or final judgments could materially and adversely affect our liquidity and capital resources. The failure to pay any material judgment would be a default under our senior credit facilities and the indenture governing our outstanding senior unsecured notes.

Our operations are dependent on effective information management systems. Failure of these systems could negatively impact our business, financial condition and results of operations.

We utilize integrated information management systems. The efficient operation of our business is dependent on these systems to effectively manage our financial and operational data. The failure of our information management systems to perform as designed, loss of data or any interruption of our information management systems for a significant period of time could disrupt our business. If the information management systems sustain repeated failures, we may not be able to manage our store operations, which could have a material adverse effect on our business, financial condition and results of operations.

We are currently investing in new information management technology and systems and implementing modifications and upgrades to existing systems to support our growth plan. These investments include replacing legacy systems, making changes to existing systems, building redundancies, and acquiring new systems and hardware with updated functionality. We are taking appropriate actions to ensure the successful implementation of these initiatives, including the testing of new systems and the transfer of existing data, with minimal disruptions to the business. These efforts may take longer and may require greater financial and other resources than anticipated, may cause distraction of key personnel, may cause disruptions to our existing systems and our business, and may not provide the anticipated benefits. The disruption in our information management systems, or our inability to improve, upgrade, integrate or expand our systems to meet our evolving business requirements, could impair our ability to achieve critical strategic initiatives and could materially adversely impact our business, financial condition and results of operations.

In the third quarter of 2016, we experienced unexpected capacity-related system outages of our new store information management system in our Core U.S. stores which negatively impacted our third quarter operating results. In the fourth quarter of 2016, we implemented software releases to improve stability and added hardware to help mitigate over-utilization issues. As a result, we did not experience any additional capacity-related outages in the fourth quarter of 2016.

If we fail to protect the integrity and security of customer and employee information, we could be exposed to litigation or regulatory enforcement and our business could be adversely impacted.

We collect and store certain personal information provided to us by our customers and employees in the ordinary course of our business. Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems are

entirely free from vulnerability to attack. Computer hackers may attempt to penetrate our network security and, if successful, misappropriate confidential customer or employee information. In addition, one of our employees, contractors or other third party with whom we do business may attempt to circumvent our security measures in order to obtain such information, or inadvertently cause a breach involving such information. Loss of customer or employee information could disrupt our operations, damage our reputation, and expose us to claims from customers, employees, regulators and other persons, any of which could have an adverse effect on our business, financial condition and results of operations. In addition, the costs associated with information security, such as increased investment in technology, the costs of compliance with privacy laws, and costs incurred to prevent or remediate information security breaches, could adversely impact our business.

A change of control could accelerate our obligation to pay our outstanding indebtedness, and we may not have sufficient liquid assets at that time 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 December 31, 2016, $191.8 million was outstanding under our senior credit facilities.

Under the indenture governing our outstanding senior unsecured notes, in the event of a change in control, we may be required to offer to purchase all of our outstanding senior unsecured 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 a specified change in control occurs and the lenders under our debt instruments accelerate these obligations, we may not have sufficient liquid assets to repay amounts outstanding under these agreements.

Rent-A-Center's organizational documents and our debt instruments contain provisions that may prevent or deter another group from paying a premium over the market price to Rent-A-Center's stockholders to acquire its stock.

Rent-A-Center's organizational documents contain provisions that classify its Board of Directors, authorize its Board of Directors to issue blank check preferred stock and establish advance notice requirements on its stockholders for director nominations and actions to be taken at meetings of the stockholders. In addition, as a Delaware corporation, Rent-A-Center is subject to Section 203 of the Delaware General Corporation Law relating to business combinations. Our senior credit facilities and the indentures governing our senior unsecured 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 Rent-A-Center's common stock that some or a majority of Rent-A-Center's stockholders might consider to be in their best interests.

Rent-A-Center is a holding company and is dependent on the operations and funds of its subsidiaries.

Rent-A-Center is a holding company, with no revenue generating operations and no assets other than its ownership interests in its direct and indirect subsidiaries. Accordingly, Rent-A-Center is dependent on the cash flow generated by its direct and indirect operating subsidiaries and must rely on dividends or other intercompany transfers from its operating subsidiaries to generate the funds necessary to meet its obligations, including the obligations under the senior credit facilities. The ability of Rent-A-Center's subsidiaries to pay dividends or make other payments to it is subject to applicable state laws. Should one or more of Rent-A-Center's subsidiaries be unable to pay dividends or make distributions, its ability to meet its 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:

- our ability to meet market expectations with respect to the growth and profitability of each of our operating segments;
- quarterly variations in our results of operations, which may be impacted by, among other things, changes in same store sales or when and how many locations we acquire or open;
- quarterly variations in our competitors' results of operations;
- changes in earnings estimates or buy/sell recommendations by financial analysts; and
- the stock price performance of comparable companies.

In addition, the stock market as a whole historically has experienced price and volume fluctuations that have affected the market price of many specialty retailers in ways that may have been unrelated to these companies' operating performance.

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.

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 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

We lease space for substantially all of our Core U.S. and Mexico stores and certain support facilities under operating leases expiring at various times through 2023. 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. Store sizes average approximately 4,700 square feet. Approximately 75% of each store's space is generally used for showroom space and 25% for offices and storage space. Our Acceptance Now kiosks occupy space without charge in the retailer's location with no lease commitment.

We believe suitable store space generally is available for lease and we would be able to relocate any of our stores or support facilities without significant difficulty should we be unable to renew a particular lease. We also expect additional space is readily available at competitive rates to open new stores or support facilities, as necessary.

We own the land and building in Plano, Texas, in which our corporate headquarters is located. The land and improvements are pledged as collateral under our senior credit facilities.

Item 3. ***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 reserve for loss contingencies that are both probable and reasonably estimable. We regularly monitor developments related to these legal proceedings, and review the adequacy of our legal reserves on a quarterly basis. We do not expect these losses to have a material impact on our consolidated financial statements if and when such losses are incurred.

We are subject to unclaimed property audits by states in the ordinary course of business. A comprehensive multi-state unclaimed property audit is currently in progress. The property subject to review in this audit process includes unclaimed wages, vendor payments and customer refunds. State escheat laws generally require entities to report and remit abandoned and unclaimed property to the state. Failure to timely report and remit the property can result in assessments that could include interest and penalties, in addition to the payment of the escheat liability itself. We routinely remit escheat payments to states in compliance with applicable escheat laws. Management believes it is too early to determine the ultimate outcome of this audit, as our remediation efforts are still in process and there have been recent developments in escheat laws which may be applicable to this matter.

Alan Hall, et. al. v. Rent-A-Center, Inc., et. al.; James DePalma, et. al. v. Rent-A-Center, Inc., et. al. On December 23, 2016, a putative class action was filed against us and certain of our former officers by Alan Hall in federal court in Sherman, Texas. The complaint alleges that the defendants violated Section 10(b) and/or Section 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements and omitting material facts regarding our business, operations and prospects during the period covered by the complaint. The complaint purports to be brought on behalf of all purchasers of our common stock from July 27, 2015, through October 10, 2016, and seeks damages in unspecified amounts. A complaint filed by James DePalma also in Sherman, Texas alleging similar claims was consolidated by the court into the Hall matter. We believe that these claims are without merit and intend to vigorously defend ourselves. However, we cannot assure you that we will be found to have no liability in this matter.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Our common stock has been listed on the Nasdaq Global Select Market® and its predecessors under the symbol "RCII" since January 25, 1995, the date we commenced our initial public offering. The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock as reported, and the quarterly cash dividend declared per share on our common stock.

2016	High	Low	Cash Dividends Declared
Fourth Quarter	$13.16	$8.00	$0.08
Third Quarter	$13.73	$10.20	$0.08
Second Quarter	$15.94	$11.21	$0.08
First Quarter	$16.37	$9.76	$0.08

2015	High	Low	Cash Dividends Declared
Fourth Quarter	$26.26	$14.69	$0.24
Third Quarter	$29.66	$23.68	$0.24
Second Quarter	$33.59	$25.13	$0.24
First Quarter	$37.23	$26.47	$0.24

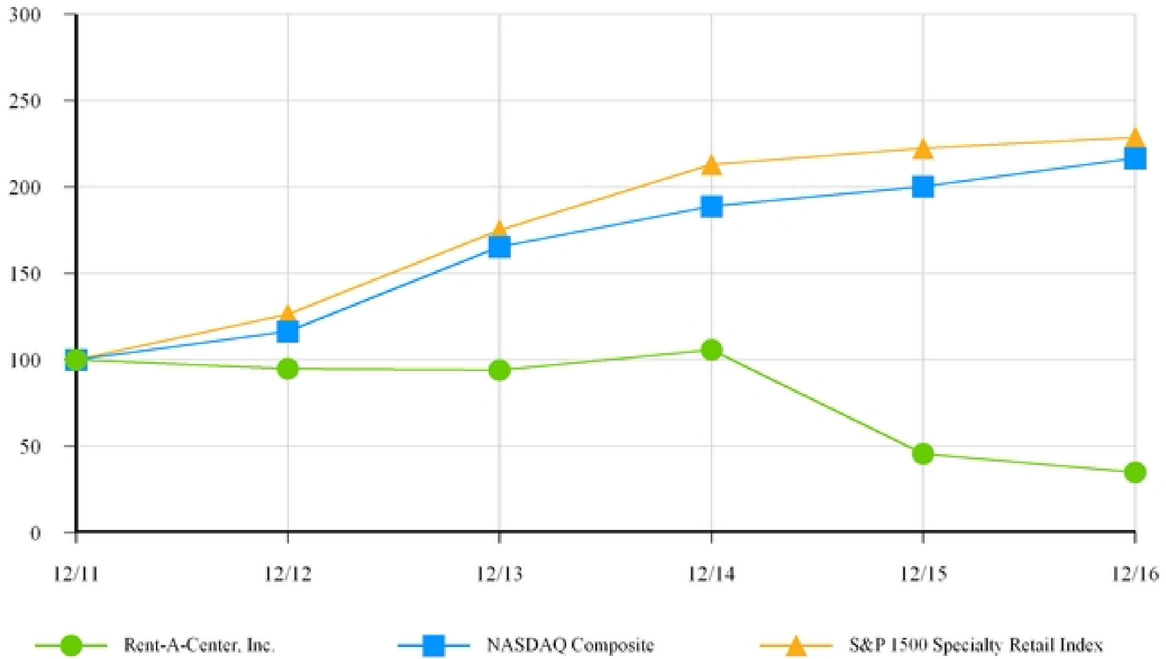
As of February 21, 2017, there were approximately 38 record holders of our common stock.

Future decisions to pay cash dividends on our common stock continue to be at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and any other factors our Board of Directors may deem relevant. Cash dividend payments are subject to certain restrictions in our debt agreements. Please see Note I and Note J to the consolidated financial statements for further discussion of such restrictions.

Under our current common stock repurchase program, our Board of Directors has authorized the purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $1.25 billion of Rent-A-Center common stock. As of December 31, 2016, we had purchased a total of 36,994,653 shares of Rent-A-Center common stock for an aggregate purchase price of $994.8 million under this common stock repurchase program. No shares were repurchased during 2016 and 2015.

Stock Performance Graph

The following chart represents a comparison of the five year total return of our common stock to the NASDAQ Composite Index and the S&P 1500 Specialty Retail Index. We selected the S&P 1500 Specialty Retail Index for comparison because we use this published industry index as the comparator group to measure our relative total shareholder return for purposes of determining vesting of performance stock units granted under our long-term incentive compensation program. The graph assumes $100 was invested on December 31, 2011, and dividends, if any, were reinvested for all years ending December 31.



Item 6. ***Selected Financial Data.***

The selected financial data presented below for the five years ended December 31, 2016, have been derived from our audited consolidated financial statements. The historical financial data are qualified in their entirety by, and should be read in conjunction with, the consolidated financial statements and the notes thereto, the section entitled *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and other financial information included in this report.

	Year Ended December 31,				
(In thousands, except per share data)	2016	2015[(1)]	2014	2013	2012
Consolidated Statements of Operations					
Revenues					
Store					
Rentals and fees	$ 2,500,053	$ 2,781,315	$ 2,745,828 [(8)]	$ 2,695,895	$ 2,653,925
Merchandise sales	351,198	377,240	290,048	278,753	300,077
Installment sales	74,509	76,238	75,889	71,475	67,071
Other	12,706	19,158	19,949	18,133	16,391
Franchise					
Merchandise sales	16,358	15,577	19,236	24,556	32,893
Royalty income and fees	8,428	8,892	6,846	5,206	5,314
Total revenues	2,963,252	3,278,420	3,157,796	3,094,018	3,075,671
Cost of revenues					
Store					
Cost of rentals and fees	664,845	728,706	704,595	676,674	642,387
Cost of merchandise sold	323,727	356,696	231,520	216,206	241,219
Cost of installment sales	24,285	25,677	26,084	24,541	23,287
Other charges and (credits)	—	34,698 [(4)]	(6,836) [(9)]	—	—
Franchise cost of merchandise sold	15,346	14,534	18,070	23,104	31,314
Total cost of revenues	1,028,203	1,160,311	973,433	940,525	938,207
Gross profit	1,935,049	2,118,109	2,184,363	2,153,493	2,137,464
Operating expenses					
Store expenses					
Labor	789,049	854,610	888,929	881,671	840,377
Other store expenses	791,614	833,914	842,254	789,212	764,770
General and administrative expenses	168,907	166,102	162,316	147,621	140,039
Depreciation, amortization and write-down of intangibles	80,456	80,720	83,168	86,912	79,249
Goodwill impairment charge	151,320 [(2)]	1,170,000 [(5)]	—	1,068	—
Other charges	20,299 [(3)]	20,651 [(6)]	14,234 [(10)]	—	—
Total operating expenses	2,001,645	3,125,997	1,990,901	1,906,484	1,824,435
Operating (loss) profit	(66,596)	(1,007,888)	193,462	247,009	313,029
Finance charges from refinancing	—	—	4,213 [(11)]	—	—
Interest expense, net	46,678	48,692	46,896	38,813	31,223
(Loss) earnings before income taxes	(113,274)	(1,056,580)	142,353	208,196	281,806
Income tax (benefit) expense	(8,079)	(103,060) [(7)]	45,931	79,439	101,788
Net (loss) earnings	$ (105,195)	$ (953,520)	$ 96,422	$ 128,757	$ 180,018
Basic (loss) earnings per common share	$ (1.98)	$ (17.97)	$ 1.82	$ 2.35	$ 3.06
Diluted (loss) earnings per common share	$ (1.98)	$ (17.97)	$ 1.81	$ 2.33	$ 3.03
Cash dividends declared per common share	$ 0.32	$ 0.96	$ 0.93	$ 0.86	$ 0.69

Item 6. ***Selected Financial Data — Continued.***

(Dollar amounts in thousands)	December 31,				
	2016	**2015[1]**	**2014**	**2013**	**2012**
Consolidated Balance Sheet Data					
Rental merchandise, net	$ 1,001,954	$ 1,136,472	$ 1,237,856	$ 1,124,198	$ 1,006,419
Intangible assets, net	60,560	213,899	1,377,992	1,373,518	1,352,888
Total assets	1,602,741	1,974,468	3,271,197	3,018,175	2,859,085
Total debt	724,230	955,833	1,042,813	916,275	687,500
Total liabilities	1,337,808	1,590,878	1,881,802	1,682,306	1,403,228
Total stockholders' equity	264,933	383,590	1,389,395	1,335,869	1,455,857
Operating Data (Unaudited)					
Core U.S. and Mexico stores open at end of period	2,593	2,815	3,001	3,161	3,098
Acceptance Now Staffed locations open at end of period	1,431	1,444	1,406	1,325	966
Acceptance Now Direct locations open at end of period	478	532	—	—	—
Same store revenue (decrease) growth [12]	(6.2)%	5.7%	1.2%	(2.0)%	1.4%
Franchise stores open at end of period	229	227	187	179	224

(1) Includes revisions for correction of deferred tax error associated with our goodwill impairment reported in the fourth quarter of 2015 as discussed in Note B in the consolidated financial statements.

(2) Includes a $151.3 million goodwill impairment charge in the Core U.S. segment.

(3) As discussed further in Note M, includes a $22.5 million restructuring charge primarily related to the closure of Core U.S. stores, Acceptance Now locations, and Mexico stores, partially offset by a $2.2 million litigation claims settlement

(4) Includes a $34.7 million write-down of smartphones.

(5) Includes a $1,170.0 million goodwill impairment charge in the Core U.S. segment.

(6) As discussed further in Note M, includes a $7.5 million loss on the sale of Core U.S. and Canada stores, a $7.2 million charge related to the closure of Core U.S. and Mexico stores, $2.8 million of charges for start-up and warehouse closure expenses related to our sourcing and distribution initiative, a $2.0 million restructuring charge and $1.1 million of losses for other store sales and closures.

(7) Includes $6.0 million of discrete adjustments to income tax reserves.

(8) Includes a $0.6 million reduction of revenue due to consumer refunds as a result of an operating system programming error.

(9) Includes a $6.8 million credit due to the settlement of a lawsuit against the manufacturers of LCD screen displays.

(10) As discussed further in Note M, includes store closure charges of $5.1 million, corporate restructuring charges of $2.8 million, asset impairment charges of $4.6 million and a $1.8 million loss on the sale of stores in the Core U.S. segment.

(11) Includes the effects of a $4.2 million financing expense related to the payment of debt origination costs and the write-off of unamortized financing costs.

(12) In 2012, same store revenue growth includes revenues only of stores open throughout the full period and the comparable prior period. Beginning in 2013, new or acquired stores were added to the same store revenue base in the 13th full month of operation.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

Results of Operations

The following discussion focuses on our results of operations and issues related to our liquidity and capital resources. You should read this discussion in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Overview

The Core U.S. segment experienced decreases in its revenues, gross profit and operating profit for the year ended December 31, 2016 as compared to 2015 primarily due to a 9.0% decrease in same store sales and the continued rationalization of our Core U.S. store base. Same store revenues were negatively impacted by unexpected capacity-related system outages occurring in the third quarter following the full implementation of our new store information system within our Core U.S. stores. We have implemented software releases to improve stability and added hardware to help mitigate over-utilization issues and did not experience any additional capacity-related system outages in the fourth quarter of 2016. However, the recovery from these outages to rebuild our portfolio and improve account management is taking longer than expected. We are currently evaluating and implementing a number of actions to stabilize the core business, focusing on product mix, pricing, our store-level workforce and delinquencies. As part of our continued rationalization of our Core U.S. store base, we closed, sold or converted 209 stores in 2016, 157 stores in 2015 and 202 stores in 2014.

Our annual goodwill impairment testing performed as of December 31, 2016 resulted in the recognition of an impairment charge of $151.3 million, thus writing off the remaining goodwill in the Core U.S. segment. The impairment is a non-cash charge and does not affect our liquidity, debt covenants or our ability to declare and pay dividends. The goodwill in our Acceptance Now segment was not impaired.

The growth in our Acceptance Now segment was relatively flat for the year ended December 31, 2016 as compared to 2015. We did experience an increase in charge-offs due to customer stolen merchandise. Expressed as a percentage of revenues, charge-offs were approximately 10% in 2016 as compared to 8.5% in 2015. This is due to an increase in multi-line vendor partners which offer higher risk merchandise versus a traditional furniture vendor as well as challenges in operational execution of the account management process.

Cash flow from operations was $353.7 million for the year ended December 31, 2016. We used our free cash flow to pay down debt by $233.8 million, ending the period with $95.4 million of cash and cash equivalents.

Recent Developments

Executive Management Changes.

- On December 2, 2016, Guy J. Constant resigned from his position as Chief Financial Officer and Maureen B. Short was appointed as our Interim Chief Financial Officer. Ms. Short joined the Company in 2008 and has served as Senior Vice President - Finance, Investor Relations and Treasury since November 2014.
- On January 9, 2017, Robert D. Davis resigned from his position as Chief Executive Officer and Mark E. Speese was appointed as our Interim Chief Executive Officer. Mr. Speese has served as the Chairman of the Board since October 2001 and as one of the Company's directors since 1990.

The following table is a reference for the discussion that follows.

(Dollar amounts in thousands)	Year Ended December 31, 2016	2015	2014	2016-2015 Change $	%	2015-2014 Change $	%
Revenues							
Store							
Rentals and fees	$ 2,500,053	$ 2,781,315	$ 2,745,828	$ (281,262)	(10.1)%	$ 35,487	1.3 %
Merchandise sales	351,198	377,240	290,048	(26,042)	(6.9)%	87,192	30.1 %
Installment sales	74,509	76,238	75,889	(1,729)	(2.3)%	349	0.5 %
Other	12,706	19,158	19,949	(6,452)	(33.7)%	(791)	(4.0)%
Total store revenues	2,938,466	3,253,951	3,131,714	(315,485)	(9.7)%	122,237	3.9 %
Franchise							
Merchandise sales	16,358	15,577	19,236	781	5.0 %	(3,659)	(19.0)%
Royalty income and fees	8,428	8,892	6,846	(464)	(5.2)%	2,046	29.9 %
Total revenues	2,963,252	3,278,420	3,157,796	(315,168)	(9.6)%	120,624	3.8 %
Cost of revenues							
Store							
Cost of rentals and fees	664,845	728,706	704,595	(63,861)	(8.8)%	24,111	3.4 %
Cost of merchandise sold	323,727	356,696	231,520	(32,969)	(9.2)%	125,176	54.1 %
Cost of installment sales	24,285	25,677	26,084	(1,392)	(5.4)%	(407)	(1.6)%
Total cost of store revenues	1,012,857	1,111,079	962,199	(98,222)	(8.8)%	148,880	15.5 %
Other charges and (credits)	—	34,698	(6,836)	(34,698)	(100.0)%	41,534	607.6 %
Franchise cost of merchandise sold	15,346	14,534	18,070	812	5.6 %	(3,536)	(19.6)%
Total cost of revenues	1,028,203	1,160,311	973,433	(132,108)	(11.4)%	186,878	19.2 %
Gross profit	1,935,049	2,118,109	2,184,363	(183,060)	(8.6)%	(66,254)	(3.0)%
Operating expenses							
Store expenses							
Labor	789,049	854,610	888,929	(65,561)	(7.7)%	(34,319)	(3.9)%
Other store expenses	791,614	833,914	842,254	(42,300)	(5.1)%	(8,340)	(1.0)%
General and administrative	168,907	166,102	162,316	2,805	1.7 %	3,786	2.3 %
Depreciation, amortization and write-down of intangibles	80,456	80,720	83,168	(264)	(0.3)%	(2,448)	(2.9)%
Goodwill impairment charge	151,320	1,170,000	—	(1,018,680)	—	1,170,000	—
Other charges	20,299	20,651	14,234	(352)	(1.7)%	6,417	45.1 %
Total operating expenses	2,001,645	3,125,997	1,990,901	(1,124,352)	(36.0)%	1,135,096	57.0 %
Operating (loss) profit	(66,596)	(1,007,888)	193,462	941,292	93.4 %	(1,201,350)	(621.0)%
Finance charges from refinancing	—	—	4,213	—	— %	(4,213)	(100.0)%
Interest, net	46,678	48,692	46,896	(2,014)	(4.1)%	1,796	3.8 %
(Loss) earnings before income taxes	(113,274)	(1,056,580)	142,353	943,306	89.3 %	(1,198,933)	(842.2)%
Income tax (benefit) expense	(8,079)	(103,060)	45,931	94,981	92.2 %	(148,991)	(324.4)%
Net (loss) earnings	$ (105,195)	$ (953,520)	$ 96,422	$ 848,325	89.0 %	$ (1,049,942)	(1,088.9)%

Comparison of the Years Ended December 31, 2016 and 2015

Store Revenue. Total store revenue decreased by $315.5 million, or 9.7%, to $2,938.5 million for the year ended December 31, 2016, from $3,254.0 million for 2015. This was primarily due to a decrease of approximately $302.1 million in the Core U.S. segment, as discussed further in the segment performance section below.

Same store revenue generally represents revenue earned in 3,469 locations that were operated by us for 13 months or more. Same store revenues decreased by $134.7 million, or 6.2%, to $2,043.0 million for the year ended December 31, 2016, as compared to

$2,177.7 million in 2015. The decrease in same store revenues was primarily attributable to a decline in the Core U.S. segment, as discussed further in the segment performance section below. Same store revenues are reported on a constant currency basis.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise. Cost of rentals and fees for the year ended December 31, 2016, decreased by $63.9 million, or 8.8%, to $664.8 million, as compared to $728.7 million in 2015. This decrease in cost of rentals and fees was primarily attributable to a $64.0 million decrease in the Core U.S. segment primarily as a result of lower rentals and fees revenue. Cost of rentals and fees expressed as a percentage of rentals and fees revenue increased to 26.6% for the year ended December 31, 2016 as compared to 26.2% in 2015.

Cost of Merchandise Sold. Cost of merchandise sold represents the net book value of rental merchandise at time of sale. Cost of merchandise sold decreased by $33.0 million, or 9.2%, to $323.7 million for the year ended December 31, 2016, from $356.7 million in 2015, primarily attributable to a decrease of $24.8 million in the Core U.S. segment. The gross margin percent of merchandise sales increased to 7.8% for the year ended December 31, 2016, from 5.4% in 2015.

Other Charges - Cost of Revenues. During 2015, a charge of $34.7 million was recognized for the write-down of smartphones in the Core U.S. segment.

Gross Profit. Gross profit decreased by $183.1 million, or 8.6%, to $1,935.0 million for the year ended December 31, 2016, from $2,118.1 million in 2015, due primarily to a decrease of $177.2 million in the Core U.S. segment. Gross profit as a percentage of total revenue increased to 65.3% in 2016 compared to 64.6% in 2015 primarily due to improvements in the Acceptance Now segment, as discussed further in the segment performance section below. Excluding other charges, gross profit was $1,935.0 million, or 65.3% of revenue for the year ended December 31, 2016, compared to $2,152.8 million, or 65.7% of revenue for 2015. These changes are primarily due to the decrease in the Core U.S. store revenue.

Store Labor. Store labor includes all salaries and wages paid to store-level employees and district managers' salaries, together with payroll taxes and benefits. Store labor decreased by $65.6 million, or 7.7%, to $789.0 million for the year ended December 31, 2016, as compared to $854.6 million in 2015. Labor in the Core U.S. segment decreased $59.5 million due to our flexible labor initiative and the continued rationalization of the Core U.S. store base. Store labor expressed as a percentage of total store revenue increased to 26.9% for the year ended December 31, 2016, from 26.3% in 2015.

Other Store Expenses. Other store expenses include occupancy, charge-offs due to customer stolen merchandise, delivery, advertising, selling, insurance, travel and other store-level operating expenses. Other store expenses decreased by $42.3 million, or 5.1%, to $791.6 million for the year ended December 31, 2016, as compared to $833.9 million in 2015. Other store expenses in the Core U.S. segment decreased $47.9 million due primarily to the continued rationalization of the Core U.S. store base. Other store expenses expressed as a percentage of total store revenue increased to 26.9% for the year ended December 31, 2016, from 25.6% in 2015.

General and Administrative Expenses. General and administrative expenses include all corporate overhead expenses related to our headquarters such as salaries, payroll taxes and benefits, stock-based compensation, occupancy, administrative and other operating expenses, as well as salaries and labor costs for our regional directors, divisional vice presidents and executive vice presidents. General and administrative expenses increased by $2.8 million, or 1.7%, to $168.9 million for the year ended December 31, 2016, as compared to $166.1 million in 2015, primarily due to severance costs. General and administrative expenses expressed as a percentage of total revenue increased to 5.7% for the year ended December 31, 2016, compared to 5.1% in 2015.

Goodwill Impairment Charge. During 2016 and 2015, we recognized goodwill impairment charges of $151.3 million and $1,170.0, respectively, due to an impairment in the goodwill in the Core U.S. segment. Goodwill impairment charge is discussed further in Note F in the consolidated financial statements.

Other Charges - Operating Expenses. Other charges relating to store sales and consolidations, startup costs related to our new sourcing and distribution network and corporate restructuring decreased by $0.4 million, or 1.7%, to $20.3 million in 2016, as compared to $20.7 million in 2015. Other charges for the year ended December 31, 2016 included restructuring charges for the closure of Core U.S., Acceptance Now, and Mexico locations, partially offset by a litigation claims settlement. See Note M to the notes to the consolidated financial statements for additional detail regarding these other charges.

Operating Loss. Operating loss decreased $941.3 million, or 93.4%, to $66.6 million for the year ended December 31, 2016, as compared to $1,007.9 million in 2015. Operating loss as a percentage of total revenue was 2.2% for the year ended December 31, 2016, as compared to 30.7% for 2015, primarily due to the goodwill impairment charges and other charges discussed above. Excluding the $171.6 million and $1,190.7 million of goodwill impairment and other charges in 2016 and 2015, respectively, discussed above, operating profit as a percentage of revenue would have been 3.5% and 5.6% in 2016 and 2015, respectively, discussed further in the Core U.S. segment performance section below.

Income Tax Benefit. Our effective income tax rate was 7.1% for 2016 as compared to a rate of 9.8% for 2015. The decrease in income tax benefit is primarily due to the lower goodwill impairment charge in 2016 compared to 2015.

Net Loss. Net loss was $105.2 million for the year ended December 31, 2016 as compared to $953.5 million in 2015, a decrease of $848.3 million

Comparison of the Years Ended December 31, 2015 and 2014

Store Revenue. Total store revenue increased by $122.2 million, or 3.9%, to $3,254.0 million for the year ended December 31, 2015, from $3,131.7 million for 2014. This was primarily due to an increase of approximately $173.5 million in the Acceptance Now segment, partially offset by decreases of approximately $42.8 million and $8.4 million in the Core U.S. and Mexico segments, respectively, as discussed further in the segment performance section below.

Same store revenue represents revenue earned in 4,105 locations that were operated by us for 13 months or more. Same store revenues increased by $143.0 million, or 5.7%, to $2,641.7 million for the year ended December 31, 2015, as compared to $2,498.8 million in 2014. The increase in same store revenues was primarily attributable to growth in the Acceptance Now segment.

Cost of Rentals and Fees. Cost of rentals and fees for the year ended December 31, 2015, increased by $24.1 million, or 3.4%, to $728.7 million, as compared to $704.6 million in 2014. This increase in cost of rentals and fees was primarily attributable to growth in rentals and fees revenue in the Acceptance Now segment in 2015 as compared to 2014, partially offset by decreases in rentals and fees revenue in the Core U.S. and Mexico segments. The gross margin percent of rentals and fees decreased to 73.8% for the year ended December 31, 2015, as compared to 74.3% in 2014, driven by increased revenue in the Acceptance Now segment, which has higher costs of rental merchandise.

Cost of Merchandise Sold. Cost of merchandise sold represents the net book value of rental merchandise at time of sale. Cost of merchandise sold increased by $125.2 million, or 54.1%, to $356.7 million for the year ended December 31, 2015, from $231.5 million in 2014. The gross margin percent of merchandise sales decreased to 5.4% for the year ended December 31, 2015, from 20.2% in 2014, driven by a lower gross profit margin on merchandise sales and a higher mix of merchandise sales, primarily due to increased usage of the 90 day cash option in the Acceptance Now segment and sales of smartphones in the Core U.S. segment.

Other Charges and (Credits). During 2015, we recognized a $34.7 million charge for the write-down of smartphones as discussed above, compared to a $6.8 million credit recognized in 2014 as a result of a class-action settlement with the manufacturers of LCD screen displays, which is discussed further in Note L to the consolidated financial statements.

Gross Profit. Gross profit decreased by $66.3 million, or 3.0%, to $2,118.1 million for the year ended December 31, 2015, from $2,184.4 million in 2014, driven by decreases of $108.4 million and $8.7 million in the Core U.S. and Mexico segments, partially offset by a $49.0 million increase in the Acceptance Now segment, as discussed further in the segment performance section below. Gross profit as a percentage of total revenue decreased to 64.6% in 2015 compared to 69.2% in 2014. Without the $34.7 million smartphone write-down and the $6.8 million vendor settlement credit discussed above, gross margin as a percentage of total revenue would have been 65.7% for the year ended December 31, 2015, a decrease of 3.3% from the prior year, primarily due to the lower margins in the Acceptance Now segment as discussed above.

Store Labor. Store labor decreased by $34.3 million, or 3.9%, to $854.6 million for the year ended December 31, 2015, as compared to $888.9 million in 2014. Store labor in the Core U.S. and Mexico segments decreased $46.7 million and $5.5 million, respectively, partially offset by an increase of $17.9 million in the Acceptance Now segment. Store labor expressed as a percentage of total store revenue decreased to 26.3% for the year ended December 31, 2015, from 28.4% in 2014, as discussed further in the segment performance section below.

Other Store Expenses. Other store expenses decreased by $8.3 million, or 1.0%, to $833.9 million for the year ended December 31, 2015, as compared to $842.3 million in 2014. Other store expenses expressed as a percentage of total store revenue decreased to 25.6% for the year ended December 31, 2015, from 26.9% in 2014, as discussed further in the segment performance section below.

General and Administrative Expenses. General and administrative expenses increased by $3.8 million, or 2.3%, to $166.1 million for the year ended December 31, 2015, as compared to $162.3 million in 2014. General and administrative expenses expressed as a percentage of total revenue were 5.1% for each of the years ended December 31, 2015 and 2014.

Goodwill Impairment Charge. During 2015, we recognized a $1,170.0 goodwill impairment charge due to an impairment in the goodwill in the Core U.S. segment. Goodwill impairment charge is discussed further in Note F to the notes to the consolidated financial statements.

Other Charges. Other charges increased by $6.4 million, or 45.1%, to $20.7 million in 2015, as compared to $14.2 million in 2014. See Note M to the notes to the consolidated financial statements for additional detail regarding these other charges.

Operating Profit (Loss). Operating loss was $1,007.9 million for the year ended December 31, 2015, as compared to an operating profit of $193.5 million in 2014, a decrease of $1,201.4 million. Operating loss as a percentage of total revenue was 30.7% for the year ended December 31, 2015, as compared to an operating profit of 6.1% for 2014, primarily due to the goodwill impairment charge and other charges and credits discussed above. Excluding the $1,225.3 million and $7.4 million of goodwill impairment charge and other charges and credits in 2015 and 2014, respectively, discussed above, operating profit as a percentage of revenue would have been 6.6% and 6.4% in 2015 and 2014, respectively, discussed further in the segment performance section below.

Finance Charges from Refinancing. We refinanced our senior credit facility during March 2014, and recognized a $4.2 million charge to write off approximately $2.3 million of new origination fees and $1.9 million of unamortized financing costs from our previous credit agreement.

Income Tax (Benefit) Expense. Our effective income tax rate was a benefit of 9.8% for 2015 as compared to an expense of 32.3% for 2014. The 2015 rate for income taxes is less than that of 2014 due primarily to the non-deductible portion of the goodwill write-down.

Net Earnings (Loss). Net loss was $953.5 million for the year ended December 31, 2015 as compared to net earnings of $96.4 million in 2014, a decrease of $1,049.9 million

Segment Performance

Core U.S. segment.

	Year Ended December 31,			2016-2015 Change		2015-2014 Change	
(Dollar amounts in thousands)	2016	2015	2014	$	%	$	%
Revenues	$ 2,069,725	$ 2,371,823	$ 2,414,659	$ (302,098)	(12.7)%	$ (42,836)	(1.8)%
Gross profit	1,467,679	1,644,840	1,753,269	(177,161)	(10.8)%	(108,429)	(6.2)%
Operating (loss) profit	(1,020)	(959,447)	264,967	958,427	(99.9)%	(1,224,414)	(462.1)%
Change in same store revenue					(9.0)%		0.1 %
Stores in same store revenue calculation					2,053		2,679

Revenues. Revenue decreased in 2016 compared to 2015, primarily driven by a decrease of $272.4 million in rentals and fees revenue and a $21.0 million decrease in merchandise sales. The decrease is primarily due to the decrease in same store revenue and the continued rationalization of our Core U.S. store base. The decrease in same store revenue was driven primarily by the impact of recovery challenges from the capacity-related outages of our store information management system that occurred in the third quarter, and other factors including the recast of the smartphone category, declines in television and computer/tablet categories, deterioration in oil affected markets, and heavy promotional activity. Same store revenue generally represents revenue earned in stores that were operated by us for 13 months or more.

Gross Profit. Gross profit decreased in 2016 from 2015, primarily due to the decrease in store revenue as discussed above, partially offset by the $34.7 million write-down of smartphones inventory in 2015. Gross profit as a percentage of segment revenues increased to 70.9% in 2016 from 69.3% in 2015. Excluding other charges, gross profit as a percentage of segment revenue was 70.9% in 2016 and 70.8% in 2015.

Operating Loss. Operating loss as a percentage of segment revenues was 0.1% in 2016 compared to operating loss of 40.5% for 2015. Excluding other charges, operating profit as a percentage of segment revenues decreased to 8.1%, for the year ended December 31, 2016, compared to 11.0% in 2015. Labor, as a percentage of store revenue, was negatively impacted by sales deleverage and higher health care expenses, partially offset by improved labor productivity. Other store expenses, as a percentage of store revenue, were negatively impacted by sales deleverage, and increased customer stolen merchandise losses, partially offset by a lower store count. Charge-offs in our Core U.S. rent-to-own stores due to customer stolen merchandise, expressed as a percentage of Core U.S. rent-to-own revenues, were approximately 3.7% for the year ended December 31, 2016, compared to 3.1% in 2015. Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims. Charge-offs in our Core U.S. rent-to-own stores due to other merchandise losses, expressed as a percentage of revenues, were approximately 2.0% for the years ended December 31, 2016 and 2015.

Acceptance Now segment.

	Year Ended December 31,			2016-2015 Change		2015-2014 Change	
(Dollar amounts in thousands)	2016	2015	2014	$	%	$	%
Revenues	$ 817,814	$ 818,325	$ 644,853	$ (511)	(0.1)%	$ 173,472	26.9%
Gross profit	422,381	420,980	372,012	1,401	0.3 %	48,968	13.2%
Operating profit	105,925	123,971	112,918	(18,046)	(14.6)%	11,053	9.8%
Change in same store revenue					(0.4)%		25.8%
Stores in same store revenue calculation					1,297		1,286

Revenues. Revenues were flat for the year ended December 31, 2016 compared to 2015. Overall, this segment contributed approximately 27.6% of consolidated revenues in 2016 as compared to 25.0% in 2015.

Gross Profit. Gross profit increased for the year ended December 31, 2016 compared to 2015. Gross profit as a percentage of segment revenues was 51.6% in 2016 as compared to 51.4% in 2015.

Operating Profit. Operating profit as a percentage of total segment revenue decreased to 13.0% in 2016 from 15.1% for 2015. Other store expenses, as a percentage of store revenue, for the year ended December 31, 2016 were negatively impacted by higher customer stolen merchandise. Charge-offs in our Acceptance Now locations due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 10.0% in 2016 as compared to 8.5% in 2015, primarily due to an increase in multi-line vendor partners which offer higher risk merchandise versus a traditional furniture vendor, as well as challenges in operational execution of the account management process. Other merchandise losses include unrepairable merchandise and loss/damage waiver claims. Charge-offs in our Acceptance Now locations due to other merchandise losses, expressed as a percentage of revenues, were approximately 0.9% and 0.6% in 2016 and 2015, respectively.

Mexico segment.

	Year Ended December 31,			2016-2015 Change		2015-2014 Change	
(Dollar amounts in thousands)	2016	2015	2014	$	%	$	%
Revenues	$ 50,927	$ 63,803	$ 72,202	$ (12,876)	(20.2)%	$ (8,399)	(11.6)%
Gross profit	35,549	42,354	51,070	(6,805)	(16.1)%	(8,716)	(17.1)%
Operating loss	(2,449)	(14,149)	(21,961)	11,700	(82.7)%	7,812	(35.6)%
Change in same store revenue					6.6 %		9.6 %
Stores in same store revenue calculation					119		140

Revenues. Revenues for 2016 were negatively impacted by approximately $9.1 million due to exchange rate fluctuations as compared to 2015. On a constant currency basis, revenue for 2016 was negatively impacted by approximately 6.0% due primarily to the impact of store closures in 2016 and 2015.

Gross Profit. Gross profit for the year ended December 31, 2016 was negatively impacted by approximately $6.4 million due to exchange rate fluctuations as compared to 2015. On a constant currency basis, gross profit also decreased as a result of decreased revenues in the segment due to store closures in 2016 and 2015. Gross profit as a percentage of segment revenues increased to 69.8% in 2016 from 66.4% in 2015 primarily due to revenue mix and higher merchandise sales gross margin due to pricing initiatives.

Operating Loss. Operating losses were positively impacted by approximately $1.4 million for the year ended December 31, 2016 due to exchange rate fluctuations compared to 2015. Operating losses as a percentage of segment revenues decreased to 4.8% in 2016 from 22.2% for 2015. Operating losses included restructuring charges of $2.3 million and $3.0 million, related to store closures during 2016 and 2015, respectively. Excluding these store closure charges, operating losses as a percentage of segment revenues would have been 0.3% in 2016, compared to 17.5% in 2015 as a result of operating initiatives designed to improve the financial performance of our Mexico operations.

Franchising segment.

(Dollar amounts in thousands)	Year Ended December 31, 2016	2015	2014	2016-2015 Change $	%	2015-2014 Change $	%
Revenues	$ 24,786	$ 24,469	$ 26,082	$ 317	1.3 %	$ (1,613)	(6.2)%
Gross profit	9,440	9,935	8,012	(495)	(5.0)%	1,923	24.0 %
Operating profit	5,650	5,793	3,295	(143)	(2.5)%	2,498	75.8 %

Revenues. Merchandise sales and royalty income and fees increased approximately $0.3 million for the year ended December 31, 2016, compared to 2015.

Gross Profit. Gross profit as a percentage of segment revenues decreased to 38.1% in 2016 from 40.6% in 2015.

Operating Profit. Operating profit as a percentage of segment revenues decreased to 22.8% in 2016 from 23.7% for 2015 primarily due to decreased gross profit.

Quarterly Results

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

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2016				
Revenues	$ 835,652	$ 749,619	$ 693,877	$ 684,104
Gross profit	534,944	500,158	457,226	442,721
Operating profit (loss)	48,430	27,550	16,700	(159,276)
Net earnings (loss)	25,061	9,946	6,181	(146,383)
Basic earnings (loss) per common share	$ 0.47	$ 0.19	$ 0.12	$ (2.76)
Diluted earnings (loss) per common share	$ 0.47	$ 0.19	$ 0.12	$ (2.76)
Cash dividends declared per common share	$ 0.08	$ 0.08	$ 0.08	$ 0.08

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter[1]
Year Ended December 31, 2015				
Revenues	$ 877,639	$ 815,343	$ 791,605	$ 793,833
Gross profit	564,593	538,529	488,612	526,375
Operating profit (loss)	56,598	49,701	6,565	(1,120,752)
Net earnings (loss)	27,298	23,147	(4,092)	(999,873)
Basic earnings (loss) per common share	$ 0.51	$ 0.44	$ (0.08)	$ (18.84)
Diluted earnings (loss) per common share	$ 0.51	$ 0.43	$ (0.08)	$ (18.84)
Cash dividends declared per common share	$ 0.24	$ 0.24	$ 0.24	$ 0.24

[1] Fourth quarter net loss and loss per share revised for correction of deferred tax error associated with our goodwill impairment reported in the fourth quarter of 2015 as discussed in Note B in the consolidated financial statements.

(As a percentage of revenues)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2016				
Revenues	100.0%	100.0%	100.0%	100.0 %
Gross profit	64.0%	66.7%	65.9%	64.7 %
Operating profit (loss)	5.8%	3.7%	2.4%	(23.3)%
Net earnings (loss)	3.0%	1.3%	0.9%	(21.4)%

(As a percentage of revenues)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2015				
Revenues	100.0%	100.0%	100.0 %	100.0 %
Gross profit	64.3%	66.0%	61.7 %	66.3 %
Operating profit (loss)	6.4%	6.1%	0.8 %	(141.2)%
Net earnings (loss)	3.1%	2.8%	(0.5)%	(126.0)%

Liquidity and Capital Resources

Overview. For the year ended December 31, 2016, we generated $353.7 million in operating cash flow. We paid down debt by $233.8 million from cash generated from operations and an $84.9 million income tax refund. We also used cash in the amount of $61.1 million for capital expenditures and $25.6 million for payment of dividends, ending the year with $95.4 million in cash and cash equivalents.

Analysis of Cash Flow. Net cash provided by operating activities increased by $123.2 million to $353.7 million in 2016 from $230.5 million in 2015. This was primarily attributable to the receipt in 2016 of income tax refunds of approximately $84.9 million in addition to a decrease in merchandise purchases due to lower sales in the Core U.S. segment and lower 90 days same as cash sales in the Acceptance Now segment.

Net cash used in investing activities decreased by $31.1 million to $59.0 million in 2016 from $90.1 million in 2015, due to a decrease in capital expenditures, business acquisitions, and property sales.

Net cash used in financing activities increased by $135.5 million to $259.4 million in 2016 from $123.9 million in 2015, primarily driven by our net reduction in debt of $233.8 million in 2016, as compared to a net decrease in debt of $74.4 million in 2015, and lower dividend payments year over year.

Liquidity Requirements. Our primary liquidity requirements are for rental merchandise purchases. As we implement our growth strategies, the need for additional rental merchandise is expected to remain our primary capital requirement. Other capital requirements include expenditures for property assets and debt service. Our primary sources of liquidity have been cash provided by operations. In the future, to provide any additional funds necessary for the continued operations and expansion of our business, we may incur from time to time additional short-term 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 financing and 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 the cash flow generated from operations will be sufficient to fund our liquidity requirements as discussed above during the next 12 months. Should we require additional funding sources, we maintain revolving credit facilities, including a $20.0 million line of credit at INTRUST Bank, which provide us with revolving loans in an aggregate principal amount not exceeding $695.0 million. At February 21, 2017, we had $77.9 million in cash and $91.1 million in outstanding letters of credit, resulting in availability of $583.9 million in our revolving credit facilities.

In order to draw on our credit facilities, we must be in compliance with certain debt covenant requirements. We are required to maintain certain financial ratios under the Credit Agreement, including a consolidated fixed charge coverage ratio of no less than 1.50:1, and a consolidated senior secured leverage ratio of no greater than 4.00:1. At December 31, 2016, our consolidated fixed charge coverage ratio was 1.50:1, and our consolidated senior secured leverage ratio was 3.58:1. If our consolidated EBITDA continues to decline, our consolidated fixed charge coverage ratio or our consolidated senior secured leverage ratio may not meet the required levels, which would be a breach of the Credit Agreement. A breach of either covenant may result in acceleration of all amounts outstanding under the Credit Agreement (upon consent or request of more than 50% of the lenders). If all amounts outstanding under the Credit Agreement were to become due and we were unable to repay such amounts, a default under our senior notes would occur which may result in the holders of the notes declaring the full principal amount of, and all accrued and unpaid interest on, the notes immediately due and payable. We cannot assure you that we would have enough funds to immediately pay our accelerated senior credit facilities and senior note obligations or that we would be able to obtain financing to do so on favorable terms, if at all. We are reviewing any potential impacts of our expected operating performance on covenant compliance and are in discussions with our lead bank regarding near and long-term solutions, including amendment, waiver and refinancing.

As of December 31, 2016, the revolving credit facilities were undrawn and the amount we could borrow under our revolving credit facilities was effectively limited by the consolidated senior secured leverage ratio covenant to an amount equal to $78.0 million.

We generally have used the revolving credit facilities to manage normal fluctuations in operational cash flow caused by the timing of cash receipts, drawing funds and repaying those amounts as cash is generated by our operating activities.

To the extent we have available cash that is not necessary to fund the items listed above, and subject to conditions and covenants within our Credit Agreement, we may declare and pay dividends on our common stock, make additional payments to reduce our existing debt or repurchase additional shares of our common stock. 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 senior unsecured notes at 101% of their principal amount, plus accrued interest to the date of repurchase. Our senior credit facilities limit our ability to repurchase the senior unsecured 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 facilities and senior note obligations or that we would be able to obtain financing to do so on favorable terms, if at all.

Deferred Taxes. Certain federal tax legislation enacted during the period 2009 to 2014 permitted bonus first-year depreciation deductions ranging from 50% to 100% of the adjusted basis of qualified property placed in service during such years. The depreciation benefits associated with these tax acts are now reversing. On December 18, 2015, the Protecting Americans from Tax Hikes Act of 2015 ("PATH") extended the bonus depreciation to 2015 and through December 2019. The PATH act permits first-year bonus depreciation of 50% in 2015-2017, 40% in 2018, and 30% in 2019. The PATH act resulted in an estimated benefit of $154 million for us in 2016. We estimate the remaining tax deferral associated with these acts is approximately $199 million at December 31, 2016, of which approximately 75.4%, or $150 million will reverse in 2017, and the remainder will reverse between 2018 and 2019. We also estimate a benefit of $171 million resulting from bonus depreciation in 2017 which will offset the $150 million reversal, resulting in a net positive impact to cash taxes of $22 million.

Merchandise Losses. Merchandise losses consist of the following:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Customer stolen merchandise	$ 169,021	$ 154,781	$ 137,107
Other merchandise losses[(1)]	49,731	52,003	41,770
Total merchandise losses	$ 218,752	$ 206,784	$ 178,877

(1) Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores, and investment in information technology. We spent $61.1 million, $80.9 million and $83.8 million on capital expenditures in the years 2016, 2015 and 2014, respectively.

Acquisitions and New Location Openings. See Note F to the consolidated financial statements for information about cash used to acquire locations and accounts. The table below summarizes the location activity for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31, 2016					
	Core U.S.	Acceptance Now Staffed	Acceptance Now Direct	Mexico	Franchising	Total
Locations at beginning of period	2,672	1,444	532	143	227	5,018
New location openings	—	171	67	1	2	241
Acquired locations remaining open	—	—	—	—	5	5
Conversions	—	1	(2)	—	—	(1)
Closed locations						
Merged with existing locations	(185)	(185)	—	(4)	(1)	(375)
Sold or closed with no surviving location	(24)	—	(119)	(10)	(4)	(157)
Locations at end of period	2,463	1,431	478	130	229	4,731
Acquired locations closed and accounts merged with existing locations	3	—	—	—	—	3
Total approximate purchase price *(in millions)*	$ 2.3	$ —	$ —	$ —	$ —	$ 2.3

	Year Ended December 31, 2015					
	Core U.S.	Acceptance Now Staffed	Acceptance Now Direct	Mexico	Franchising	Total
Locations at beginning of period	2,824	1,406	—	177	187	4,594
New location openings	—	161	505	—	11	677
Acquired locations remaining open	5	—	—	—	—	5
Conversions	(40)	(29)	29	—	40	—
Closed locations				—		
Merged with existing locations	(83)	(94)	—	(34)	—	(211)
Sold or closed with no surviving location	(34)	—	(2)	—	(11)	(47)
Locations at end of period	2,672	1,444	532	143	227	5,018
Acquired locations closed and accounts merged with existing locations	34	—	—	—	—	34
Total approximate purchase price (*in millions*)	$ 25.5	$ —	$ —	$ —	$ —	$ 25.5

	Year Ended December 31, 2014					
	Core U.S.	Acceptance Now Staffed	Acceptance Now Direct	Mexico	Franchising	Total
Locations at beginning of period	3,010	1,325	—	151	179	4,665
New location openings	10	209	—	31	30	280
Acquired locations remaining open	6	—	—	—	—	6
Closed locations						
Merged with existing locations	(163)	(127)	—	(5)	—	(295)
Sold or closed with no surviving location	(39)	(1)	—	—	(22)	(62)
Locations at end of period	2,824	1,406	—	177	187	4,594
Acquired locations closed and accounts merged with existing locations	13	—	—	—	—	13
Total approximate purchase price *(in millions)*	$ 21.2	$ —	$ —	$ —	$ —	$ 21.2

Senior Debt. As discussed in Note I to the consolidated financial statements, the $900.0 million Credit Agreement consists of $225.0 million, seven-year Term Loans, and a $675.0 million, five-year Revolving Facility.

The full amount of the Revolving Facility may be used for the issuance of letters of credit, of which $91.1 million had been so utilized as of February 21, 2017, at which date $583.9 million was available. The Term Loans are scheduled to mature on March 19, 2021 and the Revolving Facility has a scheduled maturity of March 19, 2019. The weighted average Eurodollar rate on our outstanding debt was 0.91% at February 21, 2017.

Senior Notes. See descriptions of the senior notes in Note J to the consolidated financial statements.

Store Leases. We lease space for substantially all of our Core U.S. and Mexico stores and certain support facilities under operating leases expiring at various times through 2023. 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.

Franchising Guarantees. Our subsidiary, ColorTyme Finance, Inc. ("ColorTyme Finance"), is a party to an agreement with Citibank, N.A., pursuant to which Citibank provides up to $27.0 million in aggregate financing to qualifying franchisees of Franchising. Under the Citibank agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Citibank can assign the loans and the collateral securing such loans to ColorTyme Finance, with ColorTyme Finance paying or causing to be paid the outstanding debt to Citibank and then succeeding to the rights of Citibank under the debt agreements, including the right to foreclose on the collateral. Rent-A-Center and ColorTyme Finance guarantee the obligations of the franchise borrowers under the Citibank facility. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Citibank financing, which is guaranteed by Rent-A-Center East, Inc., a subsidiary of Rent-A-Center. The maximum guarantee obligations under these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, is $47.0 million, of which $2.8 million was outstanding as of December 31, 2016.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of December 31, 2016:

	Payments Due by Period				
(In thousands)	Total	2017	2018-2019	2020-2021	Thereafter
Senior Term Debt[1]	$ 191,813	$ 2,250	$ 4,500	$ 185,063	$ —
6.625% Senior Notes[2]	370,316	19,394	38,788	312,134	—
4.75% Senior Notes[3]	303,437	11,875	23,750	267,812	—
Operating Leases	487,622	165,187	224,991	92,188	5,256
Total contractual cash obligations[4]	$ 1,353,188	$ 198,706	$ 292,029	$ 857,197	$ 5,256

(1) Does not include interest payments. Our senior term debt bears interest at varying rates equal to the Eurodollar rate (not less than 0.75%) plus 3.00% or the prime rate plus 2.00% at our election. The Eurodollar rate on our senior term debt at December 31, 2016 was 0.91%.
(2) Includes interest payments of $9.7 million on each May 15 and November 15 of each year.
(3) Includes interest payments of $5.9 million on each May 1 and November 1 of each year.
(4) As of December 31, 2016, we have $33.7 million in uncertain tax positions. Because of the uncertainty of the amounts to be ultimately paid as well as the timing of such payments, uncertain tax positions are not reflected in the contractual obligations table.

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 the 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. Furthermore, we tend to experience slower growth in the number of rental purchase agreements in the third quarter of each fiscal year when compared to other quarters throughout the year. We expect these trends to continue in the future.

Critical Accounting 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.

If we make changes to our reserves in accordance with the policies described below, our earnings would be impacted. Increases to our reserves would reduce earnings and, similarly, reductions to our reserves would increase our earnings. A pre-tax change of approximately $0.8 million in our estimates would result in a corresponding $0.01 change in our diluted earnings per common share.

Self-Insurance Liabilities. We have self-insured retentions with respect to losses under our workers' compensation, general liability and vehicle liability insurance programs. 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.

We continually institute procedures to manage our loss exposure and increases in health care costs associated with our insurance claims through our risk management function, including a transitional duty program for injured workers, ongoing safety and accident prevention training, and various other 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, company-specific development factors, general industry loss development factors, 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 reserves by comparing amounts reserved 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 reserves as needed.

As of December 31, 2016, the amount reserved for losses within our self-insured retentions with respect to workers' compensation, general liability and vehicle liability insurance was $120.8 million, as compared to $115.4 million at December 31, 2015. However, 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 liabilities could be more or less than the amounts currently reserved.

Income Taxes. Our annual tax rate is affected by many factors, including the mix of our earnings, legislation and acquisitions, and is based on our income, statutory tax rates and tax planning opportunities available to us in the jurisdictions in which we operate. Tax laws are complex and subject to differing interpretations between the taxpayer and the taxing authorities. Significant judgment is required in determining our tax expense, evaluating our tax positions and evaluating uncertainties. Deferred income tax assets represent amounts available to reduce income taxes payable in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight and assist us in determining recoverability. 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 the ultimate settlement with the relevant tax authority. A number of years may elapse before a particular matter, for which we have recorded a liability, is audited and effectively settled. We review our tax positions quarterly and adjust our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available.

Valuation of Goodwill. We perform an assessment of goodwill for impairment at the reporting unit level annually on October 1, or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Factors which could necessitate an interim impairment assessment include, but are not limited to, a sustained decline in our market capitalization, prolonged negative industry or economic trends and significant underperformance relative to historical or projected future operating results.

Our reporting units are generally our reportable operating segments identified in Note S to the consolidated financial statements. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions that we believe are reasonable but inherently uncertain, and actual results may differ from those estimates. These estimates and assumptions include, but are not limited to, future cash flows based on revenue growth rates and operating margins, and future economic and market conditions approximated by a discount rate derived from our weighted average cost of capital. Factors that could affect our ability to achieve the expected growth rates or operating margins include, but are not limited to, the general strength of the economy and other economic conditions that affect consumer preferences and spending and factors that affect the disposable income of our current and potential customers. Factors that could affect our weighted average cost of capital include changes in interest rates and changes in our effective tax rate.

We use a two-step approach to assess goodwill impairment. If the fair value of the reporting unit exceeds its carrying value, then the goodwill is not deemed impaired. If the carrying value of the reporting unit exceeds fair value, we perform a second analysis to measure the fair value of all assets and liabilities within the reporting unit, and if the carrying value of goodwill exceeds its implied fair value, goodwill is considered impaired. The amount of the impairment is the difference between the carrying value of goodwill and the implied fair value, which is calculated as if the reporting unit had been acquired and accounted for as a business combination.

During the period from our 2015 goodwill impairment assessment through the third quarter 2016, we periodically analyzed whether any indicators of impairment had occurred. As part of these periodic analyses, we compared estimated fair value of the company, as determined based on the consolidated stock price, to its net book value. As the estimated fair value of the company was higher than its net book value during each of these periods, no additional testing was deemed necessary.

Prior to completion of our annual October 2016 goodwill impairment test, we experienced a significant decline in our stock price, which we attribute to certain events occurring in the fourth quarter of 2016, including the release of our fourth quarter operating performance on a per share basis, and the announcement of changes in executive management.

On October 1, 2016, initial indications of the annual goodwill impairment assessment suggested the Company's derived fair value would exceed its carrying value as of the testing date. Subsequent to October 1, 2016, due to the events discussed above and a significant decline in our stock price, we deemed it more appropriate to assess goodwill impairment as of December 31, 2016, rather than the historical testing date. We believe this conclusion is consistent with the Financial Accounting Standards Board's intent with regards to testing goodwill for impairment.

In conjunction with the events occurring in the fourth quarter, and for purposes of our annual impairment testing at December 31, 2016, we updated our long-term business plan, which is used as the basis for estimating the future cash flows of our reporting units. That plan considered current economic conditions and trends, estimated future operating results, our views of growth rates, and anticipated future economic and regulatory conditions.

Step one of our annual goodwill impairment test as of December 31, 2016, was completed in February 2017. We determined the fair value of the Acceptance Now segment exceeded its carrying value, while the fair value of our Core U.S. segment was below

its carrying value. Therefore, we conducted step two of the impairment test for our Core U.S. segment and determined the carrying value of goodwill in our Core U.S. segment exceeded its implied fair value, resulting in an impairment charge of $151.3 million.

At December 31, 2016, the remaining amount of goodwill was $55.3 million, solely attributable to the Acceptance Now segment. At December 31, 2015, the amount of goodwill allocated to the Core U.S. and Acceptance Now segments was $150.8 million and $55.3 million, respectively.

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe our consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of our company as of, and for, the periods presented in this Annual Report on Form 10-K. However, we do not suggest that other general risk factors, such as those discussed elsewhere in this report as well as changes in our growth objectives or performance of new or acquired locations, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Effect of New Accounting Pronouncements

Please refer to New Accounting Pronouncements in Note A of this Annual Report on Form 10-K.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

Interest Rate Sensitivity

As of December 31, 2016, we had $292.7 million in senior notes outstanding at a fixed interest rate of 6.625% and $250.0 million in senior notes outstanding at a fixed interest rate of 4.75%. We also had $191.8 million outstanding in Term Loans, no outstanding borrowings under our Revolving Facility or our INTRUST line of credit, each at interest rates indexed to the Eurodollar rate or the prime rate. The fair value of the 6.625% senior notes, based on the closing price at December 31, 2016, was $266.4 million. The fair value of the 4.75% senior notes, based on the closing price at December 31, 2016, was $206.3 million. Carrying value approximates fair value for all other indebtedness.

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 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. As a result of such assessment, we may enter into swap contracts or other interest rate protection agreements from time to time to mitigate this risk.

Interest Rate Risk

We have outstanding debt with variable interest rates indexed to prime or Eurodollar rates that exposes us to the risk of increased interest costs if interest rates rise. As of December 31, 2016, we have not entered into any interest rate swap agreements. Based on our overall interest rate exposure at December 31, 2016, a hypothetical 1.0% increase or decrease in market interest rates would have the effect of causing a $1.9 million additional pre-tax charge or credit to our statement of operations.

Foreign Currency Translation

We are exposed to market risk from foreign exchange rate fluctuations of the Mexican peso to the U.S. dollar as the financial position and operating results of our stores in Mexico are translated into U.S. dollars for consolidation. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

Item 8. ***Financial Statements and Supplementary Data.***

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Rent-A-Center, Inc.:

We have audited the accompanying consolidated balance sheets of Rent-A-Center, Inc. and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rent-A-Center, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Dallas, Texas

March 1, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Rent-A-Center, Inc.:

We have audited Rent-A-Center, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Rent-A-Center, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 1, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Dallas, Texas

March 1, 2017

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company, including the Interim Chief Executive Officer and Interim Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control system was designed to provide reasonable assurance to management and the Company's Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. A system of internal control may become inadequate over time because of changes in conditions, or deterioration in the degree of compliance with the policies or procedures. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013).* Based on this assessment, management has concluded that, as of December 31, 2016, the Company's 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 based on such criteria.

KPMG LLP, the Company's independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting, which is included elsewhere in this Annual Report on Form 10-K.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Year Ended December 31, 2016	2015	2014
Revenues			
Store			
Rentals and fees	$ 2,500,053	$ 2,781,315	$ 2,745,828
Merchandise sales	351,198	377,240	290,048
Installment sales	74,509	76,238	75,889
Other	12,706	19,158	19,949
Total store revenues	2,938,466	3,253,951	3,131,714
Franchise			
Merchandise sales	16,358	15,577	19,236
Royalty income and fees	8,428	8,892	6,846
Total revenues	2,963,252	3,278,420	3,157,796
Cost of revenues			
Store			
Cost of rentals and fees	664,845	728,706	704,595
Cost of merchandise sold	323,727	356,696	231,520
Cost of installment sales	24,285	25,677	26,084
Total cost of store revenues	1,012,857	1,111,079	962,199
Other charges and (credits)	—	34,698	(6,836)
Franchise cost of merchandise sold	15,346	14,534	18,070
Total cost of revenues	1,028,203	1,160,311	973,433
Gross profit	1,935,049	2,118,109	2,184,363
Operating expenses			
Store expenses			
Labor	789,049	854,610	888,929
Other store expenses	791,614	833,914	842,254
General and administrative expenses	168,907	166,102	162,316
Depreciation, amortization and write-down of intangibles	80,456	80,720	83,168
Goodwill impairment charge	151,320	1,170,000	—
Other charges	20,299	20,651	14,234
Total operating expenses	2,001,645	3,125,997	1,990,901
Operating (loss) profit	(66,596)	(1,007,888)	193,462
Finance charges from refinancing	—	—	4,213
Interest expense	47,181	49,326	47,843
Interest income	(503)	(634)	(947)
(Loss) earnings before income taxes	(113,274)	(1,056,580)	142,353
Income tax (benefit) expense	(8,079)	(103,060)	45,931
Net (loss) earnings	$ (105,195)	$ (953,520)	$ 96,422
Basic (loss) earnings per common share	$ (1.98)	$ (17.97)	$ 1.82
Diluted (loss) earnings per common share	$ (1.98)	$ (17.97)	$ 1.81
Cash dividends declared per common share	$ 0.32	$ 0.96	$ 0.93

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Year Ended December 31, 2016	2015	2014
Net (loss) earnings	$ (105,195)	$ (953,520)	$ 96,422
Other comprehensive loss:			
Foreign currency translation adjustments	(5,188)	(6,399)	(4,656)
Total other comprehensive loss	(5,188)	(6,399)	(4,656)
Comprehensive income (loss)	$ (110,383)	$ (959,919)	$ 91,766

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
(In thousands, except share and par value data)	**2016**	**2015**
ASSETS		
Cash and cash equivalents	$ 95,396	$ 60,363
Receivables, net of allowance for doubtful accounts of $3,593 and $3,614 in 2016 and 2015, respectively	69,785	69,320
Prepaid expenses and other assets	54,989	158,807
Rental merchandise, net		
On rent	795,118	907,625
Held for rent	206,836	228,847
Merchandise held for installment sale	3,629	4,668
Property assets, net of accumulated depreciation of $522,101 and $482,448 in 2016 and 2015, respectively	316,428	330,939
Goodwill	55,308	206,122
Other intangible assets, net	5,252	7,777
Total assets	$ 1,602,741	$ 1,974,468
LIABILITIES		
Accounts payable — trade	$ 108,238	$ 96,355
Accrued liabilities	332,196	332,553
Deferred income taxes	173,144	206,137
Senior debt, net	186,747	419,648
Senior notes, net	537,483	536,185
Total liabilities	1,337,808	1,590,878
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 250,000,000 shares authorized; 109,519,369 and 109,441,911 shares issued in 2016 and 2015, respectively	1,095	1,094
Additional paid-in capital	827,107	818,339
Retained earnings	800,640	922,878
Treasury stock at cost, 56,369,752 shares in 2016 and 2015	(1,347,677)	(1,347,677)
Accumulated other comprehensive loss	(16,232)	(11,044)
Total stockholders' equity	264,933	383,590
Total liabilities and stockholders' equity	$ 1,602,741	$ 1,974,468

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2014	109,108	$ 1,091	$ 802,124	$ 1,880,320	$ (1,347,677)	$ 11	$ 1,335,869
Net earnings	—	—	—	96,422	—	—	96,422
Other comprehensive loss	—	—	—	—	—	(4,656)	(4,656)
Exercise of stock options	212	2	4,645	—	—	—	4,647
Vesting of restricted share units	33	1	—	—	—	—	1
Tax effect of stock awards vested and options exercised	—	—	(150)	—	—	—	(150)
Stock-based compensation	—	—	6,559	—	—	—	6,559
Dividends declared	—	—	—	(49,297)	—	—	(49,297)
Balance at December 31, 2014	109,353	1,094	813,178	1,927,445	(1,347,677)	(4,645)	1,389,395
Net loss	—	—	—	(953,520)	—	—	(953,520)
Other comprehensive loss	—	—	—	—	—	(6,399)	(6,399)
Exercise of stock options	66	—	1,485	—	—	—	1,485
Vesting of restricted share units	23	—	—	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(5,865)	—	—	—	(5,865)
Stock-based compensation	—	—	9,541	—	—	—	9,541
Dividends declared	—	—	—	(51,047)	—	—	(51,047)
Balance at December 31, 2015	109,442	1,094	818,339	922,878	(1,347,677)	(11,044)	383,590
Net loss	—	—	—	(105,195)	—	—	(105,195)
Other comprehensive loss	—	—	—	—	—	(5,188)	(5,188)
Vesting of restricted share units	77	1	(1)	—	—	—	—
Tax effect of stock awards vested and options expired	—	—	(440)	—	—	—	(440)
Stock-based compensation	—	—	9,209	—	—	—	9,209
Dividends declared	—	—	—	(17,043)	—	—	(17,043)
Balance at December 31, 2016	109,519	$ 1,095	$ 827,107	$ 800,640	$ (1,347,677)	$ (16,232)	$ 264,933

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities			
Net (loss) earnings	$ (105,195)	$ (953,520)	$ 96,422
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities			
Depreciation of rental merchandise	657,090	718,100	685,115
Bad debt expense	15,449	15,260	15,509
Stock-based compensation expense	9,209	9,541	6,559
Depreciation of property assets	77,361	76,429	78,747
Loss on sale or disposal of property assets	3,718	11,897	10,363
Goodwill impairment charge	151,320	1,170,000	—
Amortization of intangibles	2,176	3,333	2,955
Amortization of financing fees	2,217	3,126	3,218
Deferred income taxes	(32,994)	(144,818)	26,796
Excess tax benefit related to stock awards	—	(86)	(331)
Changes in operating assets and liabilities, net of effects of acquisitions			
Rental merchandise	(523,697)	(622,149)	(796,672)
Receivables	(15,914)	(19,088)	(21,823)
Prepaid expenses and other assets	104,379	31,636	(130,690)
Accounts payable — trade	11,883	(45,523)	21,440
Accrued liabilities	(3,267)	(23,650)	21,505
Net cash provided by operating activities	353,735	230,488	19,113
Cash flows from investing activities			
Purchase of property assets	(61,143)	(80,870)	(83,785)
Proceeds from sale of property assets	5,262	15,964	14,474
Acquisitions of businesses	(3,098)	(25,170)	(27,354)
Net cash used in investing activities	(58,979)	(90,076)	(96,665)
Cash flows from financing activities			
Exercise of stock options	—	1,485	4,647
Excess tax benefit related to stock awards	—	86	331
Proceeds from debt	52,245	531,180	772,860
Repayments of debt	(286,065)	(605,620)	(646,323)
Dividends paid	(25,554)	(51,011)	(48,663)
Net cash provided by (used in) financing activities	(259,374)	(123,880)	82,852
Effect of exchange rate changes on cash	(349)	(2,295)	(1,448)
Net increase in cash and cash equivalents	35,033	14,237	3,852
Cash and cash equivalents at beginning of year	60,363	46,126	42,274
Cash and cash equivalents at end of year	$ 95,396	$ 60,363	$ 46,126
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 44,469	$ 49,386	$ 48,064
Income taxes (excludes $84,884, $116,337 and $3,372 of income taxes refunded in 2016, 2015 and 2014, respectively)	$ 18,536	$ 128,083	$ 146,250

Noncash Financing Activities:

During March 2014, we incurred $225.0 million of term loans and $100.0 million of revolving debt when we refinanced $187.5 million of existing term loans and $140.0 million of existing revolving debt as discussed further in Note I. The difference of $2.5 million was repaid in cash and is included in repayments of debt in the statement above.

See accompanying notes to consolidated financial statements.

Note A — Nature of Operations and Summary of Accounting Policies

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

Principles of Consolidation and Nature of Operations

These financial statements include the accounts of Rent-A-Center, Inc. and its direct and indirect 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 any or all of its direct and indirect subsidiaries. We report four operating segments: Core U.S., Acceptance Now, Mexico and Franchising.

Our Core U.S. segment consists of company-owned rent-to-own stores in the United States, Canada and Puerto Rico that lease household durable goods to customers on a rent-to-own basis. Our stores in Canada operate under the name "Rent-A-Centre." We also offer merchandise on an installment sales basis in certain of our stores under the names "Get It Now" and "Home Choice." At December 31, 2016, we operated 2,463 company-owned stores nationwide and in Canada and Puerto Rico, including 45 retail installment sales stores.

Our Acceptance Now segment generally offers the rent-to-own transaction to consumers who do not qualify for financing from the traditional retailer through kiosks located within such retailers' locations. At December 31, 2016, we operated 1,431 Acceptance Now Staffed locations and 478 Acceptance Now Direct locations.

Our Mexico segment consists of our company-owned rent-to-own stores in Mexico that lease household durable goods to customers on a rent-to-own basis. At December 31, 2016, we operated 130 stores in Mexico.

Rent-A-Center Franchising International, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a franchisor of rent-to-own stores. At December 31, 2016, Franchising had 229 franchised stores operating in 31 states. Our Franchising segment'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 transaction. The balance of our Franchising segment's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

Rental Merchandise

Rental merchandise is carried at cost, net of accumulated depreciation. Depreciation for merchandise is generally provided using the income forecasting method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise, and assumes no salvage value. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental purchase agreement period. 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. We depreciate merchandise (including computers and tablets) that is held for rent for at least 180 consecutive days using the straight-line method over a period generally not to exceed 18 months. Beginning in 2016, smartphones are depreciated over an 18 month straight-line basis beginning with the earlier of on rent or 90 consecutive days on held for rent.

Rental merchandise which is damaged and inoperable is expensed when such impairment occurs. If a customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Core U.S. segment, on or before the 150th day in the Acceptance Now segment and on or before the 60th day in the Mexico segment. We maintain a reserve for these expected expenses. In addition, any minor repairs made to rental merchandise are expensed at the time of the repair.

Cash Equivalents

Cash equivalents include all highly liquid investments with an original maturity of three months or less. We maintain cash and cash equivalents at several financial institutions, which at times may not be federally insured or may exceed federally insured limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risks on such accounts.

Revenues

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 the 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 future rents.

Revenues from the sale of merchandise in our retail installment stores are recognized when the installment note is signed, the customer has taken possession of the merchandise and collectability is reasonably assured.

Revenues from the sale of rental merchandise are recognized upon shipment of the merchandise to the franchisee. Franchise royalty income and fee revenue is recognized upon completion of substantially all services and satisfaction of all material conditions required under the terms of the franchise agreement. Some franchisees purchase directly from a supplier but request reimbursement through ColorTyme Finance, Inc. and we recognize revenue for the commission we earn on these transactions.

Receivables and Allowance for Doubtful Accounts

The installment notes receivable associated with the sale of merchandise at our Get It Now and Home Choice stores generally consists of the sales price of the merchandise purchased and any additional fees for services the customer has chosen, less the customer’s down payment. No interest is accrued and interest income is recognized each time a customer makes a payment, generally on a monthly basis.

We have established an allowance for doubtful accounts for our installment notes receivable. Our policy for determining the allowance is based on historical loss experience, as well as the results of management’s review and analysis of the payment and collection of the installment notes receivable within the previous year. We believe our allowance is adequate to absorb any known or probable losses. Our policy is to charge off installment notes receivable that are 120 days or more past due. Charge-offs are applied as a reduction to the allowance for doubtful accounts and any recoveries of previously charged off balances are applied as an increase to the allowance for doubtful accounts.

The majority of Franchising’s trade and notes receivable relate to amounts due from franchisees. Credit is extended based on an evaluation of a franchisee’s financial condition and collateral is generally not required. Trade receivables are due within 30 days and are stated at amounts due from franchisees net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. Franchising determines its allowance by considering a number of factors, including the length of time receivables are past due, Franchising’s previous loss history, the franchisee’s current ability to pay its obligation to Franchising, and the condition of the general economy and the industry as a whole. Franchising writes off trade receivables that are 120 days or more past due and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Property Assets and Related Depreciation

Furniture, equipment and vehicles are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets (generally 5 years) by the straight-line method. Our building is depreciated over 40 years. Leasehold improvements are amortized over the useful life of the asset or the initial term of the applicable leases by the straight-line method, whichever is shorter.

We have incurred costs to develop computer software for internal use. We capitalize the costs incurred during the application development stage, which includes designing the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary stages along with post-implementation stages of internally developed software are expensed as incurred. Internally developed software costs, once placed in service, are amortized over various periods up to 10 years.

We incur repair and maintenance expenses on our vehicles and equipment. These amounts are recognized when incurred, unless such repairs significantly extend the life of the asset, in which case we amortize the cost of the repairs for the remaining useful life of the asset utilizing the straight-line method.

Goodwill and Other Intangible Assets

We record goodwill when the consideration paid for an acquisition exceeds the fair value of the identifiable net tangible and identifiable intangible assets acquired. Goodwill is not subject to amortization but must be periodically evaluated for impairment. Impairment occurs when the carrying value of goodwill is not recoverable from future cash flows. We perform an assessment of goodwill for impairment at the reporting unit level annually as of October 1, or when events or circumstances indicate that impairment may have occurred. Due to certain key events occurring in the fourth quarter, we performed our annual assessment of goodwill impairment for 2016 as of December 31st.

Our reporting units are generally our reportable operating segments. Factors which could necessitate an interim impairment assessment include a sustained decline in our stock price, prolonged negative industry or economic trends and significant underperformance relative to expected historical or projected future operating results.

We determine the fair value of each reporting unit using methodologies which include the present value of estimated future cash flows and comparisons of multiples of enterprise values to earnings before interest, taxes, depreciation and amortization. The analysis is based upon available information regarding expected future cash flows and discount rates. Discount rates are based upon our cost of capital. We use a two-step approach to assess goodwill impairment. If the fair value of the reporting unit exceeds its carrying value, then the goodwill is not deemed impaired. If the carrying value of the reporting unit exceeds fair value, we perform a second analysis to measure the fair value of all assets and liabilities within the reporting unit, and if the carrying value of goodwill exceeds its implied fair value, goodwill is considered impaired. The amount of the impairment is the difference between the carrying value of goodwill and the implied fair value, which is calculated as if the reporting unit had just been acquired and accounted for as a business combination.

Acquired customer relationships are amortized utilizing the straight-line method over a 21 month period, non-compete agreements are amortized using the straight-line method over the contractual life of the agreements, vendor relationships are amortized using the straight-line method over a 7 or 15 year period, other intangible assets are amortized using the straight-line method over the life of the asset.

Accounting for Impairment of Long-Lived Assets

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

Self-Insurance Liabilities

We have self-insured retentions with respect to losses under our workers' compensation, general liability, vehicle liability and health insurance programs. 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. We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, company-specific development factors, general industry loss development factors, 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 reserves by comparing amounts reserved 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 reserves as needed.

Foreign Currency Translation

The functional currency of our foreign operations is the applicable local currency. Assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange on the last day of the reporting period. Revenues and expenses are generally translated at a daily exchange rate and equity transactions are translated using the actual rate on the day of the transaction.

Other Comprehensive Income

Other comprehensive income is comprised exclusively of our foreign currency translation adjustment.

Income Taxes

We record deferred taxes for temporary differences between the tax and financial reporting bases of assets and liabilities at the enacted tax rate expected to be in effect when taxes become payable. Income tax accounting requires management to make estimates and apply judgments to events that will be recognized in one period under rules that apply to financial reporting in a different period in our tax returns. In particular, judgment is required when estimating the value of future tax deductions, tax credits and net operating loss carryforwards (NOLs), as represented by deferred tax assets. We evaluate the recoverability of these future tax deductions and credits by assessing the future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight and assist us in determining recoverability. When it is determined the recovery of all or a portion of a deferred tax asset is not likely, a valuation allowance is established. We include NOLs in the calculation of deferred tax assets. NOLs are utilized to the extent allowable due to the provisions of the Internal Revenue Code of 1986, as amended, and relevant state statutes.

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 the ultimate settlement with the relevant tax authority. A number of years may elapse before a particular matter, for which we have recorded a liability, is audited and effectively settled. We review our tax positions quarterly and adjust our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available. We classify interest accrued related to unrecognized tax benefits as interest expense.

Sales Taxes

We apply the net basis for sales taxes imposed on our goods and services in our consolidated statements of earnings. We are required by the applicable governmental authorities to collect and remit sales taxes. Accordingly, such amounts are charged to the customer, collected and remitted directly to the appropriate jurisdictional entity.

Earnings (Loss) Per Common Share

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

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred. Advertising expense was $90.6 million, $96.2 million and $94.8 million, for the years ended December 31, 2016, 2015 and 2014, respectively.

Stock-Based Compensation

We maintain long-term incentive plans for the benefit of certain employees and directors, which are described more fully in Note N. We recognize share-based payment awards to our employees and directors at the estimated fair value on the grant date. Determining the fair value of any share-based award requires information about several variables that include, but are not limited to, expected stock volatility over the terms of the award, expected dividend yields, and the risk free interest rate. 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 annually as actual forfeitures occur. Compensation costs are recognized net of estimated forfeitures over the requisite service period on a straight-line basis. We issue new shares to settle stock awards. Stock options are valued using a Black-Scholes pricing model. Time-vesting restricted stock units are valued using the closing price on the Nasdaq Global Select Market on the day before the grant date, adjusted for any provisions affecting fair value, such as the lack of dividends or dividend equivalents during the vesting period. Performance-based restricted stock units will vest in accordance with a total shareholder return formula, and are valued by a third-party valuation firm using Monte Carlo simulations.

Stock-based compensation expense is reported within general and administrative expenses in the consolidated statements of earnings.

Reclassifications

Certain reclassifications have been made to the reported amounts for the prior periods to conform to the current period presentation. These reclassifications had no impact on net earnings or earnings per share in any period.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent losses and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. 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.

New Accounting Pronouncements

On April 7, 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Rent-A-Center adopted this ASU retrospectively as of January 1, 2016, and now reports debt issuance costs which were previously included in prepaid expenses and other assets as a deduction from the associated debt liabilities as disclosed in Notes I and J to the consolidated financial statements. This resulted in a reduction in prepaid expenses and other assets of $10.4 million and $12.5 million, respectively, a reduction in senior debt of $5.1 million and $6.0 million, respectively, and a reduction in senior notes of $5.3 million and $6.5 million, respectively, at December 31, 2016 and December 31, 2015. There was no impact to our results of operations or cash flows.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies existing accounting literature relating to how and when a company recognizes revenue. Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. On July 9, 2015, the FASB approved a one-year deferral of the effective date. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which amends ASU 2014-09 relating to how and when a company recognizes revenue when another party is involved in providing a good or service to a customer. Under Topic 606, a company will recognize revenue on a gross basis when it provides a good or service to a customer (acts as the principal in a transaction), and on a net basis when it arranges for the good or service to be provided to the customer by another party (acts as an agent in a transaction). ASU 2016-08 provides additional guidance for determining whether a company acts as a principal or agent, depending primarily on whether a company controls goods or services before delivery to the customer. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which provides additional guidance related to the identification of performance obligations within the contract, and licensing. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which provides additional guidance related to certain technical areas within ASU 2014-09. In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which provides additional guidance related to certain technical areas within ASU 2014-09. The adoption of these additional ASUs must be concurrent with the adoption of ASU 2014-09, which will be required for Rent-A-Center beginning January 1, 2018, with early adoption permitted as of the original effective date. These ASUs allow adoption with either retrospective application to each prior period presented, or modified retrospective application with the cumulative effect recognized as of the date of initial application. We are currently in the process of evaluating the potential impact this new pronouncement will have on our financial statements and do not anticipate early adoption. We have not completed our evaluation and therefore cannot conclude whether the pronouncement will have a significant impact on our financial statements at this time. We expect to complete our evaluation by the end of 2017. We currently anticipate that we will utilize the modified retrospective method of adoption, however, this expectation may change following the completion of our evaluation of the impact of this pronouncement on our financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaces existing accounting literature relating to the classification of, and accounting for, leases. Under ASU 2016-02, a company must recognize for all leases (with the exception of leases with terms less than 12 months) a liability representing a lessee's obligation to make lease payments arising from a lease, and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting is largely unchanged, with certain improvements to align lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers.* The adoption of ASU 2016-02 will be required for Rent-A-Center beginning January 1, 2019, with early adoption permitted. The ASU must be adopted using a modified retrospective transition, applying the new

criteria to all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. We are currently in the process of determining what impact the adoption of this ASU will have on our financial position, results of operations and cash flows, and we are evaluating the adoption date and transition alternatives.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The adoption of ASU 2016-09 will be required for Rent-A-Center beginning January 1, 2017. ASU 2016-09 requires that certain provisions be adopted using a modified retrospective transition and other provisions retrospectively. We are currently in the process of determining what impact the adoption of this ASU will have on our financial position, results of operations and cash flows, and we are evaluating the adoption date and transition alternatives.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on the treatment of cash receipts and cash payments for certain types of cash transactions, to eliminate diversity in practice in the presentation of the cash flow statement. The adoption of ASU 2016-15 will be required for Rent-A-Center on a retrospective basis beginning January 1, 2018, with early adoption permitted. We are currently in the process of determining the adoption date and what impact the adoption of this ASU will have on our presentation of cash flows.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of any other recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption.

Note B — Correction of Immaterial Errors

During the fourth quarter of 2016, we identified errors in accounting for our estimates for deferred taxes associated with our goodwill impairment reported in the fourth quarter 2015, resulting in an immaterial understatement of deferred income tax liabilities and overstatement of retained earnings, which affected periods beginning December 31, 2015 through September 30, 2016. In accordance with Staff Accounting Bulletin (SAB) No. 99, *Materiality*, and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statem*ents, management evaluated the materiality of the errors from qualitative and quantitative perspectives, and concluded the errors were immaterial to the prior periods. The errors resulted in an overstatement of income tax benefit and an understatement of net loss of $86.9 million, respectively, for the year ended December 31, 2015; a corresponding understatement of deferred income taxes and overstatement of retained earnings in our consolidated balance sheet at December 31, 2015; and non-cash impacts to net loss and deferred income taxes in our consolidated cash flow statement at December 31, 2015.

Due to the immaterial nature of the error correction, we revised our historical financial statements based on the amounts discussed above for 2015 herein, and will revise the quarters within 2016 when they are published in future filings.

Note C — Receivables and Allowance for Doubtful Accounts

Receivables consist of the following:

	December 31,	
(In thousands)	**2016**	**2015**
Installment sales receivable	$ 55,834	$ 57,010
Trade and notes receivables	14,067	15,924
Other receivables	3,477	—
Total receivables	73,378	72,934
Less allowance for doubtful accounts	(3,593)	(3,614)
Total receivables, net of allowance for doubtful accounts	$ 69,785	$ 69,320

The allowance for doubtful accounts related to installment sales receivable was $3.3 million and $3.4 million, and the allowance for doubtful accounts related to trade and notes receivable was $0.3 million and $0.2 million at December 31, 2016 and 2015, respectively.

Changes in our allowance for doubtful accounts are as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Beginning allowance for doubtful accounts	$ 3,614	$ 4,023	$ 3,700
Bad debt expense	15,449	15,260	15,509
Accounts written off	(16,095)	(16,317)	(15,718)
Recoveries	625	648	532
Ending allowance for doubtful accounts	$ 3,593	$ 3,614	$ 4,023

Note D — Rental Merchandise

	December 31,	
(In thousands)	2016	2015
On rent		
Cost	$ 1,338,670	$ 1,527,384
Less accumulated depreciation	(543,552)	(619,759)
Net book value, on rent	$ 795,118	$ 907,625
Held for rent		
Cost	$ 255,857	$ 297,956
Less accumulated depreciation	(49,021)	(69,109)
Net book value, held for rent	$ 206,836	$ 228,847

Note E — Property Assets

	December 31,	
(In thousands)	2016	2015
Furniture and equipment	$ 522,036	$ 409,076
Transportation equipment	11,854	11,807
Building and leasehold improvements	274,118	294,221
Land and land improvements	6,747	6,747
Construction in progress	23,774	91,536
Total property assets	838,529	813,387
Less accumulated depreciation	(522,101)	(482,448)
Total property assets, net of accumulated depreciation	$ 316,428	$ 330,939

We had $22.9 million and $70.3 million of capitalized software costs included in construction in progress at December 31, 2016, and 2015 respectively. For the years ended December 31, 2016, 2015 and 2014, we placed in service internally developed software of approximately $84.5 million, $22.9 million and $51.6 million, respectively.

Note F — Intangible Assets and Acquisitions

Goodwill Impairment Charge

In February 2017, we completed step one of our annual goodwill impairment test as of December 31, 2016. We determined the fair value of our Acceptance Now segment exceeded its carrying value, but the fair value of our Core U.S. segment was below its carrying value. We then performed step two of the impairment test for the Core U.S. segment and determined the carrying value of goodwill exceeded its implied fair value. Accordingly, in the fourth quarter of 2016 we recognized an impairment charge of $151.3 million for the Core U.S. segment.

During 2015, we recorded a goodwill impairment charge of $1,170.0 million in our Core U.S. segment. Based on the results of our 2014 annual goodwill impairment assessment, we concluded no impairment of goodwill existed at December 31, 2014.

Intangible Assets

Amortizable intangible assets consist of the following:

		December 31, 2016		December 31, 2015	
(Dollar amounts in thousands)	Avg. Life *(years)*	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	2	$ 79,106	$ 78,707	$ 78,887	$ 76,830
Vendor relationships	11	7,538	3,408	7,538	2,840
Non-compete agreements	3	6,746	6,023	6,746	5,724
Total other intangible assets		$ 93,390	$ 88,138	$ 93,171	$ 85,394

Aggregate amortization expense (in thousands):

Year Ended December 31, 2016	$ 2,176
Year Ended December 31, 2015	$ 3,333
Year Ended December 31, 2014	$ 2,955

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

(In thousands)	Estimated Amortization Expense
2017	$ 1,195
2018	684
2019	678
2020	465
2021	445
Thereafter	1,785
Total amortization expense	$ 5,252

At December 31, 2016, the amount of goodwill attributable to the Acceptance Now segment was approximately $55.3 million. At December 31, 2015, the amount of goodwill allocated to the Core U.S. and Acceptance Now segments was approximately $150.8 million and $55.3 million, respectively.

A summary of the changes in recorded goodwill follows:

	Year Ended December 31,	
(In thousands)	2016	2015
Beginning goodwill balance	$ 206,122	$ 1,370,459
Additions from acquisitions	1,442	12,942
Goodwill impairments and write-offs related to stores sold or closed	(152,239)	(1,177,581)
Post purchase price allocation adjustments	(17)	302
Ending goodwill balance	$ 55,308	$ 206,122

Acquisitions

The following table provides information concerning the acquisitions made during the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,		
(Dollar amounts in thousands)	2016	2015	2014
Number of stores acquired remaining open	—	5	6
Number of stores acquired that were merged with existing stores	3	34	13
Number of transactions	3	24	26
Total purchase price	$ 2,302	$ 25,488	$ 26,653
Amounts allocated to:			
Goodwill	$ 1,442	$ 12,942	$ 14,562
Non-compete agreements	—	1,166	—
Customer relationships	181	2,625	1,525
Rental merchandise	679	8,755	9,731
Property and other assets	—	—	835

Purchase prices are determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total for rent-to-own store acquisitions. All acquisitions have been accounted for as asset purchases, and the operating results of the acquired stores and accounts have been included in the financial statements since their date of acquisition.

The weighted average amortization period was approximately 21 months for intangible assets added during the year ended December 31, 2016. Additions to goodwill due to acquisitions in 2016 were tax deductible.

Note G — Accrued Liabilities

	December 31,	
(In thousands)	2016	2015
Accrued insurance costs	$ 125,172	$ 121,844
Deferred revenue	58,255	60,535
Accrued compensation	40,551	42,940
Taxes other than income	22,556	20,081
Deferred compensation	11,394	10,489
Accrued interest payable	5,808	5,781
Deferred rent	5,199	6,882
Accrued dividends	4,262	12,773
Accrued other	58,999	51,228
Total Accrued liabilities	$ 332,196	$ 332,553

Note H — Income Taxes

A reconciliation of the federal statutory rate of 35% to actual follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Tax at statutory rate	35.0 %	35.0 %	35.0 %
Goodwill impairment	(29.3)%	(27.0)%	— %
State income taxes	3.3 %	2.8 %	1.8 %
Effect of foreign operations, net of foreign tax credits	(0.2)%	— %	(4.4)%
Effect of current and prior year credits	2.9 %	0.5 %	(3.5)%
Adjustments to deferred taxes	0.6 %	— %	(2.4)%
Valuation allowance	(6.6)%	(1.0)%	6.2 %
Other, net	1.4 %	(0.5)%	(0.4)%
Effective income tax rate	7.1 %	9.8 %	32.3 %

The components of income tax (benefit) expense are as follows:

	Year Ended December 31,		
(In thousands)	**2016**	**2015**	**2014**
Current expense (benefit)			
Federal	$ 23,752	$ 29,668	$ 14,943
State	779	(6,432)	4,032
Foreign	(582)	2,575	1,673
Total current	23,949	25,811	20,648
Deferred (benefit) expense			
Federal	(27,307)	(100,139)	24,556
State	(6,586)	(28,143)	(90)
Foreign	1,865	(589)	817
Total deferred	(32,028)	(128,871)	25,283
Total income tax (benefit) expense	$ (8,079)	$ (103,060)	$ 45,931

Deferred tax assets (liabilities) consist of the following:

	December 31,	
(In thousands)	**2016**	**2015**
Deferred tax assets		
State net operating loss carryforwards	$ 17,538	$ 16,032
Foreign net operating loss carryforwards	17,234	20,396
Accrued liabilities	70,733	62,115
Intangible assets	43,662	29,913
Other assets including credits	7,497	5,413
Foreign tax credit carryforwards	13,576	13,576
Total deferred tax assets	170,240	147,445
Valuation allowance	(35,410)	(31,829)
Deferred tax assets, net	134,830	115,616
Rental merchandise	(234,211)	(263,158)
Property assets	(73,763)	(56,888)
Total deferred tax liabilities	(307,974)	(320,046)
Net deferred taxes	$ (173,144)	$ (204,430)

At December 31, 2016, there are approximately $360.6 million of state NOL carryforwards expiring between 2017 and 2036, offset by a valuation allowance of $27.4 million. Of the total remaining state NOL carryforwards, approximately 16.5% represent acquired NOLs. Utilization of these NOLs is subject to applicable annual limitations for U.S. state tax purposes. At December 31, 2016, the Mexico NOL carryforwards were approximately $53.0 million, which expire between 2020 and 2026, and are offset with a full valuation allowance. The Puerto Rico NOL is $4.2 million and it will expire in 2024. In addition, at December 31, 2016, we also had approximately $13.6 million in foreign tax credit ("FTC") carryforwards expiring between 2020 and 2025, offset by a valuation allowance of $11.1 million. We establish a valuation allowance to the extent we consider it more likely than not that the deferred tax assets attributable to our NOLs, FTCs or other deferred tax assets will not be recovered.

We are subject to federal, state, local and foreign income taxes. Along with our U.S. subsidiaries, we file a U.S. federal consolidated income tax return. 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 2012. We are currently under examination in Mexico, Puerto Rico, and various states and have been notified of audit for years 2012 - 2014, by the Internal Revenue Service. We do not anticipate that adjustments as a result of these audits, if any, will result in a material change to our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. As of December 31, 2016, in part because in the current year, the Company achieved a history of cumulative pre-tax income in the U.S. federal tax jurisdiction, management determined that sufficient positive evidence exists as of December 31, 2016, to conclude that it is more likely than not that deferred taxes are realizable.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Beginning unrecognized tax benefit balance	$ 27,164	$ 13,376	$ 13,173
Additions based on tax positions related to current year	773	1,508	425
Additions for tax positions of prior years	8,396	20,684	2,400
Reductions for tax positions of prior years	(2,246)	(8,354)	(2,225)
Settlements	(364)	(50)	(397)
Ending unrecognized tax benefit balance	$ 33,723	$ 27,164	$ 13,376

Included in the balance of unrecognized tax benefits at December 31, 2016, is $6.8 million, net of federal benefit, which, if ultimately recognized, will affect our annual effective tax rate.

During the next twelve months, we anticipate that it is reasonably possible that the amount of unrecognized tax benefits could be reduced by approximately $8.1 million either because our tax position will be sustained upon audit or as a result of the expiration of the statute of limitations for specific jurisdictions.

As of December 31, 2016, we have accrued approximately $2.4 million for the payment of interest for uncertain tax positions and recorded interest expense of approximately $0.5 million for the year then ended, which are excluded from the reconciliation of unrecognized tax benefits presented above.

Note I — Senior Debt

On March 19, 2014, we entered into a Credit Agreement (the "Credit Agreement") among the Company, the several lenders from time to time parties to the Credit Agreement, Bank of America, N.A., BBVA Compass Bank, Wells Fargo Bank, National Association and SunTrust Bank, as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement represents a refinancing of our senior secured debt outstanding under our prior credit agreement, the Fourth Amended and Restated Credit Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2011, and as amended by the First Amendment dated as of April 13, 2012, among the Company, the several banks and other financial institutions or entities from time to time parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent (as amended, the "Prior Credit Agreement"). The Credit Agreement provides a $900.0 million senior credit facility consisting of $225.0 million in term loans (the "Term Loans") and a $675.0 million revolving credit facility (the "Revolving Facility").

Also on March 19, 2014, we borrowed $225.0 million in Term Loans and $100.0 million under the Revolving Facility and utilized the proceeds to repay our prior senior secured debt outstanding under the Prior Credit Agreement. The Term Loans are payable in consecutive quarterly installments each in an aggregate principal amount of $562,500, with a final installment equal to the remaining principal balance of the Term Loans due on March 19, 2021. In the event our Consolidated Total Leverage Ratio exceeds 2.5:1, we are also required to pay down the Term Loans by a percentage of annual excess cash flow, as defined in the Credit Agreement. Additional payments will be equal to 25% of annual excess cash flows if the Consolidated Total Leverage Ratio is between 2.5:1 and 3.0:1, increasing to 50% of annual excess cash flows if the Consolidated Leverage Ratio is greater than 3.0:1. We made a mandatory excess cash flow prepayment in March 2016 with respect to our results for the year ended December 31, 2015, of approximately $27 million, and we anticipate making a mandatory excess cash flow prepayment in the first quarter of 2017 with respect to our results for the year ended December 31, 2016, of approximately $135 - $145 million. No mandatory excess cash flow prepayment was made with respect to the year ended December 31, 2014. We are further required to pay down the Term Loans with proceeds from certain asset sales or borrowings as defined in the Credit Agreement.

The debt facilities as of December 31, 2016 and 2015 are as follows:

		December 31, 2016			December 31, 2015		
(In thousands)	Facility Maturity	Maximum Facility	Amount Outstanding	Amount Available	Maximum Facility	Amount Outstanding	Amount Available
Senior Debt:							
Term Loan	March 19, 2021	$ 225,000	$ 191,813	$ —	$ 225,000	$ 221,063	$ —
Revolving Facility	March 19, 2019	675,000	—	584,304	675,000	190,000	390,300
Total		900,000	191,813	584,304	900,000	411,063	390,300
Other indebtedness:							
Line of credit	August 21, 2017	20,000	—	20,000	20,000	14,570	5,430
Total		$ 920,000	191,813	$ 604,304	$ 920,000	425,633	$ 395,730
Unamortized debt issuance costs			(5,066)			(5,985)	
Total senior debt, net			$ 186,747			$ 419,648	

The full amount of the revolving credit facility may be used for the issuance of letters of credit. At December 31, 2016 and 2015, the amounts available under the revolving credit facility were reduced by approximately $90.7 million and $94.7 million, respectively, for our outstanding letters of credit, resulting in availability of $584.3 million in our revolving credit facility.

Borrowings under the Revolving Facility bear interest at varying rates equal to either the Eurodollar rate plus 1.50% to 2.75%, or the prime rate plus 0.50% to 1.75% (ABR), at our election. The margins on the Eurodollar loans and on the ABR loans for borrowings under the Revolving Facility, which were 2.25% and 1.25%, respectively, at December 31, 2016, may fluctuate based upon an increase or decrease in our consolidated total leverage ratio as defined by a pricing grid included in the Credit Agreement. The margins on the Eurodollar loans and on the ABR loans for Term Loans are 3.00% and 2.00%, respectively, but may also fluctuate in the event the all-in pricing for any subsequent incremental Term Loan exceeds the all-in pricing for prior Term Loans by more than 0.50% per annum. A commitment fee equal to 0.30% 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 total leverage ratio. The commitment fee at December 31, 2016, is equal to 0.45% of the unused portion of the Revolving Facility.

Our borrowings under the Credit Agreement are, subject to certain exceptions, secured by a security interest in substantially all of our tangible and intangible assets, including intellectual property, and are also secured by a pledge of the capital stock of our U.S. subsidiaries.

The Credit Agreement also permits us to increase the amount of the Term Loans and/or the Revolving Facility from time to time on up to three occasions, in an aggregate amount of no more than $250.0 million, provided that we are not in default at the time and have obtained the consent of the administrative agent and the lenders providing such increase.

Subject to a number of exceptions, the Credit Agreement contains, without limitation, covenants that generally limit our ability and the ability of our subsidiaries to:

- incur additional debt;
- repurchase capital stock, repurchase 6.625% notes and 4.75% notes and/or pay cash dividends when total leverage is greater than 2.50:1 (subject to an exception for cash dividends in an amount not to exceed $20 million annually);
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all property or business;
- sell, lease or otherwise transfer assets (other than in the ordinary course of business);
- make investments or acquisitions (unless they meet financial tests and other requirements); or
- enter into an unrelated line of business.

The Credit Agreement requires us to comply with several financial covenants, including: (i) a consolidated total leverage ratio of no greater than 4.25:1 from the quarter ended December 31, 2015, to the quarter ended September 30, 2016, and 4.00:1 thereafter; (ii) a consolidated senior secured leverage ratio of no greater than 2.75:1; and (iii) a consolidated fixed charge coverage ratio of no less than 1.50:1 (pursuant to the Second Amendment discussed below).

On February 1, 2016, we entered into a First Amendment (the “First Amendment”), with JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto, to the Credit Agreement. The First Amendment permits us to make Restricted Payments (as such term is defined in the Credit Agreement) with respect to repurchases of and

dividends upon our capital stock and repurchases of our senior unsecured notes, in an aggregate amount during any fiscal year not to exceed $20 million, if after giving pro forma effect thereto the Consolidated Senior Secured Leverage Ratio (as such term is defined in the Credit Agreement) is greater than 2.50:1 and less than or equal to 3.75:1. The First Amendment is included as an exhibit to our Current Report on Form 8-K dated as of February 1, 2016.

On October 4, 2016, we entered into a Second Amendment (the “Second Amendment”), effective as of September 30, 2016, with JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto, to the Credit Agreement. The Second Amendment (i) reduces the maximum Consolidated Senior Secured Leverage Ratio from 2.75:1 to 2.50:1, beginning with the quarter ended December 31, 2016, and (ii) reduces the minimum Consolidated Fixed Charge Coverage Ratio covenant level from 1.75:1 to 1.50:1, beginning with the quarter ended September 30, 2016. We may elect to increase the minimum Consolidated Fixed Charge Coverage Ratio to 1.75:1.

The Second Amendment also effects the following changes to our ability to make certain Restricted Payments:

When the Consolidated Fixed Charge Coverage Ratio covenant level is 1.50:1, only regularly scheduled dividends are payable up to annual maximums as follows:

- when the Consolidated Senior Secured Leverage Ratio is less than or equal to 2.50:1, a maximum of $25 million annually
- when the Consolidated Senior Secured Leverage Ratio is between 2.50:1 and 3.75:1, a maximum of $20 million annually (including Notes Payments)
- when the Consolidated Senior Secured Leverage Ratio is over 3.75:1, a maximum of $15 million annually (including Notes Payments)

Share repurchases are not permitted when the Consolidated Fixed Charge Coverage Ratio covenant level is 1.50:1.

When the Consolidated Fixed Charge Coverage Ratio covenant level is 1.75:1, Stock Payments (dividend & share repurchase) are permitted up to annual maximums as follows:

- when the Consolidated Senior Secured Leverage Ratio is less than or equal to 2.50:1:

  AND available revolving commitments are greater than or equal to $400 million, then a maximum of $50 million annually

  AND available revolving commitments are less than $400 million, then a maximum of $40 million annually
- when the Consolidated Senior Secured Leverage Ratio is between 2.50:1 and 3.75;1, then a maximum of $20 million annually (including Notes Payments)
- when the Consolidated Senior Secured Leverage Ratio is over 3.75:1, then a maximum of $15 million annually (including Notes Payments)

We retain the ability to repurchase senior notes when the Consolidated Senior Secured Leverage Ratio is less than or equal to 2.50:1.

In connection with the Second Amendment, we paid customary amendment fees to the Agent and the lenders that provided their consent to the Amendment of approximately $1.0 million, which were capitalized and will be amortized to interest expense over the remaining term of the agreement.

The Second Amendment is included as an exhibit to our Current Report on Form 8-K dated as of October 4, 2016.

The table below shows the required and actual ratios under the Credit Agreement calculated as of December 31, 2016:

	Required Ratio		Actual Ratio
Consolidated total leverage ratio	No greater than	4.00:1	3.58:1
Consolidated senior secured leverage ratio	No greater than	2.50:1	0.65:1
Consolidated fixed charge coverage ratio	No less than	1.50:1	1.50:1

These financial covenants, as well as the related components of their computation, are defined in the Credit Agreement, which is included as an exhibit to our Current Report on Form 8-K dated as of March 19, 2014. In accordance with the Credit Agreement, the actual consolidated total leverage ratio was calculated by dividing the consolidated funded debt outstanding at December 31, 2016 ($664.2 million) by consolidated EBITDA for the 12-month period ending December 31, 2016 ($185.5 million). For purposes of the covenant calculations, (i) “consolidated funded debt” is defined as outstanding indebtedness less cash in excess of $25.0 million, and (ii) “consolidated EBITDA” is generally defined as consolidated net income (a) plus the sum of income taxes, interest expense, depreciation and amortization expense, extraordinary non-cash expenses or losses, and other non-cash charges, and (b) minus the sum of interest income, extraordinary income or gains, other non-cash income, and cash payments with respect to

extraordinary non-cash expenses or losses recorded in prior fiscal quarters. Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure used to determine covenant compliance under our senior credit facilities.

The actual consolidated senior secured leverage ratio was calculated pursuant to the Credit Agreement by dividing the consolidated senior secured debt outstanding at December 31, 2016 ($121.4 million) by consolidated EBITDA for the 12-month period ending December 31, 2016 ($185.5 million). For purposes of the covenant calculation, "consolidated senior secured debt" is generally defined as the aggregate principal amount of consolidated funded debt that is then secured by liens on property or assets of the Company or its subsidiaries, less cash greater than $25 million.

The actual consolidated fixed charge coverage ratio was calculated pursuant to the Credit Agreement by dividing the sum of consolidated EBITDA and consolidated lease expense for the 12-month period ending December 31, 2016 ($416.7 million), by consolidated fixed charges for the 12-month period ending December 31, 2016 ($277.9 million). For purposes of the covenant calculation, "consolidated fixed charges" is defined as the sum of consolidated interest expense and consolidated lease expense.

Events of default under the Credit Agreement 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 Credit Agreement 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 the composition of Rent-A-Center's Board of Directors occur. An event of default would also occur if one or more judgments were entered against us of $50.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

We utilize our Revolving 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 Facility for general corporate purposes. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities.

In addition to the senior credit facilities discussed above, we maintain a $20.0 million unsecured, revolving line of credit with INTRUST Bank, N.A. to facilitate cash management. The line of credit generally renews on August 21 of each year. Borrowings under the line of credit bear interest at the greater of a variable rate or 2.00%.

The table below shows the scheduled maturity dates of our outstanding debt at December 31, 2016.

(In thousands)	Term Loan	Revolving Facility	INTRUST Line of Credit	Total
2017	$ 2,250	$ —	$ —	$ 2,250
2018	2,250	—	—	2,250
2019	2,250	—	—	2,250
2020	2,250	—	—	2,250
2021	182,813	—	—	182,813
Thereafter	—	—	—	—
Total senior debt	$ 191,813	$ —	$ —	$ 191,813

Note J — Subsidiary Guarantors – Senior Notes

On November 2, 2010, we issued $300.0 million in senior unsecured notes due November 2020, bearing interest at 6.625%, pursuant to an indenture dated November 2, 2010, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repay approximately $200.0 million of outstanding term debt under our Prior Credit Agreement. The remaining net proceeds were used to repurchase shares of our common stock. The principal amount of the 6.625% notes outstanding as of December 31, 2016 and 2015 were $292.7 million, reduced by $2.5 million and $3.1 million of unamortized issuance costs, respectively.

On May 2, 2013, we issued $250.0 million in senior unsecured notes due May 2021, bearing interest at 4.75%, pursuant to an indenture dated May 2, 2013, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repurchase shares of our common stock under a $200.0 million accelerated stock buyback program. The remaining net proceeds were used to repay outstanding revolving debt under our Prior Credit Agreement. The principal amount of the 4.75% notes outstanding as of December 31, 2016 and 2015 was $250.0 million, reduced by $2.8 million and $3.4 million of unamortized issuance costs, respectively.

The indentures governing the 6.625% notes and the 4.75% notes are substantially similar. Each 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 when total leverage is greater than 2.50:1 (subject to an exception for cash dividends in an amount not to exceed $20 million annually); and
- engage in a merger or sell substantially all of our assets.

Events of default under each 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 6.625% notes may be redeemed on or after November 15, 2015, at our option, in whole or in part, at a premium declining from 103.313%. The 6.625% notes may be redeemed on or after November 15, 2018, at our option, in whole or in part, at par. The 6.625% notes also require that upon the occurrence of a change of control (as defined in the 2010 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.

The 4.75% notes may be redeemed on or after May 1, 2016, at our option, in whole or in part, at a premium declining from 103.563%. The 4.75% notes may be redeemed on or after May 1, 2019, at our option, in whole or in part, at par. The 4.750% notes also require that upon the occurrence of a change of control (as defined in the 2013 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.

Any mandatory repurchase of the 6.625% notes and/or the 4.75% notes would trigger an event of default under our Credit Agreement. We are not required to maintain any financial ratios under either of the indentures.

Rent-A-Center and its subsidiary guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to the 6.625% notes and the 4.75% notes. Rent-A-Center has no independent assets or operations, and each subsidiary guarantor is 100% owned directly or indirectly by Rent-A-Center. The only direct or indirect subsidiaries of Rent-A-Center that are not guarantors are minor subsidiaries. There are no restrictions on the ability of any of the subsidiary guarantors to transfer funds to Rent-A-Center in the form of loans, advances or dividends, except as provided by applicable law.

Note K — Commitments and Contingencies

Leases

We lease space for substantially all of our Core U.S. and Mexico stores, certain support facilities and the majority of our delivery vehicles under operating leases expiring at various times through 2023. Certain of the store leases contain escalation clauses for increased taxes and operating expenses. Rental expense was $231.3 million, $239.2 million and $244.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Future minimum rental payments under operating leases with remaining lease terms in excess of one year at December 31, 2016 are as follows:

(In thousands)	Operating Leases
2017	$ 165,187
2018	129,858
2019	95,133
2020	63,584
2021	28,604
Thereafter	5,256
Total future minimum rental payments	$ 487,622

Contingencies

From time to time, the Company, along with our subsidiaries, is party to various legal proceedings arising in the ordinary course of business. We reserve for loss contingencies that are both probable and reasonably estimable. We regularly monitor developments related to these legal proceedings, and review the adequacy of our legal reserves on a quarterly basis. We do not expect these losses to have a material impact on our consolidated financial statements if and when such losses are incurred.

We are subject to unclaimed property audits by states in the ordinary course of business. A comprehensive multi-state unclaimed property audit is currently in progress. The property subject to review in this audit process includes unclaimed wages, vendor payments and customer refunds. State escheat laws generally require entities to report and remit abandoned and unclaimed property to the state. Failure to timely report and remit the property can result in assessments that could include interest and penalties, in addition to the payment of the escheat liability itself. We routinely remit escheat payments to states in compliance with applicable escheat laws. Management believes it is too early to determine the ultimate outcome of this audit, as our remediation efforts are still in process and there have been recent developments in escheat laws which may be applicable to this matter.

Alan Hall, et. al. v. Rent-A-Center, Inc., et. al.; James DePalma, et. al. v. Rent-A-Center, Inc., et. al. On December 23, 2016, a putative class action was filed against us and certain of our former officers by Alan Hall in federal court in Sherman, Texas. The complaint alleges that the defendants violated Section 10(b) and/or Section 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements and omitting material facts regarding our business, operations and prospects during the period covered by the complaint. The complaint purports to be brought on behalf of all purchasers of our common stock from July 27, 2015, through October 10, 2016, and seeks damages in unspecified amounts. A complaint filed by James DePalma also in Sherman, Texas alleging similar claims was consolidated by the court into the Hall matter. We believe that these claims are without merit and intend to vigorously defend ourselves. However, we cannot assure you that we will be found to have no liability in this matter.

Franchising Guarantees

Our subsidiary, ColorTyme Finance, Inc. (“ColorTyme Finance”), is a party to an agreement with Citibank, N.A., pursuant to which Citibank provides up to $27.0 million in aggregate financing to qualifying franchisees of Franchising. Under the Citibank agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Citibank can assign the loans and the collateral securing such loans to ColorTyme Finance, with ColorTyme Finance paying or causing to be paid the outstanding debt to Citibank and then succeeding to the rights of Citibank under the debt agreements, including the right to foreclose on the collateral. Rent-A-Center and ColorTyme Finance guarantee the obligations of the franchise borrowers under the Citibank facility. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Citibank financing, which is guaranteed by Rent-A-Center East, Inc., a subsidiary of Rent-A-Center. The maximum guarantee obligations under these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, is $47.0 million, of which $2.8 million was outstanding as of December 31, 2016.

Note L — Other Charges and Credits - Cost of Revenues

Write-down of Rental Merchandise. During 2015, we projected that we would not recover the carrying value of certain smartphones. We recorded a $34.7 million impairment charge, included in cost of revenues in the accompanying statement of operations.

Vendor Settlement Credit. We participated in an anti-trust class-action suit as an entity that indirectly purchased liquid-crystal displays from certain manufacturers during the period from 1999 to 2006. We received net proceeds of approximately $6.8 million pursuant to a negotiated settlement of this matter based on the number of LCD units purchased during that time period. The settlement proceeds are reported as a reduction to cost of goods sold in the consolidated statements of earnings for the year ended December 31, 2014.

Note M — Other Charges - Operating Expenses

Core U.S. Store and Acceptance Now Consolidation Plan. During the second quarter of 2016, we closed 167 Core U.S. stores and 96 Acceptance Now locations, resulting in pre-tax restructuring charges of $20.1 million. Restructuring charges consisted of lease obligation costs, disposal of fixed assets, and other miscellaneous labor and shutdown costs.

During 2015, we closed 65 Core U.S. stores resulting in pre-tax restructuring charges of $4.3 million. Restructuring charges consisted of lease obligations costs, accelerated depreciation and disposal of fixed assets and inventory and other miscellaneous operating costs.

Mexico Store Consolidation Plan. During the first quarter of 2016, we closed 14 stores in Mexico, resulting in pre-tax restructuring charges of $2.3 million in the Mexico segment for disposal of rental merchandise, disposal of fixed assets and leasehold improvements, and other miscellaneous costs. During 2015, we closed 34 stores in Mexico. These store closures resulted in pre-tax restructuring charges of $3.0 million in the Mexico segment for disposal of fixed assets and leasehold improvements, and other miscellaneous costs.

Claims Settlement. In the fourth quarter of 2016, we recognized a gain of $2.2 million related to a litigation claims settlement.

Sourcing and Distribution Network Startup Costs. As part of our transformational sourcing and distribution initiative, we entered into an agreement with a third-party logistics partner. As a result, we incurred one-time costs to set up new warehousing facilities and distribution routes and we incurred other charges to close existing warehouse space and terminate employees. The pre-tax charges for these items were approximately $2.8 million for the year ended December 31, 2015, reflected in the Core U.S. segment.

Sale of Stores. During 2015, we incurred pre-tax losses of $7.2 million on the sale of 40 Core U.S. stores to a franchisee and $0.3 million on the sale of 14 Core U.S. stores in Canada. We also incurred losses on the sale and closure of other Core U.S. stores of $1.1 million in 2015.

Corporate Restructuring. During 2015, we eliminated certain departments and functions in our field support center as a part of our efforts to transform and modernize our operations company-wide. This resulted in pre-tax restructuring charges for severance and other payroll-related costs of approximately $2.0 million for the year ended December 31, 2015.

Activity with respect to other charges for the year ended December 31, 2016 is summarized in the below table:

(In thousands)	Accrued Charges at December 31, 2014	Charges & Adjustments	Payments	Accrued Charges at December 31, 2015	Charges & Adjustments	Payments	Accrued Charges at December 31, 2016
Cash charges:							
Labor reduction costs	$ 3,915	$ 3,020	$ (3,595)	$ 3,340	$ 1,380	$ (3,327)	$ 1,393
Lease obligation costs	257	4,273	(3,301)	1,229	15,198	(9,799)	6,628
Other miscellaneous	—	2,529	(2,529)	—	1,455	(1,455)	—
Total cash charges	$ 4,172	9,822	$ (9,425)	$ 4,569	18,033	$ (14,581)	$ 8,021
Non-cash charges:							
Inventory losses		$ 314			$ 287		
Loss on the sale of fixed assets		5,019			3,491		
Other, net		1,496			673		
Total Restructuring charges		16,651			22,484		
Other charges and (gains)		4,000			(2,185)		
Total other charges		$ 20,651			$ 20,299		

Note N — Stock-Based Compensation

We maintain long-term incentive plans for the benefit of certain employees and directors. Our plans consist of the Rent-A-Center, Inc. Amended and Restated Long-Term Incentive Plan (the “Prior Plan”), the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (the “2006 Plan”), the Rent-A-Center, Inc. 2006 Equity Incentive Plan (the “Equity Incentive Plan”), and the Rent-A-Center 2016 Long-Term Incentive Plan (the "2016 Plan") which are collectively known as the “Plans.”

On March 9, 2016, upon the recommendation of the Compensation Committee, the Board adopted, subject to stockholder approval, the 2016 Plan and directed that it be submitted for the approval of the stockholders. On June 2, 2016, the stockholders approved the 2016 Plan. The 2016 Plan authorizes the issuance of a total of 6,500,000 shares of common stock. Any shares of common stock granted in connection with an award of stock options or stock appreciation rights will be counted against this limit as one share and any shares of common stock granted in connection with awards of restricted stock, restricted stock units, deferred stock or similar forms of stock awards other than stock options and stock appreciation rights will be counted against this limit as two shares of common stock for every one share of common stock granted in connection with such awards. No shares of common stock will be deemed to have been issued if (1) such shares covered by the unexercised portion of an option that terminates, expires, or is cancelled or settled in cash or (2) such shares are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash. In any calendar year, (1) no employee will be granted options and/or stock appreciation rights for more than 800,000 shares of common stock; (2) no employee will be granted performance-based equity awards under the 2016 Plan (other

than options and stock appreciation rights), covering more than 800,000 shares of common stock; and (3) no employee will be granted performance-based cash awards for more than $5,000,000. At December 31, 2016, there were 302,935 shares allocated to equity awards outstanding in the 2016 Plan.

The 2006 Plan authorizes the issuance of 7,000,000 shares of Rent-A-Center's common stock that may be issued pursuant to awards granted under the 2006 Plan, of which no more than 3,500,000 shares may be issued in the form of restricted stock, deferred stock or similar forms of stock awards which have value without regard to future appreciation in value of or dividends declared on the underlying shares of common stock. In applying these limitations, the following shares will be deemed not to have been issued: (1) shares covered by the unexercised portion of an option that terminates, expires, or is canceled or settled in cash, and (2) shares that are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash. At December 31, 2016 and 2015, there were 2,108,068 and 1,762,142 shares, respectively, allocated to equity awards outstanding in the 2006 Plan. The 2006 Plan expired in accordance with its terms on March 24, 2016, and all shares remaining available for grant under the 2006 Plan were canceled.

We acquired the Equity Incentive Plan (formerly known as the Rent-Way, Inc. 2006 Equity Incentive Plan) in conjunction with our acquisition of Rent-Way in 2006. There were 2,468,461 shares of our common stock reserved for issuance under the Equity Incentive Plan. There were 1,526,203 and 1,587,693 shares allocated to equity awards outstanding in the Equity Incentive Plan at December 31, 2016 and 2015, respectively. The Equity Incentive Plan expired in accordance with its terms on January 13, 2016, and all shares remaining available for grant under the Equity Incentive Plan were canceled.

Under the Prior Plan, 14,562,865 shares of Rent-A-Center's common stock were reserved for issuance under stock options, stock appreciation rights or restricted stock grants. There were no grants of stock appreciation rights and all equity awards were granted with fixed prices. At December 31, 2016 and 2015, there were 650 and 21,175 shares, respectively, allocated to equity awards outstanding under the Prior Plan. The Prior Plan was terminated on May 19, 2006, upon the approval by our stockholders of the 2006 Plan.

Options granted to our employees generally become exercisable over a period of 1 to 4 years from the date of grant and may be exercised up to a maximum of 10 years from the date of grant. Options granted to directors were immediately exercisable.

We grant restricted stock units to certain employees that vest after a three-year service requirement has been met. We recognize expense for these awards using the straight-line method over the requisite service period based on the number of awards expected to vest. We also grant performance-based restricted stock units that vest between 0% and 200% depending on our stock performance against an index using a total shareholder return formula established at the date of grant for the subsequent three-year period. We record expense for these awards over the requisite service period, net of the expected forfeiture rate, since the employee must maintain employment to vest in the award.

Stock-based compensation expense for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Year Ended December 31,		
(In thousands)	**2016**	**2015**	**2014**
Stock options	$ 2,954	$ 4,030	$ 5,044
Restricted share units	6,255	5,511	1,515
Total stock-based compensation expense	9,209	9,541	6,559
Tax benefit recognized in the statements of earnings	658	1,715	2,117
Stock-based compensation expense, net of tax	$ 8,551	$ 7,826	$ 4,442

We issue new shares of stock to satisfy option exercises and the vesting of restricted stock units.

The fair value of unvested options that we expect to result in compensation expense was approximately $4.9 million with a weighted average number of years to vesting of 2.45 at December 31, 2016.

Information with respect to stock option activity related to the Plans for the year ended December 31, 2016 follows:

	Equity Awards Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (In thousands)
Balance outstanding at January 1, 2016	2,874,366	$ 30.33		
Granted	1,029,201	11.80		
Forfeited	(454,028)	24.01		
Expired	(377,358)	30.22		
Balance outstanding at December 31, 2016	3,072,181	$ 25.07	6.81	$ —
Exercisable at December 31, 2016	1,407,116	$ 30.53	4.95	$ —

There were no options exercised during the year ended December 31, 2016. The intrinsic value of options exercised during the years ended December 31, 2015 and 2014 was $0.5 million and $1.9 million, respectively, resulting in tax benefits of $0.1 million and $0.3 million, respectively, which are reflected as an outflow from operating activities and an inflow from financing activities in the consolidated statements of cash flows.

The weighted average fair values of the options granted under the Plans were calculated using the Black-Scholes method. The weighted average grant date fair value and weighted average assumptions used in the option pricing models are as follows:

	Year Ended December 31,		
	2016	2015	2014
Weighted average grant date fair value	$ 3.06	$ 6.34	$ 6.49
Weighted average risk free interest rate	1.31%	1.42%	1.54%
Weighted average expected dividend yield	3.16%	3.32%	3.28%
Weighted average expected volatility	39.64%	33.28%	34.77%
Weighted average expected life (in years)	4.63	5.05	5.00

Information with respect to non-vested restricted stock unit activity follows:

	Restricted Awards Outstanding	Weighted Average Grant Date Fair Value
Balance outstanding at January 1, 2016	867,755	$ 26.67
Granted	1,065,190	9.20
Vested	(249,638)	23.34
Forfeited	(321,176)	19.50
Balance outstanding at December 31, 2016	1,362,131	$ 15.31

Restricted stock units are valued using the closing price reported by the Nasdaq Global Select Market on the trading day immediately preceding the day of the grant. Unrecognized compensation expense for unvested restricted stock units at December 31, 2016, was approximately $7.8 million expected to be recognized over a weighted average period of 1.72 years.

Note O — Deferred Compensation Plan

The Rent-A-Center, Inc. Deferred Compensation Plan (the “Deferred Compensation Plan”) is an unfunded, nonqualified deferred compensation plan for a select group of our key management personnel and highly compensated employees. The Deferred Compensation Plan first became available to eligible employees in July 2007, with deferral elections taking effect as of August 3, 2007.

The Deferred Compensation Plan allows participants to defer up to 50% of their base compensation and up to 100% of 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 three-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. Assets and associated liabilities of the Deferred Compensation Plan are included in prepaid and other assets and accrued

liabilities in our consolidated balance sheets. For the years ended December 31, 2016, 2015 and 2014, we made matching cash contributions of $0.3 million, $0.4 million and $0.3 million, respectively, which represents 50% of the employees' contributions to the Deferred Compensation Plan up to an amount not to exceed 4% of each employee's respective compensation. No other discretionary contributions were made for the years ended December 31, 2016, 2015 and 2014. The deferred compensation plan liability was approximately $11.4 million and $10.5 million as of December 31, 2016 and 2015, respectively.

Note P — 401(k) Plan

We sponsor a defined contribution plan under Section 401(k) of the Internal Revenue Code for certain employees who have completed at least three months of service. Employees may elect to contribute up to 50% of their eligible compensation on a pre-tax basis, subject to limitations. We may make discretionary contributions to the 401(k) plan. Employer matching contributions are subject to a three-year graded vesting schedule based on the participant's years of service with us. For the years ended December 31, 2016, 2015 and 2014, we made matching cash contributions of $7.6 million, $7.2 million and $6.7 million, respectively, which represents 50% of the employees' contributions to the 401(k) plan up to an amount not to exceed 6% of each employee's respective compensation. Employees are permitted to elect to purchase our common stock as part of their 401(k) plan. As of December 31, 2016 and 2015, 3.6% and 4.5%, respectively, of the total plan assets consisted of our common stock.

Note Q — Fair Value

We use a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values, in determining the fair value of our non-financial assets and non-financial liabilities, which consist primarily of goodwill. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. There were no changes in the methods and assumptions used in measuring fair value during the period.

At December 31, 2016, our financial instruments include cash and cash equivalents, receivables, payables, senior debt and senior notes. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value at December 31, 2016 and 2015, because of the short maturities of these instruments. Our senior debt is variable rate debt that re-prices frequently and entails no significant change in credit risk and, as a result, fair value approximates carrying value.

The fair value of our senior notes is based on Level 1 inputs and was as follows at December 31, 2016 and 2015:

	December 31, 2016			December 31, 2015		
(In thousands)	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
6.625% senior notes	$ 292,740	$ 266,393	$ (26,347)	$ 292,740	$ 248,097	$ (44,643)
4.75% senior notes	250,000	206,250	(43,750)	250,000	183,125	(66,875)
Total senior notes	$ 542,740	$ 472,643	$ (70,097)	$ 542,740	$ 431,222	$ (111,518)

Note R — Stock Repurchase Plan

Under our current common stock repurchase program, our Board of Directors has authorized the purchase, from time to time, in the open market and privately negotiated transactions, of up to an aggregate of $1.25 billion of Rent-A-Center common stock. We have repurchased a total of 36,994,653 shares of Rent-A-Center common stock for an aggregate purchase price of $994.8 million as of December 31, 2016, under this common stock repurchase program. No shares were repurchased during 2016 and 2015.

Note S — Segment Information

The operating segments reported below are the segments for which separate financial information is available and for which segment results are evaluated by the chief operating decision makers. Our operating segments are organized based on factors including, but not limited to, type of business transactions, geographic location and store ownership. All operating segments offer merchandise from four basic product categories: consumer electronics, appliances, computers, furniture and accessories, and our Core U.S. and franchising segments also offer smartphones. Reportable segments and their respective operations are defined as follows:

Our Core U.S. segment primarily operates rent-to-own stores in the United States, Canada and Puerto Rico whose customers enter into weekly, semi-monthly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain the title to the merchandise during the term of the rental purchase agreement and ownership passes to the customer if the customer has continuously renewed the rental purchase agreement through the end of the term or exercises a specified early

purchase option. This segment also includes the 45 stores operating in two states that utilize a retail model which generates installment credit sales through a retail sale transaction. Segment assets include cash, receivables, rental merchandise, property assets and other intangible assets.

Our Acceptance Now segment operates kiosks within various traditional retailers' locations where we generally offer the rent-to-own transaction to consumers who do not qualify for financing from the traditional retailer. The transaction offered is generally similar to that of the Core U.S. segment; however, the majority of the customers in this segment enter into monthly rather than weekly agreements. Segment assets include cash, rental merchandise, property assets, goodwill and other intangible assets.

Our Mexico segment currently consists of our company-owned rent-to-own stores in Mexico. The nature of this segment's operations and assets are the same as our Core U.S. segment.

The stores in our Franchising segment use Rent-A-Center's, ColorTyme's or RimTyme's trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. Franchising's primary source of revenue is the sale of rental merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. As franchisor, Franchising receives royalties of 2.0% to 6.0% of the franchisees' monthly gross revenue and initial fees for new locations. Segment assets include cash, franchise fee receivables, property assets and intangible assets.

Segment information as of and for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Revenues			
Core U.S.	$ 2,069,725	$ 2,371,823	$ 2,414,659
Acceptance Now	817,814	818,325	644,853
Mexico	50,927	63,803	72,202
Franchising	24,786	24,469	26,082
Total revenues	$ 2,963,252	$ 3,278,420	$ 3,157,796

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Gross profit			
Core U.S.	$ 1,467,679	$ 1,644,840	$ 1,753,269
Acceptance Now	422,381	420,980	372,012
Mexico	35,549	42,354	51,070
Franchising	9,440	9,935	8,012
Total gross profit	$ 1,935,049	$ 2,118,109	$ 2,184,363

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Operating profit (loss)			
Core U.S.	$ (1,020)	$ (959,447)	$ 264,967
Acceptance Now	105,925	123,971	112,918
Mexico	(2,449)	(14,149)	(21,961)
Franchising	5,650	5,793	3,295
Total segments	108,106	(843,832)	359,219
Corporate	(174,702)	(164,056)	(165,757)
Total operating (loss) profit	$ (66,596)	$ (1,007,888)	$ 193,462

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Depreciation, amortization and write-down of intangibles			
Core U.S.	$ 39,734	$ 49,137	$ 57,324
Acceptance Now	3,309	3,334	2,917
Mexico	3,179	5,160	6,683
Franchising	177	185	184
Total segments	46,399	57,816	67,108
Corporate	34,057	22,904	16,060
Total depreciation, amortization and write-down of intangibles	$ 80,456	$ 80,720	$ 83,168

We recorded goodwill impairment charges of $151.3 million and $1,170.0 million in the Core U.S. segment during the fourth quarters of 2016 and 2015, respectively, not included in the table above.

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Capital expenditures			
Core U.S.	$ 20,802	$ 21,739	$ 31,228
Acceptance Now	2,330	2,473	3,833
Mexico	283	204	4,164
Total segments	23,415	24,416	39,225
Corporate	37,728	56,454	44,560
Total capital expenditures	$ 61,143	$ 80,870	$ 83,785

	December 31,		
(In thousands)	2016	2015	2014
On rent rental merchandise, net			
Core U.S.	$ 426,845	$ 540,004	$ 593,945
Acceptance Now	354,486	350,046	345,703
Mexico	13,787	17,575	20,766
Total on rent rental merchandise, net	$ 795,118	$ 907,625	$ 960,414

	December 31,		
(In thousands)	2016	2015	2014
Held for rent rental merchandise, net			
Core U.S.	$ 192,718	$ 215,327	$ 264,211
Acceptance Now	7,489	5,000	4,897
Mexico	6,629	8,520	8,334
Total held for rent rental merchandise, net	$ 206,836	$ 228,847	$ 277,442

	December 31,		
(In thousands)	2016	2015	2014
Assets by segment		Revised	
Core U.S.	$ 872,551	$ 1,240,593	$ 2,519,770
Acceptance Now	432,383	426,827	420,660
Mexico	31,415	38,898	59,841
Franchising	2,197	2,723	2,604
Total segments	1,338,546	1,709,041	3,002,875
Corporate	264,195	265,427	268,322
Total assets	$ 1,602,741	$ 1,974,468	$ 3,271,197

	December 31,		
(In thousands)	2016	2015	2014
Assets by country		Revised	
United States	$ 1,567,933	$ 1,930,676	$ 3,204,283
Mexico	31,415	38,898	59,841
Canada	3,393	4,894	7,073
Total assets	$ 1,602,741	$ 1,974,468	$ 3,271,197

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Furniture and accessories	$ 927,537	$ 955,576	$ 938,065
Consumer electronics	553,976	626,668	642,226
Appliances	391,539	415,278	422,979
Computers	148,889	207,906	307,325
Smartphones	93,449	163,667	68,015
Other products and services	384,663	412,220	367,218
Total rentals and fees	$ 2,500,053	$ 2,781,315	$ 2,745,828

Our revenues originate in the following countries:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
United States	$ 2,911,613	$ 3,209,736	$ 3,075,387
Mexico	50,927	63,803	72,202
Canada	712	4,881	10,207
Total revenues	$ 2,963,252	$ 3,278,420	$ 3,157,796

Note T — Earnings Per Common Share

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

	Year Ended December 31,		
(In thousands, except per share data)	2016	2015	2014
Numerator:			
Net earnings (loss)	$ (105,195)	$ (953,520)	$ 96,422
Denominator:			
Weighted-average shares outstanding	53,121	53,050	52,850
Effect of dilutive stock awards	—	—	276
Weighted-average dilutive shares	53,121	53,050	53,126
Basic (loss) earnings per share	$ (1.98)	$ (17.97)	$ 1.82
Diluted (loss) earnings per share	$ (1.98)	$ (17.97)	$ 1.81

Diluted loss per common share for the year ended December 31, 2016, did not include the effect of dilutive stock awards because the result would have been anti-dilutive. For 2016, 2015, and 2014, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of the common stock and, therefore anti-dilutive, were 3,072,181, 2,585,711, and 2,496,147, respectively.

Note U — Unaudited Quarterly Data

Summarized quarterly financial data for the years ended December 31, 2016, and 2015 is as follows:

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2016				
Revenues	$ 835,652	$ 749,619	$ 693,877	$ 684,104
Gross profit	534,944	500,158	457,226	442,721
Operating profit (loss)	48,430	27,550	16,700	(159,276)
Net earnings (loss)	25,061	9,946	6,181	(146,383)
Basic earnings (loss) per common share	$ 0.47	$ 0.19	$ 0.12	$ (2.76)
Diluted earnings (loss) per common share	$ 0.47	$ 0.19	$ 0.12	$ (2.76)
Cash dividends declared per common share	$ 0.08	$ 0.08	$ 0.08	$ 0.08

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter[(1)]
Year Ended December 31, 2015				
Revenues	$ 877,639	$ 815,343	$ 791,605	$ 793,833
Gross profit	564,593	538,529	488,612	526,375
Operating profit (loss)	56,598	49,701	6,565	(1,120,752)
Net earnings (loss)	27,298	23,147	(4,092)	(999,873)
Basic earnings (loss) per common share	$ 0.51	$ 0.44	$ (0.08)	$ (18.84)
Diluted earnings (loss) per common share	$ 0.51	$ 0.43	$ (0.08)	$ (18.84)
Cash dividends declared per common share	$ 0.24	$ 0.24	$ 0.24	$ 0.24

(1) Fourth quarter net loss and loss per share revised for correction of deferred tax error associated with our goodwill impairment reported in the fourth quarter of 2015 as discussed in Note B.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) under the Securities Exchange Act of 1934, an evaluation was performed under the supervision and with the participation of our management, including our interim Chief Executive Officer and interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our management, including our interim Chief Executive Officer and our interim Chief Financial Officer, concluded that, as of December 31, 2016, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective.

Management’s Annual Report on Internal Control over Financial Reporting

Please refer to Management’s Annual Report on Internal Control over Financial Reporting in Part II, Item 8, of this Annual Report on Form 10-K.

Auditor's Report Relating to Effectiveness of Internal Control over Financial Reporting

Please refer to the Report of Independent Registered Public Accounting Firm in Part II, Item 8, of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

We completed implementation of a new Store Information Management System in all of our Core U.S. rent-to-own stores in 2016. The Store Information Management System manages key business processes in the store such as sales, customer account management, cash management and inventory management and has resulted in changes to these business processes and related internal controls over financial reporting.

During the quarter ended December 31, 2016, we completed our remediation efforts related to certain control deficiencies identified in 2015 pertaining to our financial reporting of tax related matters. In connection with these remediation efforts, we identified certain immaterial errors in income taxes in our December 31, 2015 consolidated financial statements that caused us to reevaluate the severity of the prior year control deficiencies in aggregate. Based on that reevaluation, we have concluded that these 2015 control deficiencies could have resulted in a material misstatement of our consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, we concluded that these control deficiencies resulted in a material weakness for the year ended December 31, 2015. The recording of income taxes associated with goodwill write-downs of previous acquisitions were not accurately calculated. In addition, at the time of the goodwill impairment recorded in the fourth quarter of 2015, our internal resources did not have the requisite technical knowledge to properly assess the deferred tax impact of the goodwill write-off. This material weakness resulted in immaterial errors in the income tax balances within the December 31, 2015 consolidated financial statements associated with our $1.2 billion goodwill impairment recorded in the fourth quarter, as described in Note B.

Our 2016 remediation included appropriate steps to improve and enhance our internal controls to address the material weakness, including additional staffing and additional controls around the measurement and recording of transactions related to tax accounting matters. We have determined these remediation actions were effectively designed and demonstrated effective operation for a sufficient period of time to enable us to conclude that the material weakness regarding internal controls has been remediated as of December 31, 2016.

Other than as described above, for the year ended December 31, 2016, 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, in the aggregate, have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.(*)***

Item 11. ***Executive Compensation.(*)***

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.(*)***

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.(*)***

Item 14. ***Principal Accountant Fees and Services.(*)***

* The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2017 Annual Meeting of Stockholders of Rent-A-Center, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

1. Financial Statements

The financial statements included in this report are listed in the Index to Financial Statements in Part II, Item 8, of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions or inapplicable.

3. Exhibits

The exhibits required to be filed pursuant to Item 15(b) of Form 10-K are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference. Exhibits 10.1, 10.9 through 10.28, and 10.30, listed in the Exhibit Index filed herewith, are management or compensatory plans or arrangements required to be filed as exhibits to this Annual Report on Form 10-K pursuant to Item 15(b) thereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RENT-A-CENTER, INC.

By: /S/ MARK E. SPEESE

Mark E. Speese

Interim Chief Executive Officer

Date: March 1, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ MARK E. SPEESE Mark E. Speese	Interim Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 1, 2017
/s/ MAUREEN B. SHORT Maureen B. Short	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2017
/s/ MICHAEL J. GADE Michael J. Gade	Director	March 1, 2017
/s/ RISHI GARG Rishi Garg	Director	March 1, 2017
/s/ JEFFERY M. JACKSON Jeffery M. Jackson	Director	March 1, 2017
/s/ J. V. LENTELL J. V. Lentell	Director	March 1, 2017
/s/ STEVEN L. PEPPER Steven L. Pepper	Director	March 1, 2017
/s/ LEONARD H. ROBERTS Leonard H. Roberts	Director	March 1, 2017

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 3.1 to the registrant's Current Report on Form 8-K dated as of September 28, 2011.)
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	Indenture, dated as of November 2, 2010, by and among Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of November 2, 2010.)
4.3	Indenture, dated as of May 2, 2013, by and among Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)
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	Guarantee and Collateral Agreement, dated March 19, 2014, by and among Rent-A-Center, Inc., its subsidiaries named as guarantors therein and JPMorgan Chase Bank, N.A. as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated March 19, 2014.)
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	Franchise Financing Agreement, dated as of August 2, 2010, between ColorTyme Finance, Inc. and Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
10.7	Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by Rent-A-Center, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
10.8	Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by ColorTyme Finance, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
10.9†	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.)
10.10†	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.)
10.11†*	Summary of Director Compensation
10.12†	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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)

10.13†	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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.14†*	Form of Loyalty and Confidentiality Agreement entered into with management
10.15†	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.)
10.16†	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.)
10.17†	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity 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.)
10.18†	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.)
10.19†	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 SEC on January 4, 2007.)
10.20†	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.)
10.21†	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.)
10.22†	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 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.23†	Form of Deferred Stock Unit Award Agreement issuable to Directors 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, 2010.)
10.24†*	Form of Executive Transition Agreement entered into with management
10.25†	Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.36 to the registrant's Quarterly Report on Form 100Q for the quarter ended March 31, 2016.)
10.26†	Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.28 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
10.27†	Rent-A-Center, Inc. 401-K Plan (Incorporated herein by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008.)
10.28	Credit Agreement, dated as of March 19, 2014,among Rent-A-Center, Inc., the several lenders from time to time parties thereto, Bank of America, N.A., BBVA Compass Bank, Wells Fargo Bank, N.A. and Suntrust Bank, as syndication agents, 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 as of March 19, 2014.)
10.29†	Rent-A-Center East, Inc. Retirement Savings Plan for Puerto Rico Employees (Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement on Form S-8 filed January 28, 2011.)
10.30	First Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of July 25, 2012 (Incorporated herein by reference to Exhibit 10.32 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.)

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10.31	Master Confirmation Agreement, dated as of May 2, 2013, between Rent-A-Center, Inc. and Goldman Sachs & Co. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)
10.32	Second Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of August 30, 2013 (Incorporated herein by reference to Exhibit 10.34 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.)
10.33	Third Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of May 1, 2014 (Incorporated herein by reference to Exhibit 10.33 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.)
10.34	Waiver and Fourth Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of September 1, 2014 (Incorporated herein by reference to Exhibit 10.34 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.)
10.35	First Amendment to the Credit Agreement, dated February 1, 2016, between the Company, JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of February 1, 2016.)
10.36†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.37 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.37†	Form of Stock Compensation Agreement (RSU) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.38 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.38†	Form of Stock Compensation Agreement (RSU) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.38 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.39†	Form of Stock Compensation Agreement (PSU) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.39 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.40	Second Amendment to the Credit Agreement, dated effective as of September 30, 2016, between the Company, JPMorgan Chase Bank, N.A., as administrative agent, the other agents party thereto and the lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of October 4, 2016.)
18.1	Preferability letter regarding change in accounting principle (Incorporated herein by reference to Exhibit 18.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.)
21.1*	Subsidiaries of Rent-A-Center, Inc.
23.1*	Consent of KPMG LLP
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 Maureen B. Short
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 Maureen B. Short
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document

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101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

† Management contract or compensatory plan or arrangement.

* Filed herewith.

** The XBRL-related information in Exhibit No. 101 to this Annual Report on Form 10-K is filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

Annual Director Compensation

Annual Retainers:

Each non-employee director:	$	50,000
Chairman of the Board		125,000
Chairperson of the Audit Committee:		16,000
Other Audit Committee Members:		9,000
Chairperson of the Compensation Committee:		12,000
Other Compensation Committee Members:		6,000
Chairperson of the Nominating/Corporate Governance Committee:		8,000
Other Nominating/Corporate Governance Committee Members:		6,000
Chairperson of the Finance Committee:		8,000
Other Finance Committee Members:		6,000

All retainers are payable in cash, in four equal installments on the first day of each fiscal quarter.

Meeting Fees:
Non-employee directors each receive $2,500 for each Board of Directors meeting attended in person and are reimbursed for their expenses in attending such meetings.

Equity Award:
Annually, each director shall receive a deferred stock award pursuant to the 2016 Long-Term Incentive Plan, consisting of the right to receive shares of Rent-A-Center common stock. The award shall be valued at $100,000 and be fully vested upon issuance. The shares covered by the award will be issued upon the termination of the director's service as a member of the Board.

EXHIBIT 10.14

LOYALTY AND CONFIDENTIALITY AGREEMENT

Employee Name: ____

THIS LOYALTY AND CONFIDENTIALITY AGREEMENT ("Agreement") is entered into on ______________ between the undersigned individual ("the Employee") and Rent-A-Center, Inc., together with its subsidiaries and affiliates whether hereafter acquired or formed ("the Company"), Company and Employee collectively will be referred to as the parties. As a condition of employment, in exchange for the opportunity to participate in the 2006 Amended and Restated Long Term Incentive Plan of Rent-A-Center, Inc. ("LTIP"), for the mutual promises of the parties herein, and for other good and valuable consideration, each of which is independently sufficient to support this Agreement, the parties agree as follows:

SECTION 1. Duty of Loyalty. Employee agrees to avoid conflicts of interest and promptly inform the Company of any business opportunities that are related to Company's line of business. Employee will avoid competing with Company, setting up a business to compete with the Company, or undertaking other disloyal acts while employed with Company.

SECTION 2. Confidentiality and Business Interests. The parties agree to the following to protect the Company's legitimate business interests:

2.1. Definitions. Company's **"Confidential Information"** means information, or a compilation of information, in any form (tangible or intangible), related to the Company's business that the Company has not made public or authorized public disclosure of and that is not already generally known, through proper means, to the public or other persons who would obtain value or competitive advantage from its disclosure or use. The parties agree that, without limitation, some examples of the Company's Confidential Information are: the Company's High Touch Store System database, SIMS, or any other point-of-sale "POS" system, internally created lists of customers, customer leads or prospects, customer history and analysis including but not limited to demographic and other research related to current and prospective customers, market analyses; internally created or maintained information concerning assessments of Company's employees and key vendor or contractor relationships; and, Company's business and strategic plans, marketing plans, real estate information, product purchasing information, product pricing information, product service information, non-public rent-to-own and financial services industry data, market penetration and concentration analyses, non-public financial or operational records or data, and research and development information regarding new products or services not yet released to the public. Additionally, the Company's non-public compilations of otherwise available information that attain greater value or utility because of time and expense invested in a unique compilation, analysis, or formatting will be considered Confidential Information. Information disclosed to the general public by Company through proper means is not considered Confidential Information.

2.2. Company Authorizations. Upon the Effective Date of this Agreement, Company will do one or more of the following: (a) provide Employee with authorization to access and use some of the Company's Confidential Information (such authorization may be provided through a computer password, authorization letter, or other means); and/or, (b) provide Employee authorization to develop and use goodwill of the Company through, for example, authorization to represent the Company in communications with customers and prospective customers, expense reimbursements in accordance with Company policy limits, and/or assistance in facilitating contact with customers, and/or (c) provide Employee with authorization to participate

in specialized management training related to the business and Confidential Information of the Company. The foregoing agreement is a fully enforceable ancillary agreement at the time made. The Company is acting in reliance upon Employee's agreement to comply fully with the restrictions provided for in this Agreement.

2.3. **<u>Employee Non-disclosure</u>.** Employee agrees not to engage in any unauthorized use or disclosure of Company's Confidential Information. Nothing herein will be construed to require withholding information in violation of any applicable state or federal law, or to prohibit Employee from reporting of information where such a report is required or protected by law; provided, however, that Employee agrees to give Company as much notice as is possible (presumably 5 business days or more) before a compelled disclosure under such circumstances unless otherwise prohibited by law from doing so. Employee will cooperate in the Company's efforts to protect its Confidential Information. Employee will help maintain records on Company customers, suppliers, and other business relationships, and will not use these records to harm the business of the Company. Employee will return to the Company all of the foregoing records and any other Company records and copies thereof (physical or electronic) in Employee's possession or control upon termination of employment or earlier if so requested, and will not retain any such material or information except where expressly authorized in writing to do so.

<u>SECTION 3</u>. **<u>Protective Covenants</u>.** Employee agrees that the covenants below are (i) reasonable and necessary for the protection of legitimate business interests of Company, and (ii) do not place an unreasonable burden upon the Employee's ability to earn a living.

3.1. **<u>Definitions</u>. "Customer"** means a person or entity that has an ongoing business relationship or prospective business relationship with the Company prior to any act of prohibited interference, and (i) that did business with a facility, division, or portion of Company's business that Employee received access to Confidential Information about in the preceding two years, or (ii) had material contact with Employee or a person under Employee's supervision in the preceding two years. A **"Competing Business"** is a person or entity that is in the business of providing a Conflicting Product or Service. A **"Conflicting Product or Service"** is a product or service that would displace a product or service that Employee assists the Company in developing, selling, distributing, servicing, or otherwise providing to Company's customers or receives Confidential Information about within the preceding two (2) years. By way of example, and not limitation, a **"Competing Business"** is understood to include any person or entity engaged in the rent-to-own business or related services. **"Restricted Area"** refers to the United States, Canada, Mexico, and each additional country where the Company does business or is actively planning to do business at the time Employee's employment ends and about which Employee was provided Confidential Information during employment. The nature of Employee's position is such that he or she will be provided Confidential Information about the Company's business activities and plans in each country where Company does business or is planning to do business. Accordingly, Employee agrees that the Restricted Area definition is reasonable and necessary.

3.2. **<u>Restriction on Interfering with Employee Relationships</u>.** During employment with Company, and for two (2) years thereafter, Employee will not, either directly or indirectly, (a) solicit, induce, or encourage an employee of the Company to leave the Company, or (b) help another person or entity to hire away an employee of the Company; unless such activity is expressly authorized by a supervisor of Employee on behalf of the Company. Where required by law, the foregoing restriction will only apply to employees that Employee, worked with, supervised, or help manage, within the last two years of Employee's employment with Company. The Company's primary remedy shall be injunctive relief as provided for in Section 5 below. However, the parties recognize that if Company loses an employee due to interference by Employee prior to or in spite of an injunction, it will not be possible to quantify the precise damage that this would cause. Accordingly, in the event Company loses an employee due, in whole or in part, to conduct by Employee that

violates this Agreement, then Employee shall pay Company a sum equal to fifty percent (50%) of the lost employee's annual compensation (based on the lost employee's last rate of pay with Company) as a reasonable estimate of part of the damages caused by Employee's breach. This shall not preclude or act as a substitute for any remedy that would otherwise be available, including but not limited to, injunctive relief against further prohibited solicitation or interference with employee relationships.

3.3. **Restriction on Interfering with Customer Relationships.** During employment with Company, and for two (2) years thereafter, Employee will not, directly or indirectly, interfere with the relationship between the Company and a Customer. It shall be considered a prohibited act of interference for Employee to, directly or indirectly, either: (a) solicit, encourage, or induce, a Customer to rent, buy or accept a Conflicting Product or Service , (b) help provide a Conflicting Product or Service to a Customer, or (c) solicit, encourage, or induce a Customer to stop or reduce doing business with the Company; unless, such activity has been expressly authorized by a supervisor of Employee on behalf of the Company. The parties stipulate that this restriction is inherently limited to a reasonable geography or geographic substitute because it is limited to the place or location where the Customer is located at the time: provided, however, that if additional geographic limitation is required by law then this Paragraph shall be deemed limited to Customers who do business within the Restricted Area.

3.4. **Restriction Against Unfair Competition**. Employee agrees that during employment, and for a period of two (2) years after Employee's employment with Company ends, Employee will not, directly or indirectly, accept or participate in any position (as an employee, consultant, advisor, contractor, shareholder, director, partner, joint-venturer, investor, or otherwise) that would involve assistance in the management, operation, finance, administration, or sale or rental activities of a Competing Business within the Restricted Area or would otherwise be likely to result in the use or disclosure of Confidential Information. The foregoing does not prohibit ownership of less than 2% of the outstanding stock of a publicly traded company so long as it is a non-controlling interest, or passive mutual fund investments.

3.5. **Survival of Restrictions.** Employee will advise any future employer of the restrictions in this Agreement before accepting new employment. The post-employment restrictions provided for in this Agreement shall survive the termination of Employee's employment with Company regardless of the cause of the termination. If a Court or arbitrator finds that Employee has failed to comply with a time-limited restriction in this Agreement, the time period applicable to that restriction shall be extended by one day for each day Employee is found to have violated the restriction up to a maximum period of two (2) years so as to give the Company the full benefit of the time period bargained for.

SECTION 4. Alternative Dispute Resolution.

4.1 **Notice and Early Resolution Conference.** Employee will give Company at least thirty (30) days written notice before either accepting an offer of employment with a Competing Business or going to work for a Competing Business. If requested to do so, Employee will provide Company with a description of the duties and activities of the new position, and will participate in a mediation or in-person conference with a Company representative within the notice period in an effort to help avoid unnecessary legal disputes. The Company shall not waive any of its rights under this Agreement if it elects not to request a conference or elects to take no specific action upon receipt of the notification.

4.2. **Arbitration.** The parties agree to use arbitration in accordance with the Mutual Agreement to Arbitrate Claims that exists between the parties to resolve any disputes arising from, arising under, or that relate in any way to this Agreement; provided, however, that temporary injunctive relief to secure compliance with the restrictions on Employee in this Agreement, and related discovery, may be pursued in a court of law

pursuant to Section 5 below until such time as an arbitration can be conducted. Any such action shall not constitute a waiver of the parties' agreement to arbitrate by any party. The arbitrator(s) shall have the power to issue both preliminary and permanent injunctive relief to enforce this Agreement. In all other respects the Mutual Agreement to Arbitrate Claims between the parties, which is incorporated herein by reference, shall control. All issues of final relief related to this Agreement will be decided through arbitration in accordance with the Mutual Agreement to Arbitrate Claims or comparable controlling agreement to arbitrate between the parties. The parties waive trial by jury on any claim arising from this Agreement.

SECTION 5. Remedies and Reformation. In the event of a breach or threatened breach of this Agreement, the offended party will be entitled to (i) an order of specific performance, (ii) injunctive relief by temporary restraining order, temporary injunction, and/or permanent injunction, (iii) damages, (iii) attorney's fees and costs incurred in obtaining relief, and (iv) any other legal or equitable relief or remedy allowed by law. To the extent a bond is required for injunctive relief against Employee, the agreed bond amount shall be One Thousand Dollars ($1,000.00). In the event the restrictions on Employee provided for in this Agreement are found to be unenforceable as written, the parties authorize the applicable Court or arbiter to reform the contract to make it enforceable as a matter of equitable relief on either a permanent or temporary basis.

SECTION 6. Severability, Waiver, Modification, Assignment, Governing Law. If any provision contained in this Agreement is determined to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein shall remain in full force and effect as if the provision that was determined to be void, illegal, or unenforceable had not been contained herein. No waiver of an obligation created by this Agreement by the Company shall be considered binding unless it is agreed to in writing by the Company. The Company’s waiver of a breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of any subsequent breach by Employee. Except as to the Mutual Agreement to Arbitrate Claims, and as otherwise expressly provided for herein, this instrument contains the entire agreement of the parties concerning the matters covered in it. This Agreement may not be modified, altered or amended except by written agreement of all the parties or reformation by a binding legal authority under Section 5 above. Employee consents to the assignment of this Agreement by Company. This Agreement will automatically inure to the benefit of Company’s successors in interest, affiliates, subsidiaries, parents, purchasers, or assigns, including but not limited to Rent-A-Center, Inc (whether as a third party beneficiary or otherwise), without need for any further action or approval by Employee, each of which shall have the right to enforce the Agreement. The laws of the state of Texas shall govern this Agreement, the construction of its terms, and the interpretation of the rights and duties of the parties hereto, without regard for any conflict of laws doctrines to the contrary. The parties consent to personal jurisdiction of the courts located in Collin County, Texas, over them, waive any objection to the convenience of such forum, and agree that a Collin County, Texas venue shall be exclusive in nature, to the exclusion of all other locations, unless otherwise agreed in writing by both parties. Both parties retain the right to terminate the employment relationship at their discretion. Nothing herein modifies the at-will nature of the parties’ employment relationship.

SECTION 7. Resolution of Rights Regarding Confidential Information and Goodwill. The parties stipulate that Employee has received Confidential Information and/or developed business goodwill with customers through a past association with the Company subject to agreements and policies of the Company limiting the use of the Confidential Information and goodwill for the Company’s benefit. Grounds for dispute exists between the parties as to what post-employment activities of Employee would result in unauthorized disclosure or use of these items. This Agreement is entered into, in part, to resolve such dispute, provide the parties with a predictable set of expectations as to future conduct, avoid the cost of litigation, and provide finality. This Agreement shall be construed as a form of settlement agreement and enforced in accordance

with public policies favoring same. Accordingly, Employee agrees not to file a lawsuit to challenge the enforceability of this Agreement.

SECTION 8. **Protected Activities.** Nothing in this Agreement prohibits Employee from reporting an event that Employee reasonably and in good faith believe is a violation of law to a relevant law-enforcement agency (with or without advance notice to the Company), obligates Employee to inform the Company before or after making such a report, prohibits Employee from cooperating in an investigation conducted by such a government agency, or otherwise prohibits conduct protected by law. Employee acknowledges notice that under the Defend Trade Secrets Act (DTSA) no individual may be held criminally or civilly liable under Federal or State trade secret law for a trade secret disclosure that complies with 18 USC §1833(b); such as a disclosure (a) made in confidence to a Federal, State, or local government official, directly or indirectly, or to an attorney; and made solely for the purpose of reporting or investigating a suspected violation of law; or, (b) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Also, under this law an individual pursuing a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose a trade secret to his/her attorney and use it in documents filed under seal provided he/she does not engage in disclosure except pursuant to a court order.

//////END OF AGREEMENT, ONLY SIGNATURES FOLLOW///////

THE COMPANY	EMPLOYEE
____________________	____________________
Chairman and Chief Executive Officer	[Employee’s Signature]
____________________	____________________
Date	Date

EXHIBIT 10.24

RENT-A-CENTER, INC.
EXECUTIVE TRANSITION AGREEMENT

This AGREEMENT is made as of ___________________ by and between RENT-A-CENTER, INC. INC. ("Company") and ______________ ("Executive").

1. Background. This Agreement is intended to provide the Executive with certain payments and benefits upon an involuntary termination of Executive's employment or the occurrence of certain other circumstances that may affect the Executive. The Company believes this Agreement will help ensure the Executive's undivided focus on the business of the Company and thereby enhance shareholder value.

2. Certain Defined Terms. The following terms have the following meanings when used in this Agreement.

(a) "Accrued Compensation" means, as of any date, (1) the unpaid amount, if any, of Executive's previously earned base salary, (2) the unpaid amount, if any, of the bonus earned by the Executive for the preceding year, and (3) additional payments or benefits, if any, earned by the Executive under and in accordance with any employee plan, program or arrangement of or with the Company or an Affiliate (other than this Agreement).

(b) "Affiliate" means an entity at least 50% of the voting, capital or profits interests of which are owned directly or indirectly by Company.

(c) "Benefit Continuation Coverage" means continuing group health insurance coverage for Executive and, where applicable, Executive's covered spouse and covered eligible dependents for a specified period following the termination of Executive's Employment with Company and its Affiliates at the same benefit and contribution levels that would be in effect if the Executive's employment had continued, if and to the extent such coverage would be permitted by the applicable plan and applicable law. Benefit Continuation Coverage, if any, shall be in addition to and not in lieu of COBRA coverage. Unless sooner terminated, Benefit Continuation Coverage will be subject to early termination if and when the Executive becomes entitled to comparable coverage from another employer.

(d) "Board" means the Board of Directors of the Company.

(e) "Cause" means (1) material act or acts of willful misconduct by Executive, whether in violation of the Company's policies, including, without limitation, the Company's Code of Business Conduct and Ethics, or otherwise; (2) Executive's willful and repeated failure (except where due to physical or mental incapacity) or refusal to perform in any material respect the duties and responsibilities of Executive's employment (3) embezzlement or fraud committed by Executive, at Executive's direction, or with Executive's prior personal knowledge; (4) Executive's conviction of, or plea of guilty or nolo contendere to, the commission of a felony; or (5) substance abuse or use of illegal drugs that, in the reasonable judgment of the Compensation Committee, (A) impairs the ability of the Executive to perform the duties of the Executive's employment, or (B) causes or is likely to cause harm or embarrassment to the Company or any of its Affiliates. Except as specified, the Compensation Committee, acting in its own discretion, will be responsible for determining whether particular conduct constitutes "Cause" for the purposes of this Agreement.

(f) "Change in Control" means the occurrence of any of the following after September 14, 2006:

(i) any person (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act") becomes the beneficial owner (within the

meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of the combined voting power of the then outstanding voting securities of Company;

(ii) a consolidation, merger or reorganization of the Company, unless (1) the stockholders of Company immediately before such consolidation, merger or reorganization own, directly or indirectly, at least a majority of the combined voting power of the outstanding voting securities of the corporation or other entity resulting from such consolidation, merger or reorganization, (2) individuals who were members of the Board immediately prior to the execution of the agreement providing for such consolidation, merger or reorganization constitute a majority of the board of directors of the surviving corporation or of a corporation directly or indirectly beneficially owning a majority of the voting securities of the surviving corporation, and (3) no person beneficially owns more than 40% of the combined voting power of the then outstanding voting securities of the surviving corporation (other than a person who is (A) Company or a subsidiary of Company, (B) an employee benefit plan maintained by Company, the surviving corporation or any subsidiary, or (C) the beneficial owner of 40% or more of the combined voting power of the outstanding voting securities of Company immediately prior to such consolidation, merger or reorganization);

(iii) individuals who, as of September 14, 2006, constitute the entire Board (the "Incumbent Board") cease for any reason to constitute a majority of the Board, provided that any individual becoming a director subsequent to September 14, 2006 whose appointment or nomination for election by Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or

(iv) a complete liquidation or dissolution of Company, or a sale or other disposition of all or substantially all of the assets of the Company (other than to an entity described in (f)(ii) above).

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Company" means Rent-A-Center, Inc. and any successor thereto.

(i) "Compensation Committee" means the Compensation Committee of the Board.

(j) "Disability" means the inability of Executive to substantially perform the customary duties and responsibilities of Executive's Employment with Company or an Affiliate for a period of at least 120 consecutive days or 120 days in any 12-month period by reason of a physical or mental incapacity which is expected to result in death or last indefinitely, as determined by a duly licensed physician appointed by the Company.

(k) "Employment" means Executive's employment with the Company and/or any of its Affiliates.

(l) "Good Reason" means the occurrence of any of the following without the written consent of Executive: (1) a material diminution by Company or an Affiliate of Executive's duties or responsibilities in a manner which is inconsistent with Executive's position or which has or is reasonably likely to have a material adverse effect on Executive's status or authority; (2) a relocation by more than 50 miles of Executive's principal place of business; or (3) a material reduction by Company or an Affiliate of Executive's rate of salary or annual incentive opportunity or (4) a breach by Company or any of its Affiliates of a material provision of any written employment or other agreement with Executive; provided, however, the Executive must provide the Company with notice of the existence of the Good Reason condition within ninety (90) days of the condition first occurring and provide the Company thirty (30 business days following notice thereof to correct the condition.

(m) "Pro Rata Bonus" means the annual bonus, if any, which (if not for Executive's termination of Employment), Executive would have earned, as determined in the Company's sole discretion, for the calendar year in which the Executive's Employment terminates, multiplied by a fraction, the numerator of which is the number of days elapsed from the beginning of the calendar year in which the Executive's Employment terminates until the date the Executive's Employment terminates, and the denominator of which is 365; provided that such payment shall be paid in a lump sum in cash in the normal course upon the Company's completion of annual bonus calculations, but in no event later than March 15 of the year following the year in which Executive's termination of Employment occurred. If the Executive's Employment terminates before April 1 of a calendar year, the Pro Rata Bonus for such calendar year shall be deemed to be zero.

(n) "Salary" means, as of the effective date of the termination of Executive's Employment with Company and its Affiliates, the sum of Executive's highest annual rate of salary at any time during the preceding 24 months preceding Executive's separation from the Company.

3. General Severance Protection (Not in Conjunction With a Change in Control). Subject to the provisions hereof, including, without limitation, Section 7 (relating to non-duplication of payments and benefits provided under other agreements and arrangements) and Section 8 (relating to the execution and delivery of a release as a condition of Executive's (or a beneficiary's) entitlement to payments and benefits hereunder), upon termination of Employment, other than a termination of Employment in conjunction with a Change in Control to which Section 4 applies, Executive (or Executive's beneficiary, as the case may be) will be entitled to receive the applicable severance payments and benefits set forth in this Section.

(a) Termination by Company or an Affiliate without Cause. If Executive's Employment is terminated by the Company or an Affiliate without Cause, then Executive shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above;

(iii) 1.5 times Salary, payable to Executive in equal monthly (or, at the option of the Company, more frequent) installments; provided however, all payments must be made by the second December 31 following the calendar year of the termination of employment; and

(iv) Benefit Continuation Coverage for the period covered by Section 3(a)(iii); however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount.

(b) Disability or Death. If Executive's Employment is terminated by the Company or an Affiliate due to Executive's Disability or if Executive's Employment terminates by reason of death, then Executive (or Executive's beneficiary) shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above; and

(iii) Benefit Continuation Coverage for twelve months; however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount.

(c) Termination by Company or an Affiliate for Cause or Termination by Executive. If Company or an Affiliate terminates Executive’s Employment for Cause or if Executive terminates such Employment for any reason (other than death), then Executive shall be entitled to receive any Accrued Compensation, subject to set off for amounts owed by Executive to Company or an Affiliate, and nothing more.

(d) Restoration. Any severance payments and benefits paid under this Section 3 shall be subject to continuing compliance with the covenants described in and repayment pursuant to Section 9.

4. Termination in Conjunction with a Change in Control (4(a) through (d)). Subject to the provisions hereof, including, without limitation, Section 6 (relating to a reduction of severance payments and benefits in order to avoid adverse tax consequences), Section 7 (relating to non-duplication of payments and benefits provided under other agreements and arrangements), and Section 8 (relating to execution and delivery of a general release as a condition of Executive’s entitlement to payments and benefits hereunder), upon the termination of Executive’s Employment with Company and its Affiliates in conjunction with a Change in Control, Executive (or Executive’s beneficiary, as the case may be) will be entitled to receive the applicable severance payments and benefits set forth in this Section. For the purposes hereof, a termination of Employment is in conjunction with a Change in Control if (and only if) it occurs during the period beginning six months prior to a Change in Control (or, in the case of a Change in Control described in Section 2(f)(i) or (ii), beginning on the date of the definitive agreement pursuant to which the Change in Control is consummated), and ending on the second anniversary of the date of the Change in Control. If Executive is entitled to receive payments and benefits under Section 3 (due to a termination of Employment not in conjunction with a Change in Control) and if, by reason of a subsequent Change in Control, Executive’s termination of Employment is deemed to be in conjunction with the Change in Control, then, in order to avoid duplication, the payments and benefits to which Executive is entitled under this Section upon and following the Change in Control will be reduced by the payments and benefits which Executive received under Section 3, and no further payments will be made under Section 3.

(a) *Termination by Company or an Affiliate without Cause or by Executive for Good Reason*. If Executive’s Employment is terminated by Company or an Affiliate without Cause or by Executive for Good Reason, then Executive shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above;

(iii) an amount equal to 2 times Salary, which amount shall be payable in a lump sum in cash within 10 business days following the date of Executive's termination of Employment or, if later, the date of the Change in Control; and

(iv) Benefit Continuation Coverage for two years following termination however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount..

(b) Disability or Death. If Executive’s Employment is terminated by Company or an Affiliate due to Executive’s Disability, or if Executive’s Employment terminates by reason of death, then Executive (or Executive’s beneficiary) shall be entitled to receive the following payments and benefits:

(i) Accrued Compensation;

(ii) Pro Rata Bonus which shall be paid to the Executive pursuant to Section 2(m) above; and

(iii) Benefit Continuation Coverage for twelve months however, if the Company determines that the provision of subsidized coverage is discriminatory under Section 105(h) of the Internal Revenue Code, then such subsidy shall cease and the Executive shall receive additional severance which equals any remaining subsidy amount.

(c) Termination by Company or an Affiliate or Cause or Termination by Executive without Good Reason. If Executive's Employment is terminated by Company or an Affiliate for Cause or is terminated by Executive without Good Reason, Executive shall be entitled to receive Accrued Compensation through the date of termination, subject to set off for amounts owed by Executive to Company or an Affiliate, and nothing more.

(d) Restoration. Any severance payments and benefits paid under this Section 4 shall be subject to continuing compliance with the covenants described in and repayment pursuant to Section 9.

5. Effect of a Change in Control on Options and Other Equity-Based Awards. All outstanding Company stock options and other Company equity-based awards held by Executive shall become fully vested immediately before the occurrence of a Change in Control if (a) Executive is then still employed by Company or an Affiliate; or (b) Executive is entitled to payments and benefits under Section 4(a) as a result of the termination of Employment during the pre-Change in Control severance protection period described in Section 4. If Executive becomes vested in a stock option or other equity-based award pursuant to part (b) of the preceding sentence, then, before the Change in Control, Company will either reinstate the option or other award to the extent it would otherwise not be vested, or make a cash payment to Executive equal to the intrinsic value of the non-vested portion of the option or other award based upon the then value per share of Company's Common Stock. The vesting and other terms and conditions of Executive's stock options and other equity-based awards will continue to govern except as otherwise specifically provided by this Section 5.

6. Golden Parachute Tax Limitation. If Executive is entitled to receive payments and benefits under this Agreement and if, when combined with the payments and benefits Executive is entitled to receive under any other plan, program or arrangement of Company or an Affiliate, Executive would be subject to excise tax under Section 4999 of the Code or Company would be denied a deduction under Section 280G of the Code, then the severance amounts otherwise payable to Executive under this Agreement will be reduced by the minimum amount necessary to ensure that Executive will not be subject to such excise tax and Company will not be denied any such deduction.

7. Effect of Other Agreements. Notwithstanding the provisions hereof, the post-termination payment and benefit provisions of Executive's written employment or other agreement with Company or an Affiliate in force at the termination of Executive's Employment (if any) will apply in lieu of the provisions hereof if and to the extent that, with respect to Executive's termination of Employment, the provisions of such employment or other agreement would provide greater payments or benefits to Executive (or to Executive's covered dependents or beneficiaries). If any termination or severance payments or benefits are made or provided to Executive by Company or any of its Affiliates pursuant to a written employment or other agreement with Company or an Affiliate, such payments and benefits shall reduce the amount of the comparable payments and benefits payable hereunder. This Section is intended to provide Executive with the most favorable treatment and, at the same time, avoid duplication of payments or benefits, and it will be construed and interpreted accordingly.

8. Release of Claims. Notwithstanding anything herein to the contrary, the Compensation Committee or the Board may condition severance payments or benefits otherwise payable under this Agreement upon the execution and delivery by Executive (or Executive's beneficiary) of a general release

in favor of Company, its Affiliates and their officers, directors and employees, in such form as the Board or the Compensation Committee may specify; provided, however, that no such release will be required as a condition of Executive's (or the beneficiary's) entitlement to Accrued Compensation. Subject to Section 17 of this Agreement, any payment or benefit that is so conditioned shall commence or be paid during the period commencing on Executive's termination of Employment and ending on a date not more than 30 days thereafter, except that, in the event that such period could span two taxable years, payment must be made in the later year.

9. Restoration. The Executive has been provided and is privy to intellectual property, trade secrets and other confidential information of the Company and its Affiliates. For two years following the Executive's termination of Employment, the Executive has agreed not to engage in any activity or provide any services which are similar to or competitive with the business of the Company and its Affiliates. For the same two- year period, the Executive also agreed not to solicit or induce, or cause or permit others to solicit or induce, any employee to terminate their employment with the Company and its Affiliates. These covenants are set forth and agreed to in the Loyalty and Confidentiality Agreement between the Executive and the Company ("Loyalty Agreement"). The parties hereto understand and acknowledge that the promises in this Agreement and those in the Loyalty Agreement, and not any employment of or services performed by the Executive in the course and scope of that employment, constitute the sole consideration for the severance payments and benefits provided by this Agreement. Further, it is agreed that should the Executive violate or be in breach of any restrictions set forth herein or in the Loyalty Agreement (which determination shall be made in the discretion of the Compensation Committee), (a) the Executive shall not be entitled to any further severance payments and benefits under this Agreement, (b) the Executive shall immediately return to the Company any severance payments and the value of any severance benefits which were received hereunder, and (c) the Executive will have no further rights or entitlements under this Agreement. This Section 9 shall not in any manner supersede or limit any other right the Company may have to enforce or seek legal or equitable relief based on this Agreement or the Loyalty Agreement.

10. No Duty to Mitigate. Except as otherwise specifically provided herein with respect to early termination of Benefit Continuation Coverage, Executive's entitlement to payments or benefits hereunder is not subject to mitigation or a duty to mitigate by Executive.

11. Amendment. The Board may amend this Agreement, provided, however, that, no such action which would have the effect of reducing or diminishing Executive's entitlements under this Agreement shall be effective without the express written consent of the Executive.

12. Successors and Beneficiaries.

(a) Successors and Assigns of Company. Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of Company and its subsidiaries taken as a whole, expressly and unconditionally to assume and agree to perform or cause to be performed Company's obligations under this Agreement. In any such event, the term "Company", as used herein shall mean Company, as defined in Section 2 hereof, and any such successor or assignee. Executive acknowledges and agrees that this Agreement and the Loyalty Agreement shall be fully enforceable by the Company's successor or assignee.

(b) Executive's Beneficiary. For the purposes hereof, Executive's beneficiary will be the person or persons designated as such in a written beneficiary designation filed with the Company, which may be revoked or revised in the same manner at any time prior to Executive's death. In the absence of a properly filed written beneficiary designation or if no designated beneficiary survives Executive, Executive's estate will be deemed to be the beneficiary hereunder.

13. Nonassignability. With the exception of Executive’s beneficiary designation, neither Executive nor Executive’s beneficiary may pledge, transfer or assign in any way the right to receive payments or benefits hereunder, and any attempted pledge, transfer or assignment shall be void and of no force or effect.

14. Legal Fees to Enforce Rights after a Change in Control. If, following a Change in Control, Company fails to comply with any of its obligations under this Agreement or Company takes any action to declare this Agreement void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from Executive (or Executive’s beneficiary) the payments and benefits intended to be provided, then Executive (or Executive’s beneficiary, as the case may be) shall be entitled to select and retain counsel at the expense of Company to represent Executive (or Executive’s beneficiary) in connection with the good faith initiation or defense of any litigation or other legal action, whether by or against Company or any director, officer, stockholder or other person affiliated with Company or any successor thereto in any jurisdiction.

15. Not a Contract of Employment. This Agreement shall not be deemed to constitute a contract of employment between Executive and Company or any of its Affiliates. Nothing contained herein shall be deemed to give Executive a right to be retained in the employ or other service of Company or any of its Affiliates or to interfere with the right of Company or any of its Affiliates to terminate Executive’s employment at any time.

16. Governing Law and Arbitration. This Agreement shall be governed by the laws of the State of Texas, excluding its conflict of law rules. The parties agree to use arbitration in accordance with the Mutual Agreement to Arbitrate Claims, which is governed by the Federal Arbitration Act, that exists between the parties to resolve any disputes arising from, arising under, or that relate in any way to this Agreement; provided, however, that the parties may pursue temporary and/or preliminary injunctive relief in a court of competent jurisdiction within the districts that include Collin County, Texas, because the award to which the party may be entitled in arbitration may be rendered ineffectual without such relief. Any such action shall not constitute a waiver of the parties' agreement to arbitrate by any party. In all other respects the Mutual Agreement to Arbitrate Claims between the parties, which is incorporated herein by reference, shall control. All issues of final relief related to this Agreement will be decided through arbitration in accordance with the Mutual Agreement to Arbitrate Claims or comparable controlling agreement to arbitrate between the parties. The parties waive trial by jury on any claim arising from this Agreement. Any suit for temporary and/or preliminary injunctive relief will be brought in the federal or state courts in the districts, which include Collin County, Texas, and Executive hereby agrees to submit to the personal jurisdiction and venue thereof.

17. Compliance with Section 409A of the Code. This Agreement is intended to comply with Section 409A of the Code, if and to the extent applicable, and will be interpreted and applied in a manner consistent with that intention. This Agreement is intended to meet the requirements of the "short-term deferral" exception, the "separation pay" exception and other exceptions under Section 409A of the Code. Notwithstanding anything in the Agreement to the contrary, if required by Section 409A of the Code, payments may only be made under this Agreement upon an event and in a manner permitted by Section 409A, to the extent applicable. For purposes of Section 409A of the Code, any payment required to be made hereunder shall be treated as separate from any other payment or payments required to be made hereunder, and the right to a series of payments under the Agreement shall be treated as a right to a series of separate payments. If at the time of the Executive’s termination of employment with the Company he or she is a "specified employee" as defined in Section 409A of the Code and the deferral of the commencement of any payments otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments hereunder (without any reduction in such payments ultimately paid)

until the date that is six months following such termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code). To the extent Section 409A of the Code is applicable, the phrase "termination of Employment" shall have the same meaning as a "separation from service" as defined in Section 409A of the Code and its accompanying regulations. All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code.

18. Withholding. Company and its Affiliates may withhold from any and all amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to applicable law.

[SIGNATURE PAGE FOLLOWS.]

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

RENT-A-CENTER, INC.	EXECUTIVE
____________________________	____________________________
Mark Speese Chief Executive Officer	[Executive Signature]
____________________________	____________________________
Date	Date

EXHIBIT 21.1

SUBSIDIARIES OF RENT-A-CENTER, INC.

ColorTyme Finance, Inc., a Texas corporation

Get It Now, LLC, a Delaware limited liability company

RAC Acceptance East, LLC, a Delaware limited liability company

RAC Acceptance Texas, LLC, a Delaware limited liability company

RAC Acceptance West, LLC, a Delaware limited liability company

RAC Canada Finance LP, a Canadian limited partnership

RAC Canada Holdings, a Canadian partnership

RAC Mexico Holdings I, LLC, a Delaware limited liability company

RAC Mexico Holdings II, LLC, a Delaware limited liability company

RAC Mexico Operaciones, S. DE R.L. DE C.V., a México S. DE R.L. DE C.V.

RAC National Product Service, LLC, a Delaware limited liability company

RAC Welton, Inc., a Texas corporation

Remco America, Inc., a Delaware corporation

Rent-A-Center Addison, L.L.C., a Delaware limited liability company

Rent-A-Center East, Inc., a Delaware corporation

Rent-A-Center Franchising International, Inc., a Texas corporation

Rent-A-Center International, Inc., a Delaware corporation

Rent-A-Center Texas, L.P., a Texas limited partnership

Rent-A-Center Texas, L.L.C., a Nevada limited liability company

Rent-A-Center West, Inc., a Delaware corporation

Rent-A-Centre Canada, Ltd., a Canadian corporation

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in the registration statements listed below of Rent-A-Center, Inc. and subsidiaries (the Company) of our reports dated March 1, 2017, with respect to the consolidated balance sheets of the Company as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2016, and all related financial statement schedules in the December 31, 2016 annual report on Form 10-K of the Company.

Form Type	File Number	Effective Date
Form S-8	333-53471	05/22/1998
Form S-8	333-66645	11/02/1998
Form S-8	333-32296	03/13/2000
Form S-8	333-62582	06/08/2001
Form S-8	333-136615	08/14/2006
Form S-8	333-139792	01/04/2007
Form S-8	333-40958	07/07/2007
Form S-8	333-145121	08/03/2007
Form S-8	333-171926	01/28/2011
Form S-8	333-211859	06/06/2016

/s/ KPMG LLP

Dallas, Texas
March 1, 2017

Exhibit 31.1

I, Mark E. Speese, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 1, 2017

/s/ Mark E Speese
Mark E. Speese
Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

I, Maureen B. Short, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 1, 2017

/s/ Maureen B. Short
Maureen B. Short
Interim Chief Financial Officer
(Principal Financial and Accounting 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 Annual Report on Form 10-K of Rent-A-Center, Inc. (the "***Company***") for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Mark E. Speese, Interim Chief Executive Officer and Chairman of the Board, 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
Interim Chief Executive Officer

Dated: March 1, 2017

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 Annual Report on Form 10-K of Rent-A-Center, Inc. (the "***Company***") for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Maureen B. Short, Executive Vice President - Finance, Chief Financial Officer and Treasurer 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/ Maureen B. Short
Maureen B. Short
Interim Chief Financial Officer

Dated: March 1, 2017

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.