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

Form 10-Q

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

For the quarterly period ended June 30, 2005

Commission File Number 0-25370

Rent-A-Center, Inc.

(*Exact name of registrant as specified in its charter*)

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

5700 Tennyson Parkway, Suite 100
Plano, Texas 75024
(972) 801-1100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

YES ☑ NO o

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

YES ☑ NO o

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 27, 2004:

Class	Outstanding
Common stock, $.01 par value per share	74,825,058

TABLE OF CONTENTS

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Three months ended June 30, 2005	2004
	Unaudited	
Revenues		
Store		
Rentals and fees	$526,639	$520,593
Merchandise sales	37,498	34,599
Installment sales	6,618	5,801
Other	997	967
Franchise		
Merchandise sales	7,443	9,668
Royalty income and fees	1,383	1,357
	580,578	572,985
Operating expenses		
Direct store expenses		
Cost of rentals and fees	114,068	112,743
Cost of merchandise sold	28,225	24,720
Cost of installment sales	2,750	2,477
Salaries and other expenses	332,939	311,058
Franchise cost of merchandise sold	7,163	9,214
	485,145	460,212
General and administrative expenses	20,290	19,392
Amortization of intangibles	2,155	3,158
Total operating expenses	507,590	482,762
Operating profit	72,988	90,223
Interest expense	10,786	10,252
Interest income	(1,351)	(1,488)
Earnings before income taxes	63,553	81,459
Income tax expense	21,811	30,265
NET EARNINGS	41,742	51,194
Preferred dividends	—	—
Net earnings allocable to common stockholders	$ 41,742	$ 51,194
Basic earnings per common share	$ 0.56	$ 0.64
Diluted earnings per common share	$ 0.55	$ 0.62

See accompanying notes to consolidated financial statements.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Six months ended June 30, 2005	2004
	Unaudited	
Revenues		
Store		
Rentals and fees	$1,045,261	$1,024,883
Merchandise sales	100,268	94,022
Installment sales	13,202	12,499
Other	2,075	2,047
Franchise		
Merchandise sales	18,787	22,132
Royalty income and fees	2,794	2,782
	1,182,387	1,158,365
Operating expenses		
Direct store expenses		
Cost of rentals and fees	226,536	221,286
Cost of merchandise sold	70,292	64,103
Cost of installment sales	5,613	5,622
Salaries and other expenses	666,980	620,142
Franchise cost of merchandise sold	18,029	21,106
	987,450	932,259
General and administrative expenses	39,505	37,578
Amortization of intangibles	4,452	5,646
Litigation reversion	(8,000)	—
Total operating expenses	1,023,407	975,483
Operating profit	158,980	182,882
Interest expense	21,654	20,611
Interest income	(2,753)	(2,991)
Earnings before income taxes	140,079	165,262
Income tax expense	50,668	61,859
NET EARNINGS	89,411	103,403
Preferred dividends	—	—
Net earnings allocable to common stockholders	$ 89,411	$ 103,403
Basic earnings per common share	$ 1.20	$ 1.29
Diluted earnings per common share	$ 1.18	$ 1.25

See accompanying notes to consolidated financial statements.

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	June 30, 2005 Unaudited	December 31, 2004
ASSETS		
Cash and cash equivalents	$ 25,119	$ 58,825
Accounts receivable, net	16,508	16,269
Prepaid expenses and other assets	52,566	65,050
Rental merchandise, net On rent	574,080	596,447
Held for rent	197,639	162,664
Merchandise held for installment sale	2,184	1,311
Property assets, net	141,323	144,818
Goodwill, net	916,200	913,415
Intangible assets, net	5,174	8,989
	$1,930,793	$1,967,788
LIABILITIES		
Accounts payable — trade	$ 44,957	$ 94,399
Accrued liabilities	199,571	207,835
Deferred income taxes	132,503	163,031
Senior debt	364,500	408,250
Subordinated notes payable	300,000	300,000
Redeemable convertible voting preferred stock	—	2
	1,041,531	1,173,517
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 250,000,000 shares authorized; 102,830,933 and 102,297,937 shares issued in 2005 and 2004, respectively	1,028	1,023
Additional paid-in capital	628,054	618,486
Retained earnings	855,215	765,785
Treasury stock, 28,067,799 and 27,900,399 shares at cost in 2005 and 2004, respectively	(595,035)	(591,023)
	889,262	794,271
	$1,930,793	$1,967,788

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six months ended June 30, 2005	Six months ended June 30, 2004
	Unaudited	
Cash flows from operating activities		
Net earnings	$ 89,411	$ 103,403
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	222,839	220,428
Depreciation of property assets	26,534	23,083
Amortization of intangibles	3,733	5,646
Amortization of financing fees	801	424
Deferred income taxes	(30,528)	(15,418)
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(233,488)	(209,329)
Accounts receivable, net	(238)	9
Prepaid expenses and other assets	32,855	20,508
Accounts payable — trade	(49,442)	(2,875)
Accrued liabilities	(6,307)	53,810
Net cash provided by operating activities	56,170	199,689
Cash flows from investing activities		
Purchase of property assets	(23,932)	(34,853)
Proceeds from sale of property assets	892	3,336
Acquisitions of businesses, net of cash acquired	(26,707)	(155,953)
Net cash used in investing activities	(49,747)	(187,470)
Cash flows from financing activities		
Purchase of treasury stock	(4,012)	(77,266)
Exercise of stock options	7,633	9,270
Proceeds from debt	18,000	—
Repayments of debt	(61,750)	(2,000)
Net cash used in financing activities	(40,129)	(69,996)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,706)	(57,777)
Cash and cash equivalents at beginning of period	58,825	143,941
Cash and cash equivalents at end of period	$ 25,119	$ 86,164

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Supplemental cash flow information	Six months ended June 30, 2005	2004
	(in thousands)	
Cash paid during the period for:		
Interest	$ 20,982	$ 19,408
Income taxes	$ 46,408	$ 57,050
Supplemental schedule of non-cash investing and financing activities		
Fair value of assets acquired	$ 30,421	$185,790
Cash paid	$ 26,707	$155,953

For the six months ended June 30, 2005, the difference between the fair value of assets acquired and cash paid is due to indemnification arrangements with respect to a 27 store acquisition completed on June 30, 2005.

For the six months ended June 30, 2004, the difference between the fair value of assets acquired and cash paid is due to non-cash consideration, including approximately $23.9 million in common stock issued and the approximately $6.1 million in fair value assigned to the stock options assumed in connection with the acquisition of Rent Rite, Inc.

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Commission's rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. We suggest that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2004, and our Quarterly Report on Form 10-Q for the three months ended March 31, 2005. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

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

At June 30, 2005, we operated 2,892 company-owned stores nationwide and in Canada and Puerto Rico, including 21 stores in Wisconsin operated by a subsidiary, Get It Now, LLC, under the name "Get It Now," and six stores in Canada operated by a subsidiary, Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Rent-A-Center's primary operating segment consists of leasing household durable goods to customers on a rent-to-own basis. Get It Now offers merchandise on an installment sales basis in Wisconsin.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At June 30, 2005, ColorTyme had 281 franchised stores operating in 38 states. ColorTyme's primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

Cost of Rentals and Fees. Cost of rentals and fees includes depreciation of rental merchandise and costs related to our membership programs which commenced in 2004. Depreciation of rental merchandise is separately identified in Note 2 in the Notes to the Consolidated Financial Statements later in this report.

Stock Based Compensation. Rent-A-Center's Amended and Restated Long-Term Incentive Plan (the "Plan") for the benefit of certain employees, consultants and directors provides the Board of Directors broad discretion in creating equity incentives. Under the Plan, 14,562,865 shares of Rent-A-Center's common stock were reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to our employees under the Plan generally become exercisable over a period of one to four years from the date of grant and may be exercised up to a maximum of 10 years from the date of grant. Options granted to directors are immediately exercisable. There have been no grants of stock appreciation rights or restricted stock grants and all options have been granted with fixed prices. At June 30, 2005, there were 9,034,502 shares available for issuance under the Plan, of which 4,870,913 shares were allocated to options currently outstanding. However, pursuant to the terms of the Plan, when an optionee leaves our employ, unvested options granted to that employee terminate and become available for re-issuance under the Plan. In addition, vested options not exercised within 90 days from the date the optionee leaves our employ generally terminate and become available for re-issuance under the Plan.

RENT-A-CENTER, INC. AND SUBSIDIARIES

We account for the Plan under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and related Interpretations. No stock-based employee compensation cost is reflected in net earnings, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. If we had applied the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Statement No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), to stock-based employee compensation, net earnings and earnings per share would have decreased as illustrated by the following table:

	Six months ended June 30,	
	2005	2004
	(In thousands, except per share data)	
Net earnings allocable to common stockholders		
As reported	$ 89,411	$103,403
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related taxes	4,419	6,399
Pro forma	$ 84,992	$ 97,004
Basic earnings per common share		
As reported	$ 1.20	$ 1.29
Pro forma	$ 1.14	$ 1.21
Diluted earnings per common share		
As reported	$ 1.18	$ 1.25
Pro forma	$ 1.12	$ 1.18

	Three months ended June 30,	
	2005	2004
	(In thousands, except per share data)	
Net earnings allocable to common stockholders		
As reported	$ 41,742	$ 51,194
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related taxes	1,342	3,223
Pro forma	$ 40,400	$ 47,971
Basic earnings per common share		
As reported	$ 0.56	$ 0.64
Pro forma	$ 0.54	$ 0.60
Diluted earnings per common share		
As reported	$ 0.55	$ 0.62
Pro forma	$ 0.53	$ 0.59

For all options granted prior to April 1, 2004, the fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 55.2%, risk-free interest rate of 2.9%, expected lives of four years, and no dividend yield. For options granted on or after April 1, 2004, the fair value of the options was estimated at the date of grant using the binomial method pricing model with the following weighted average assumptions: expected volatility of 49.6%, a risk-free interest rate of 3.4%, no dividend yield and an expected life of four years. Had we changed from using the Black-Scholes option pricing model to a binomial method pricing model effective January 1, 2004 rather than April 1, 2004, the impact would not have been significant.

Table of Contents

New Accounting Pronouncements. In December 2004, the FASB enacted Statement of Financial Accounting Standards 123—revised 2004 (“SFAS 123R”), *Share-Based Payment*, which replaces SFAS 123, and supersedes APB 25. SFAS 123R requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statement of earnings. The accounting provisions of SFAS 123R are effective for fiscal years beginning after June 15, 2005.

We are required to adopt SFAS 123R in the first quarter of 2006. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. See the *Stock-Based Compensation* section shown above for the pro forma net earnings and earnings per share amounts for the first six months and second quarter of 2005 and 2004 as if we had used a fair-value-based method under SFAS 123 to measure compensation expense for employee stock incentive awards. Although we have not yet determined whether the adoption of SFAS 123R will result in amounts that are different from the current pro forma disclosures under SFAS 123, we are evaluating the requirements under SFAS 123R and expect the adoption to have a significant impact on our consolidated statement of earnings and earnings per share, but no impact on our financial condition or cash flows.

2. *Reconciliation of Merchandise Inventory*.

	Six months ended June 30, 2005	Six months ended June 30, 2004
	(In thousands)	
Beginning merchandise value	$ 760,422	$ 682,367
Inventory additions through acquisitions	2,832	64,925
Purchases	344,985	311,662
Depreciation of rental merchandise	(222,839)	(220,428)
Cost of goods sold	(75,905)	(70,583)
Skips and stolens	(28,583)	(25,182)
Other inventory deletions (1)	(7,009)	(6,568)
Ending merchandise value	$ 773,903	$ 736,193

	Three months ended June 30, 2005	Three months ended June 30, 2004
	(In thousands)	
Beginning merchandise value	$ 793,178	$ 697,902
Inventory additions through acquisitions	1,557	60,725
Purchases	140,127	134,401
Depreciation of rental merchandise	(112,104)	(112,113)
Cost of goods sold	(30,975)	(27,827)
Skips and stolens	(14,836)	(12,569)
Other inventory deletions (1)	(3,044)	(4,326)
Ending merchandise value	$ 773,903	$ 736,193

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

3. *Intangibles.*

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

Intangibles consist of the following (in thousands):

		June 30, 2005		December 31, 2004	
	Avg. Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets					
Franchise network	10	$ 3,000	$ 2,700	$ 3,000	$ 2,550
Non-compete agreements	3	5,843	3,810	5,902	3,197
Customer relationships	1.5	31,345	28,504	30,644	24,810
Total		40,188	35,014	39,546	30,557
Intangible assets not subject to amortization					
Goodwill		1,015,362	99,162	1,012,577	99,162
Total intangibles		$1,055,550	$134,176	$1,052,123	$129,719

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

	Estimated Amortization Expense (In thousands)
2005	$ 3,125
2006	1,760
2007	289
2008	—
Total	$ 5,174

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

	At June 30, 2005	At December 31, 2004
	(In thousands)	
Balance as of January 1,	$ 913,415	$ 788,059
Additions from acquisitions	5,376	112,209
Post purchase price allocation adjustments	(2,591)	13,147
Balance as of the end of the period	$ 916,200	$ 913,415

The post purchase price allocation adjustments in 2004 of approximately $13.1 million were primarily attributable to inventory charge-offs for unrentable or missing merchandise acquired in acquisitions, reserves put into place for lease buyouts for acquired stores which were closed post-acquisition in compliance with executive management's pre-acquisition plans, and the severance pay for the employees involved in the planned reduction in workforce inherited from certain of the acquired companies.

RENT-A-CENTER, INC. AND SUBSIDIARIES

4. *Earnings Per Share.*

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

(In thousands, except per share data)	Six months ended June 30, 2005		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 89,411	74,653	$ 1.20
Effect of dilutive stock options		1,383	
Diluted earnings per common share	$ 89,411	76,036	$ 1.18

	Six months ended June 30, 2004		
	Net earnings	Shares	Per share
Basic earnings per common share	$103,403	79,874	$ 1.29
Effect of dilutive stock options		2,559	
Diluted earnings per common share	$103,403	82,433	$ 1.25

(In thousands, except per share data)	Three months ended June 30, 2005		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 41,742	74,747	$ 0.56
Effect of dilutive stock options		1,254	
Diluted earnings per common share	$ 41,742	76,001	$ 0.55

	Three months ended June 30, 2004		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 51,194	79,464	$ 0.64
Effect of dilutive stock options		2,516	
Diluted earnings per common share	$ 51,194	81,980	$ 0.62

For the six months ended June 30, 2005 and 2004, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 1,936,095 and 583,834, respectively.

For the three months ended June 30, 2005 and 2004, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 1,948,595 and 583,834, respectively.

5. *Subsidiary Guarantors.*

7$^1/_2$% Senior Subordinated Notes. On May 6, 2003, Rent-A-Center issued $300.0 million in senior subordinated notes due 2010, bearing interest at 7$^1/_2$%, pursuant to an indenture dated May 6, 2003, among Rent-A-Center, Inc., its subsidiary guarantors (the "Subsidiary Guarantors") and The Bank of New York, as trustee. The proceeds of this offering were used to fund the repurchase and redemption of certain outstanding notes.

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

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

5. *Subsidiary Guarantors* – (continued)

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

The $7^1/_2$% notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The $7^1/_2$% notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require Rent-A-Center to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facility.

Rent-A-Center and the Subsidiary Guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to the $7^1/_2$% 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.

6. *Common and Preferred Stock Transactions.*

On October 24, 2003, we announced our Board of Directors had rescinded our old common stock repurchase program and authorized a new common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $100.0 million of our common stock. Over a period of time, our Board of Directors increased the authorization for stock repurchases under our new common stock repurchase program to $300.0 million. As of June 30, 2005, we had purchased a total of 8,692,700 shares of our common stock for an aggregate of $241.6 million under our common stock repurchase program, of which 167,400 shares for approximately $4.0 million were repurchased during the second quarter of 2005. Please see “Unregistered Sales of Equity Securities and Use of Proceeds” later in this report.

In May 2005, Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (collectively, “Apollo”) sold all of the remaining shares of our common stock held by them in a public offering which closed on May 31, 2005. We did not receive any of the proceeds from the sale of the shares by Apollo. In connection with such sale, Apollo converted the two issued and outstanding shares of our Series C preferred stock into 180 shares of common stock all of which were sold in the public offering. As a result of the conversion, no shares of our Series C preferred stock remain outstanding. In addition, as a result of the sale by Apollo of all of the shares of our common stock held by them, our stockholders agreement with Apollo terminated pursuant to its terms .

7. *Acquisitions.*

Rent Rite, Inc. On May 7, 2004, we completed the acquisition of Rent Rite, Inc. d/b/a Rent Rite Rental Purchase for an aggregate purchase price of $59.9 million. Rent Rite operated 90 stores in 11 states, of which 26 stores were merged with our existing store locations. The results of operations have been included in our financial statements since the acquisition date. Approximately 40% of the consideration was paid with 815,592 shares of our common stock, with the remaining portion consisting of cash, the assumption of Rent Rite’s stock options and retirement of Rent Rite’s outstanding debt. The common stock paid as well as the assumption of stock options were recorded at the fair value determined at the effective date of the purchase. The table below summarizes the allocation of the purchase price based on the fair values of the significant assets acquired:

	Fair Values (in thousands)
Rental merchandise	$ 18,644
Property assets	1,262
Customer relationships	3,180
Non-compete agreements	242
Goodwill	36,568
Total assets acquired	$ 59,896

7. *Acquisitions* – (continued)

Rainbow Rentals, Inc. On May 14, 2004, we completed the acquisition of Rainbow Rentals, Inc. for an aggregate purchase price of $109.0 million. Rainbow Rentals operated 124 stores in 15 states, of which 29 stores were merged with our existing store locations. The results of operations have been included in our financial statements since the acquisition date. We funded the acquisition entirely with cash on hand. The table below summarizes the allocation of the purchase price based on the fair values of the significant assets acquired:

	Fair Values (in thousands)
Rental merchandise	$ 41,337
Property assets	2,864
Customer relationships	4,553
Non-compete agreements	100
Goodwill	60,192
Total assets acquired	$ 109,046

We entered into these transactions seeing them as opportunistic acquisitions that would allow us to expand our store base in conjunction with our strategic growth plans. The prices of the acquisitions were determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total. Customer relationships acquired in these transactions are being amortized utilizing the straight-line method over an 18 month period. The non-compete agreements in these transactions are being amortized using the straight-line method over the life of the agreements and, in accordance with SFAS 142, the goodwill associated with the acquisitions will not be amortized.

All acquisitions have been accounted for as purchases, and the operating results of the acquired stores and accounts have been included in our financial statements since their date of acquisition.

8. *Guarantees.*

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., who provides $50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional $15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East, Inc., a subsidiary of Rent-A-Center, guarantees the obligations of ColorTyme under each of these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $65.0 million, of which $26.3 million was outstanding as of June 30, 2005.

Other guarantees. We also provide assurance to our insurance providers that if they are not able to draw funds from us for claims paid, they have the ability to draw against our letters of credit. Generally, our letters of credit are renewed automatically every year unless we notify the institution not to renew. At June 30, 2005, we had $93.1 million in outstanding letters of credit under our senior credit facilities, all of which is supported by our $250.0 million revolving facility.

9. *Refinancing of Senior Debt.*

On July 14, 2004, we refinanced our then existing senior secured debt by entering into new $600.0 million senior credit facilities. Our new $600.0 million senior credit facilities consist of a $350.0 million term loan and a $250.0 million revolving credit facility. On that day, we drew down the $350.0 million term loan and $50.0 million of the revolving facility and utilized the proceeds to repay our existing senior term debt.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

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

- uncertainties regarding the ability to open new rent-to-own stores;
- our ability to acquire additional rent-to-own stores on favorable terms;
- our ability to enhance the performance of these acquired stores;
- our ability to control store level costs;
- our ability to identify and successfully market products and services that appeal to our customer demographic;
- our ability to identify and successfully enter new lines of business offering products and services that appeal to our customer demographic;
- the results of our litigation;
- the passage of legislation adversely affecting the rent-to-own industry;
- interest rates;
- our ability to collect on our rental purchase agreements;
- our ability to enter into new rental purchase agreements;
- economic pressures affecting the disposable income available to our targeted consumers, such as high fuel and utility costs;
- changes in our effective tax rate;
- changes in our stock price and the number of shares of common stock that we may or may not repurchase; and
- the other risks detailed from time to time in our SEC reports.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under Risk Factors in our Annual Report on Form 10-K for our fiscal year ended December 31, 2004. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

Our Business

We are the largest rent-to-own operator in the United States with an approximate 35% market share based on store count. At June 30, 2005, we operated 2,892 company-owned stores nationwide and in Canada and Puerto Rico, including 21 stores located in Wisconsin and operated by our subsidiary Get It Now, LLC under the name "Get It Now" and six stores located in Canada and operated by our subsidiary Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Another of our subsidiaries, ColorTyme, is a national franchisor of rent-to-own stores. At June 30, 2005, ColorTyme had 281 franchised stores in 38 states, 269 of which operated under the ColorTyme name and 12 stores of which operated under the Rent-A-Center name.

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

Rental payments are made generally on a weekly basis and, together with applicable fees, constitute our primary revenue source. Our expenses primarily relate to merchandise costs and the operations of our stores, including salaries and benefits for our employees, occupancy expense for our leased real estate, advertising expenses, lost, damaged, or stolen merchandise, fixed asset depreciation, and corporate and other expenses.

We have pursued an aggressive growth strategy since 1993. We have sought to acquire underperforming rent-to-own stores to which we could apply our operating model as well as open new stores. As a result, acquired stores have generally experienced more significant revenue growth during the initial periods following their acquisition than in subsequent periods. Because of significant growth since our formation, our historical results of operations and period-to-period comparisons of such results and other financial data, including the rate of earnings growth, may not be meaningful or indicative of future results.

We plan to accomplish our future growth through selective and opportunistic acquisitions of existing rent-to-own stores, and development of new rent-to-own stores. Typically, a newly opened rent-to-own store is profitable on a monthly basis in the ninth to twelfth month after its initial opening. Historically, a typical store has achieved cumulative break-even profitability in 18 to 24 months after its initial opening. Total financing requirements of a typical new store approximate $500,000, with roughly 75% of that amount relating to the purchase of rental merchandise inventory. A newly opened store historically has achieved results consistent with other stores that have been operating within the system for greater than two years by the end of its third year of operation. As a result, our quarterly earnings are impacted by how many new stores we opened during a particular quarter and the quarters preceding it. In addition, we strategically open or acquire stores near market areas served by existing stores (“cannibalize”) to enhance service levels, gain incremental sales and increase market penetration. This planned cannibalization may negatively impact our same store revenue. There can be no assurance that we will open any new rent-to-own stores in the future, or as to the number, location or profitability thereof.

Furthermore, we are evaluating other growth strategies, including offering additional products and services designed to appeal to our customer demographic, both through our new and existing rent-to-own stores as well as the entry into additional lines of business. There can be no assurance that we will be successful in our efforts to expand our operations to include such complementary financial products or services, or that such operations, should they be added, will prove to be profitable.

Recent Developments

On June 30, 2005, we acquired 27 stores, which operate in six Western states, from a ColorTyme franchisee, for an aggregate purchase price of approximately $21.5 million. The acquired stores offer an array of financial services in addition to traditional rent-to-own products.

As of July 27, 2005, we have acquired one store, opened five new stores and closed eight stores during the third quarter of 2005. All of the closed stores were merged with existing locations. It is our intention to increase the number of rent-to-own stores we operate by an average of approximately 5 to 10% per year over the next several years.

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

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, which are prepared using methods and assumptions in accordance with standard actuarial practice, and third party claim administrator loss estimates which are based on known facts surrounding individual claims. Each quarter, we reevaluate our estimate of liability within our self-insured retentions, including our assumptions related to our loss forecasts and estimates, using actuarial loss forecasts updated during the quarter and currently valued third party claim administrator loss estimates. We evaluate the adequacy of our accruals by comparing amounts accrued on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third party claim administrator loss estimates, and make adjustments to our accruals as needed based upon such review.

Over the previous 10 years, our loss exposure has increased, primarily as a result of our growth. We instituted procedures to manage our loss exposure through a greater focus on the risk management function, a transitional duty program for injured workers, ongoing safety and accident prevention training, and various programs designed to minimize losses and improve our loss experience in our store locations.

As of June 30, 2005, the net amount accrued for losses within our self-insured retentions was $92.5 million, as compared to $81.4 million at June 30, 2004. The increase in the net amount accrued for the 2005 period is a result of an estimate for new claims expected for the current policy period, which incorporates our store growth, increased number of employees, increases in health care costs, and the net effect of prior period claims which have closed or for which additional development or changes in estimates have occurred.

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

Each quarter, we make estimates of our probable liabilities, if reasonably estimable, and record such amounts in our consolidated financial statements. These amounts represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to reflect current facts and circumstances. As of June 30, 2005, we had accrued $1.9 million in connection with the prospective settlement of the *Pucci/Chess* matter, and an additional $585,000 for anticipated legal fees and expenses with respect to our other outstanding litigation (other than the *Pucci/Chess* matter) as compared to $2.5 million for the quarter ended June 30, 2004, all of which related to anticipated legal fees and expenses for our then outstanding litigation. The amounts accrued, relating to the prospective settlement in the *Pucci/Chess* matter, and for anticipated legal fees and expenses with respect to our remaining outstanding litigation (other than the *Pucci/Chess* matter), represent our estimate of the probable liabilities with respect to such litigation. The ultimate outcome of our litigation is uncertain, and the amount of loss we may incur, if any, cannot in our judgment be reasonably estimated. Additional developments in our litigation or other adverse or positive developments or rulings in our litigation, could affect our assumptions and thus, our accrual.

If we make changes to our accruals in any of these areas in accordance with the policies described above, these changes would impact our earnings. Increases to our accruals would reduce earnings and similarly, reductions to our accruals would increase our earnings. A pre-tax change of $1.2 million in our estimates would result in a corresponding $.01 change in our earnings per share.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

Significant Accounting Policies

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

Revenue. Merchandise is rented to customers pursuant to rental-purchase agreements which provide for weekly, semi-monthly or monthly rental terms with non-refundable rental payments. Generally, the customer has the right to acquire title either through a purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term as payments are received and merchandise sales revenue is recognized when the customer exercises his/her purchase option and pays the cash price due. Revenue for the total amount of the rental purchase agreement is not accrued because the customer can cancel the rental contract at any time and we cannot enforce collection for non-payment of rents. Because Get It Now makes retail sales on an installment credit basis, Get It Now’s revenue is recognized at the time of such retail sale, as is the cost of the merchandise sold, net of a provision for uncollectible accounts.

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

Depreciation of Rental Merchandise. Depreciation of rental merchandise is included in the cost of rentals and fees on our statement of earnings. We depreciate our rental merchandise using the income forecasting method. The income forecasting method of depreciation we use does not consider salvage value and does not allow the depreciation of rental merchandise during periods when it is not generating rental revenue. The objective of this method of depreciation is to provide for consistent depreciation expense while the merchandise is on rent. We accelerate the depreciation on computers that are 24 months old or older and which have become idle using the straight-line method for a period of at least six months, generally not to exceed an aggregate depreciation period of 30 months. The purpose is to better reflect the depreciable life of a computer in our stores.

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

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

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

Results of Operations

Six Months Ended June 30, 2005 compared to Six Months Ended June 30, 2004

Store Revenue. Total store revenue increased by $27.3 million, or 2.4%, to $1,160.8 million for the six months ended June 30, 2005 as compared to $1,133.5 million for the six months ended June 30, 2004. The increase in total store revenue is primarily attributable to approximately $66.9 million in incremental revenue from new stores and acquisitions, net of stores sold and the effects of merged stores, during the first six months of 2005 as compared to 2004, offset by a decrease in same store sales of 4.0%.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire six month periods ending June 30, 2005 and 2004, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues decreased by $39.6 million, or 4.0%, to $947.1 million for the six months ended June 30, 2005 as compared to $986.7 million in 2004. This decrease in same store revenues was primarily attributable to a decrease in the average number of customers and agreements on rent on a per store basis during the first six months of 2005 as compared to the first six months of 2004.

Franchise Revenue. Total franchise revenue decreased by $3.3 million, or 13.4%, to $21.6 million for the six months ended June 30, 2005 as compared to $24.9 million in 2004. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of 18 fewer franchised locations, on a weighted average basis, operating in the first six months of 2005 as compared to the first six months of 2004. The number of locations has declined as a result of fewer new franchise stores, together with the purchase of 51 franchise locations by other Rent-A-Center subsidiaries since June 30, 2004.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs, which began in 2004. Cost of rentals and fees for the six months ended June 30, 2005 increased by $5.2 million, or 2.4%, to $226.5 million for the six months ended June 30, 2005 as compared to $221.3 million in 2004. This increase is a result of an increase in rental revenue for the first six months of 2005 compared to the first six months of 2004. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased slightly to 21.7% in 2005 from 21.6% for the same period in 2004.

Cost of Merchandise Sold. Cost of merchandise sold increased by $6.2 million, or 9.7%, to $70.3 million for the six months ended June 30, 2005 as compared to $64.1 million in 2004. This increase was primarily a result of an increase in the number of items sold during the first six months of 2005 as compared to the first six months of 2004. The gross margin percent of merchandise sales decreased to 29.9% in 2005 from 30.9% in 2004.

Salaries and Other Expenses. Salaries and other expenses increased by $46.9 million, or 7.6%, to $667.0 million for the six months ended June 30, 2005 as compared to $620.1 million in 2004. The increase was primarily the result of an increase in salaries and wages and occupancy costs due to an increased number of stores in the 2005 period, as well as higher fuel expenses relating to product deliveries and utility costs. For the six months ended June 30, 2005, there were 159 more stores, on a weighted average basis, operating during the period as compared to 2004. Salaries and other expenses expressed as a percentage of total store revenue increased to 57.5% for the six months ended June 30, 2005 from 54.7% in 2004. This percentage increase was primarily attributable to the decrease in same store sales during the first six months of 2005 as compared to 2004.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $3.1 million, or 14.6%, to $18.0 million for the six months ended June 30, 2005 as compared to $21.1 million in 2004. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of 18 fewer franchised locations, on a weighted average basis, operating in the first six months of 2005 as compared to the first six months of 2004. The number of locations has declined as a result of fewer new franchise stores, together with the purchase of 51 franchise locations by other Rent-A-Center subsidiaries since June 30, 2004.

General and Administrative Expenses. General and administrative expenses increased by $1.9 million, or 5.1%, to $39.5 million for the six months ended June 30, 2005, as compared to $37.6 million for the first six months of 2004. General and administrative expenses expressed as a percentage of total revenue increased slightly to 3.3% for the six months ending June 30, 2005 as compared to 3.2% for the six months ending June 30, 2004.

Operating Profit. Operating profit decreased by $23.9 million, or 13.1%, to $159.0 million for the six months ended June 30, 2005 as compared to $182.9 million in 2004. Excluding the pre-tax litigation reversion of $8.0 million recorded in the first quarter of 2005, operating profit decreased by $32.1 million, or 17.5%, to $150.8 million for the six months ended June 30, 2005 as compared to $182.9 million in 2004. Operating profit as a percentage of total revenue decreased to 13.0% for the six months ended June 30, 2005 before the pre-tax litigation reversion, from 15.8% in the first six months of 2004. These decreases were primarily attributable to the decrease in same store sales and the increase in salaries and other expenses during the first six months of 2005 versus 2004 as discussed above.

Net Earnings. Net earnings decreased by $14.0 million, or 13.5%, to $89.4 million for the six months ended June 30, 2005 as compared to $103.4 million in 2004. Excluding the pre-tax litigation reversion of $8.0 million recorded in the first quarter of 2005 and a $2.0 million tax audit reserve credit recorded in the second quarter of 2005, net earnings decreased by $21.1 million, or 20.4%, to $82.3 million for the six months ended June 30, 2005 as compared to $103.4 million in 2004. This decrease was primarily attributable to the decrease in same store sales and the increase in salaries and other expenses during the first six months of 2005 versus 2004 as discussed above.

Three Months Ended June 30, 2005 compared to Three Months Ended June 30, 2004

Store Revenue. Total store revenue increased by $9.8 million, or 1.7%, to $571.8 million for the three months ended June 30, 2005 as compared to $562.0 million for the three months ended June 30, 2004. The increase in total store revenue is primarily attributable to approximately $22.5 million in incremental revenue from new stores and acquisitions, net of stores sold and the effects of merged stores, during the second quarter of 2005 as compared to 2004, offset by a decrease in same store sales of 2.6%.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending June 30, 2005 and 2004, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues decreased by $12.7 million, or 2.6%, to $476.0 million for the three months ended June 30, 2005 as compared to $488.7 million in 2004. This decrease in same store revenues was primarily attributable to a decrease in the average number of customers and agreements on rent on a per store basis during the second quarter of 2005 as compared to the second quarter of 2004.

Franchise Revenue. Total franchise revenue decreased by $2.2 million, or 19.9%, to $8.8 million for the three months ended June 30, 2005 as compared to $11.0 million in 2004. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of 14 fewer franchised locations, on a weighted average basis, operating in the second quarter of 2005 as compared to the second quarter of 2004. The number of locations has declined as a result of fewer new franchise stores, together with the purchase of 51 franchise locations by other Rent-A-Center subsidiaries since June 30, 2004.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs, which began in 2004. Cost of rentals and fees for the three months ended June 30, 2005, increased by $1.3 million, or 1.2%, to $114.1 million for the three months ended June 30, 2005 as compared to $112.7 million in 2004. This increase is a result of an increase in rental revenue for the second quarter of 2005 compared to the second quarter of 2004. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue remained constant at 21.7% for the quarters ending June 30, 2005 and 2004.

Cost of Merchandise Sold. Cost of merchandise sold increased by $3.5 million, or 14.2%, to $28.2 million for the three months ended June 30, 2005 as compared to $24.7 million in 2004. This increase was primarily a result of an increase in the number of items sold during the second quarter of 2005 as compared to the second quarter 2004. The gross margin percent of merchandise sales decreased to 24.7% in 2005 from 28.6% in 2004. This decrease was primarily attributable to a decrease in the average selling price of merchandise sold during the second quarter of 2005 as compared to the second quarter of 2004.

Salaries and Other Expenses. Salaries and other expenses increased by $21.9 million, or 7.0%, to $332.9 million for the three months ended June 30, 2005 as compared to $311.0 million in 2004. The increase was primarily the result of an increase in salaries and wages and occupancy costs due to an increased number of stores in the 2005 period, as well as higher fuel expenses related to product deliveries and utility costs. For the three months ended June 30, 2005, there were 101 more stores, on a weighted average basis, operating during the period as compared to 2004. Salaries and other expenses expressed as a percentage of total store revenue increased to 58.2% for the three months ended June 30, 2005 from 55.4% in 2004. This percentage increase was primarily attributable to the decrease in same store sales during the second quarter of 2005 as compared to 2004.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold decreased by $2.0 million, or 22.3%, to $7.2 million for the three months ended June 30, 2005 as compared to $9.2 million in 2004. This decrease was primarily attributable to a decrease in merchandise sales to franchise locations as a result of 14 fewer franchised locations, on a weighted average basis, operating in the second quarter of 2005 as compared to the second quarter of 2004. The number of locations has declined as a result of fewer new franchise stores, together with the purchase of 51 franchise locations by other Rent-A-Center subsidiaries since June 30, 2004.

General and Administrative Expenses. General and administrative expenses increased by $0.9 million, or 4.6%, to $20.3 million for the three months ended June 30, 2005, as compared to $19.4 million in 2004. General and administrative expenses expressed as a percentage of total revenue increased slightly to 3.5% for the three months ending June 30, 2005 as compared to 3.4% for the three months ending June 30, 2004.

Operating Profit. Operating profit decreased by $17.2 million, or 19.1%, to $73.0 million for the three months ended June 30, 2005 as compared to $90.2 million in 2004. Operating profit as a percentage of total revenue decreased to 12.6% for the three months ended June 30, 2005 from 15.7% in the second quarter of 2004. These decreases were primarily attributable to the decrease in same store sales and the increase in salaries and other expenses during the second quarter of 2005 versus 2004 as discussed above.

Net Earnings. Net earnings decreased by $9.5 million, or 18.5%, to $41.7 million for the three months ended June 30, 2005 as compared to $51.2 million in 2004. Excluding a $2.0 million tax audit reserve credit recorded in the second quarter of 2005, net earnings decreased by $11.6 million, or 22.7%, to $39.6 million for the quarter ended June 30, 2005 as compared to $51.2 million in 2004. This decrease was primarily attributable to the decrease in same store sales and the increase in salaries and other expenses during the second quarter of 2005 versus 2004 as discussed above.

Liquidity and Capital Resources

Cash provided by operating activities decreased by $143.5 million to $56.2 million for the six months ending June 30, 2005 as compared to $199.7 million in 2004. This decrease resulted primarily from the decrease in net earnings, a decrease in our deferred income taxes related to the reversal of the cash benefit related to the Jobs and Growth Tax Relief Reconciliation Act of 2003 discussed later in this report, an increase in inventory purchases related to our increased store base and a decrease in the change in our outstanding liabilities during the first six months of 2005 as compared to the first six months of 2004. The decrease in our outstanding liabilities was primarily due to the payment in 2005 of the agreed upon $38.5 million settlement of the *Griego/Carrillo* litigation, interest paid on our notes of $11.5 million and income tax liabilities paid of $46.4 million.

Cash used in investing activities decreased by $137.7 million to $49.8 million during the six month period ending June 30, 2005 as compared to $187.5 million in 2004. This decrease is primarily attributable to the larger acquisitions that occurred in the first six months of 2004, such as the acquisitions of Rainbow Rentals, Inc. and Rent Rite, Inc., as compared to the acquisitions that occurred in the first six months of 2005.

Cash used in financing activities decreased by $29.9 million to $40.1 million during the six month period ending June 30, 2005 as compared to $70.0 million in 2004. This decrease is a result of a reduction in our stock repurchases during the first six months of 2005 as compared to the same period in 2004 offset by the repayment of $61.8 million in debt during the first six months of 2005 as compared to $2.0 million during the first six months of 2004.

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

We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, rental merchandise purchases, capital expenditures and our store expansion programs into 2006. Our revolving credit facilities, as well as our $10.0 million line of credit at Intrust Bank, provide us with revolving loans in an aggregate principal amount not exceeding $260.0 million, of which $166.9 million was available at July 27, 2005. At July 27, 2005, we had approximately $44.5 million in cash. To the extent we have available cash that is not necessary for store openings or acquisitions, we intend to repurchase additional shares of our common stock as well as make payments to service our existing debt. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect.

Our senior credit facilities and the indenture governing our $7^1/_2$% notes contain certain change in control provisions. A change in control would result in an event of default under our senior credit facilities, and, pursuant to the underlying indenture would also require us to offer to repurchase all of our $7^1/_2$% notes at 101% of their principal amount, plus accrued interest, if any, to the date of repurchase. Provisions of our senior credit facilities restrict the repurchase of all of our $7^1/_2$% notes. In the event a change in control occurs, we cannot be sure that we would have enough funds to immediately pay our accelerated senior credit facility obligations and all of the $7^1/_2$% notes, or that we would be able to obtain financing to do so on favorable terms, if at all.

RENT-A-CENTER, INC. AND SUBSIDIARIES

Litigation. On April 12, 2005, the settlement of the *Benjamin Griego, et al. v. Rent-A-Center, Inc., et al/Arthur Carrillo, et al. v. Rent-A-Center, Inc., et al* litigation received final approval from the court. Under the terms of the settlement approved by the court, we agreed to pay the plaintiffs' attorneys' fees, as well as an aggregate of up to $37.5 million in cash. The settlement amount is to be distributed to the class of eligible customers who entered into rental-purchase agreements with us anytime from February 1, 1999 through October 31, 2004, with Rent-A-Center being entitled to any undistributed monies in the settlement fund up to an aggregate of $8.0 million, with any additional undistributed funds being paid to non-profit organizations. As a result of the response rate to the notice of the settlement mailed to class members on February 7, 2005, the parties agreed that we could retain the $8.0 million reversion, rather than deposit it as part of the settlement fund. Accordingly, on April 22, 2005, we paid $29.5 million to fund the settlement, as well as $9.0 million in attorneys' fees, for a total of $38.5 million in cash. To account for the retention of the $8.0 million reversion we recorded an $8.0 million pre-tax credit during the first quarter of 2005.

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

Income Taxes. On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30 percent of the basis of qualifying property is deductible in the year the property is placed in service, with the remaining 70 percent of the basis depreciated under the normal tax depreciation rules. For assets placed in service between May 6, 2003 and December 31, 2004, the Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the percent of the basis of qualifying property deductible in the year the property is placed in service from 30% to 50%. Accordingly, our cash flow benefited from having a lower current cash tax obligation, which in turn provided additional cash flows from operations. We estimate that our operating cash flow increased by approximately $106.3 million through 2004 from the accelerated tax depreciation deductions. The associated deferred tax liabilities now have begun to reverse, doing so over a three year period beginning in 2005. Approximately 75% will reverse in 2005, 20% will reverse in 2006 and the remainder will reverse in 2007. We expect to pay approximately $69.2 million in taxes during the remainder of 2005.

Rental Merchandise Purchases. We purchased $345.0 million and $311.7 million of rental merchandise during the six month periods ending June 30, 2005 and 2004, respectively.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent $23.9 million and $34.9 million on capital expenditures during the six month periods ending June 30, 2005 and 2004, respectively, and expect to spend approximately $36.1 million for the remainder of 2005.

Acquisitions and New Store Openings. On June 30, 2005, we acquired 27 stores, which operate in six Western states, from a ColorTyme franchisee, for an aggregate purchase price of approximately $21.5 million. The acquired stores offer an array of financial services in addition to traditional rent-to-own products.

During the first six months of 2005, we acquired an additional 37 stores, accounts from 20 additional locations, opened 22 new stores, and closed 42 stores. Of the closed stores, 38 were merged with existing store locations, and four stores were sold. The additional acquired stores and accounts were the result of 21 separate transactions for an aggregate price of approximately $8.9 million in cash.

As of July 27, 2005, we have acquired one store, opened five new stores and closed eight stores during the third quarter of 2005. All of the closed stores were merged with existing locations. For the entire year ending December 31, 2005, we intend to add approximately 5-10% to our store base by opening approximately 60-70 new store locations as well as pursuing opportunistic acquisitions.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

Senior Credit Facilities. On July 14, 2004, we announced the completion of the refinancing of our senior secured debt. Our new $600.0 million senior credit facilities consist of a $350.0 million term loan and a $250.0 million revolving credit facility. On that day, we drew down the $350.0 million term loan and $50.0 million of the revolving facility and utilized the proceeds to repay our old senior term debt. The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which $93.1 million had been utilized as of July 27, 2005. As of July 27, 2005, $156.9 million was available under our revolving facility. The revolving credit facility expires in July 2009 and the term loan expires in 2010.

The table below shows the scheduled maturity dates of our senior debt outstanding at June 30, 2005.

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2005	$ 1,750
2006	3,500
2007	3,500
2008	3,500
2009	168,000
Thereafter	166,250
	$ 346,500

Borrowings under our senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus 1.75%. The Eurodollar rate was 3.48% at July 27, 2005. We also have a prime rate option under the facilities, but have not exercised it to date. We have not entered into any interest rate protection agreements with respect to the term loans under our senior credit facilities.

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

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

- incur additional debt (including subordinated debt) in excess of $50 million at any one time outstanding;
- repurchase our capital stock and 7$^1/_2$% notes;
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all our property or business;
- sell assets, other than inventory in the ordinary course of business;
- make investments or acquisitions unless we meet financial tests and other requirements;
- make capital expenditures; or
- enter into a new line of business.

Our senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio and a minimum fixed charge coverage ratio. The table below shows the required and actual ratios under our credit facilities calculated as at June 30, 2005:

	Required ratio		Actual ratio
Maximum consolidated leverage ratio	No greater than	2.75:1	1.95:1
Minimum consolidated interest coverage ratio	No less than	4.00:1	8.26:1
Minimum fixed charge coverage ratio	No less than	1.50:1	2.13:1

Events of default under our senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facilities would occur if there is a change of control. This is defined to include the case where a third party becomes the beneficial owner of 35% or more of our voting stock or certain changes in our Board of Directors occurs. An event of default would also occur if one or more judgments were entered against us of $20.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

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

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

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

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

Store Leases. We lease space for all of our stores and service center locations, as well as our corporate and regional offices under operating leases expiring at various times through 2016. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., who provides $50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. An additional $15.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, not considering the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $65.0 million, of which $26.3 million was outstanding as of June 30, 2005. Mark E. Speese, Rent-A-Center's Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

Repurchases of Outstanding Securities. On October 24, 2003, we announced that our Board of Directors had rescinded our old common stock repurchase program and authorized a new common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $100.0 million of our common stock. Over a period of time, our Board of Directors increased the authorization for stock repurchases under our new common stock repurchase program to $300.0 million. As of June 30, 2005, we had purchased a total of 1,813,100 shares of our common stock for an aggregate of $241.6 million under this common stock repurchase program, of which 167,400 shares were repurchased in the second quarter of 2005. Please see "Unregistered Sales of Equity Securities and Use of Proceeds" later in this report.

Economic Conditions. Although our performance has not suffered in previous economic downturns, we cannot assure you that demand for our products, particularly in higher price ranges, will not significantly decrease in the event of a prolonged recession. Temporary fluctuations in our targeted customers' monthly disposable income, such as those we believe may have been caused by nationwide increases in fuel and energy costs, could adversely impact our results of operations.

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

Effect of New Accounting Pronouncements. In December 2004, the Financial Accounting Standards Board ("FASB") enacted SFAS 123R, which replaces SFAS 123, and supersedes APB 25. SFAS 123R requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statement of earnings. The accounting provisions of SFAS 123R are effective for fiscal years beginning after June 15, 2005.

We are required to adopt SFAS 123R in the first quarter of 2006. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. See the *Stock-Based Compensation* section shown earlier in Note 1 to our consolidated financial statements for the pro forma net earnings and earnings per share amounts for the first six months and second quarter of 2005 and 2004 as if we had used a fair-value-based method under SFAS 123 to measure compensation expense for employee stock incentive awards. Although we have not yet determined whether the adoption of SFAS 123R will result in amounts that are different from the current pro forma disclosures under SFAS 123, we are evaluating the requirements under SFAS 123R and expect the adoption to have a significant impact on our consolidated statement of earnings and earnings per share, but no impact on our financial condition or cash flows.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

As of June 30, 2005, we had $300.0 million in subordinated notes outstanding at a fixed interest rate of 7$^1/_2$% and $346.5 million in term loans outstanding at interest rates indexed to the Eurodollar rate. The fair value of the subordinated notes is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of the 7$^1/_2$% subordinated notes at June 30, 2005 was $300.8 million. Unlike the subordinated notes, the $346.5 million in term loans have variable interest rates indexed to current Eurodollar rates. As of June 30, 2005, we have not entered into any interest rate swap agreements with respect to term loans under our senior credit facilities.

Market Risk

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

Interest Rate Risk

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

Item 4. Controls and Procedures

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

Changes in internal controls. For the quarter ended June 30, 2005, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — Other Information

Item 1. Legal Proceedings

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. Except as described below, we are not currently a party to any material litigation. The ultimate outcome of our litigation is uncertain and the amount of any loss we may incur, if any, cannot in our judgment be reasonably estimated. Accordingly, other than with respect to the prospective settlement of the *Pucci/Chess* matter discussed below and anticipated legal fees and expenses for these matters, no provision has been made in our consolidated financial statements for any such loss.

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

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

From June 2003 until May 2005, there was no activity in this case. On May 18, 2005, we filed a motion to dismiss the plaintiff's claim and to decertify the class, based upon the plaintiff's failure to schedule her claim in this matter in her earlier voluntary bankruptcy proceeding. The plaintiff filed a response, and our motion is currently pending. If the court denies our motion, and enters a final certification order, we intend to pursue an interlocutory appeal of such certification order.

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

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

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

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

On September 30, 2003, the court granted our motion to dismiss without prejudice, dismissed without prejudice the outside directors' and underwriters' separate motions to dismiss and denied our motion to transfer venue. In its order on the motions to dismiss, the court granted the lead plaintiffs leave to replead the case within certain parameters. On October 9, 2003, the lead plaintiffs filed a motion for reconsideration with the court with respect to the Securities Act claims, which the court subsequently denied.

On July 7, 2004, the plaintiffs again repled their claims by filing a third amended consolidated complaint, raising allegations of similar violations against the same parties generally based upon alleged facts not previously asserted. We, along with certain officer and director defendants and the underwriter defendants, filed motions to dismiss the third amended consolidated complaint on August 23, 2004. The plaintiffs filed response briefs to these motions on October 6, 2004, to which we filed a reply brief on November 18, 2004, and the other defendants filed reply briefs on November 17, 2004. A hearing on the motions was held on April 14, 2005. On July 25, 2005, the court ruled on these motions, dismissing with prejudice the claims against our outside directors as well as the underwriter defendants, but denying our motion to dismiss. In evaluating this motion to dismiss, the court was required to view the pleadings in the light most favorable to the plaintiffs and to take the plaintiffs' allegations as true.

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

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

When this matter was filed, we promptly investigated Duron's allegations, including the formula we use to calculate late fees in Texas. While we do not believe the formula utilized by us during this time period violated Texas law, in late 2003, we sent written notice to approximately 29,500 of our Texas customers for whom we had records and who were potentially adversely impacted by our calculation. We also refunded approximately $37,000 in the aggregate to the customers we could locate. In taking these measures, we believe we complied with the curative measures provided for under the Texas statute. We also reprogrammed our computer system in Texas to modify the formula by which late fees are calculated.

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

On November 26, 2003, we filed a motion for summary judgment in this matter. On December 4, 2003, Duron filed her motion for class certification. On March 11, 2004, we were notified that the court denied our summary judgment motion and granted Duron's motion for class certification. The certified class included our customers in Texas from August 29, 1999 through March 5, 2004 who were charged and paid a late fee in excess of the amount permitted by Texas law. We appealed the certification order to the Court of Appeals, which we were entitled to do as a matter of right under applicable Texas law. On October 28, 2004, the Court of Appeals reversed the trial court's certification order and remanded the case back to the trial court. Duron did not perfect an appeal to the Texas Supreme Court, as she was entitled to do, and she has not taken any further action in the case since the decision by the Court of Appeals in October 2004.

We believe the claims in Duron's complaint are unfounded and that we have meritorious defenses to the allegations made. Although we intend to vigorously defend ourselves in this case, we cannot assure you that we will be found to have no liability in this matter.

California Attorney General Inquiry. During the second quarter of 2004, we received an inquiry from the California Attorney General regarding our business practices in California with respect to our cash prices and our membership program. We met with representatives of the Attorney General's office during the first quarter of 2005 and provided additional information with respect to our membership program as requested. We are continuing to discuss these issues with the Attorney General's office.

State Wage and Hour Class Actions

We are subject to various actions filed against us in the states of Oregon, California and Washington alleging we violated the wage and hour laws of such states. As of June 30, 2005, we operated 31 stores in Oregon, 156 stores in California and 50 stores in Washington.

Rob Pucci, et. al. v. Rent-A-Center, Inc. On August 20, 2001, this putative class action was filed against us in state court in Multnomah County, Oregon alleging we violated various provisions of Oregon state law regarding overtime, lunch and work breaks, that we failed to pay all wages due to our Oregon employees, and various contract claims that we promised but failed to pay overtime. Pucci seeks to represent a class of all present and former executive assistants, inside/outside managers and account managers employed by us within the six year period prior to the filing of the complaint as to the contract claims, and three years as to the statutory claims, and seeks class certification, payments for all unpaid wages under Oregon law, statutory and civil penalties, costs and disbursements, pre- and post-judgment interest in the amount of 9% per annum and attorneys fees.

On July 25, 2002, the plaintiffs filed a motion for class certification and on July 31, 2002, we filed our motion for summary judgment. On January 15, 2003, the court orally granted our motion for summary judgment in part, ruling that the plaintiffs were prevented from recovering overtime payments at the rate of "time and a half," but stated that the plaintiffs may recover "straight-time" to the extent plaintiffs could prove purported class members worked in excess of forty hours in a work week but were not paid for such time worked. The court denied our motion for summary judgment on the remaining claims. We strongly disagree with the court's rulings against our positions and requested that the court grant us interlocutory appeal on those matters.

The plaintiffs subsequently filed a motion for summary judgment seeking to resolve certain factual issues related to the purported class, which was denied on July 1, 2003. On October 10, 2003, the court issued an opinion letter stating that it would certify a class and not permit an interlocutory appeal, and issued its written order to that effect on December 9, 2003. We subsequently filed a petition for a writ of mandamus with the Oregon Supreme Court, which was denied on January 24,

2004. On June 15, 2004, notice to the class was distributed advising them of their right to opt out of the class. We have not been advised that any class member has opted out of the class.

On January 31, 2005, the plaintiffs filed a partial motion for summary judgment regarding their allegation that we failed to timely pay wages on termination. On February 25, 2005, the court denied our motion to compel arbitration with respect to class members that signed agreements to arbitrate claims against us. In addition, the court rejected our proposal to enter an order permitting interlocutory appeal.

On March 17, 2005, *Pucci* class members Jeremy Chess and Chad Clemmons filed an amended class action complaint entitled *Jeremy Chess et al. v. Rent-A-Center, Inc. et al*, alleging similar claims as the plaintiffs in *Pucci* and seeking unspecified statutory and contractual damages and penalties, as well as injunctive relief. The *Chess* plaintiffs seek to represent a class of all present and former executive assistants, inside/outside managers and account managers employed by us within the six year period prior to the filing of the complaint as to the contract claims, and three years as to the statutory claims. On April 15, 2005, we filed pleadings removing the case to the federal court for the District of Oregon under the newly enacted Class Action Fairness Act of 2005. The *Chess* plaintiffs are represented by the same attorneys as the *Pucci* plaintiffs.

On June 23, 2005, we reached an agreement in principle to settle the claims in *Pucci* and *Chess*. Under the terms of the prospective settlement, we agreed to pay $1.75 million to settle total class claims, provided that the class does not exceed 650 individuals. If the class exceeds 650 individuals, we agreed to pay an additional $750.00 per individual class member over 650. The parties propose to administer the proposed settlement through the federal court in *Chess*. The terms of the prospective settlement are subject to the parties entering into a definitive settlement agreement and obtaining court approval. While we believe that the terms of this prospective settlement are fair, there can be no assurance that the settlement, if completed, will be approved by the court in its present form. To account for the prospective settlement, we have accrued an aggregate of $1.9 million as of June 30, 2005.

Jeremy Burdusis, et al. v. Rent-A-Center, Inc., et al./Israel French, et al. v. Rent-A-Center, Inc. These matters pending in Los Angeles, California were filed on October 23, 2001, and October 30, 2001, respectively, and allege similar violations of the wage and hour laws of California as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in *Burdusis*. The *Burdusis* and *French* proceedings are pending before the same judge in California. On March 24, 2003, the *Burdusis* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On April 25, 2003, the plaintiffs in *Burdusis* filed a notice of appeal of that ruling, and on May 8, 2003, the *Burdusis* court, at our request, stayed further proceedings in *Burdusis* and *French* pending the resolution on appeal of the court's denial of class certification in *Burdusis*. In June 2004, the *Burdusis* plaintiffs filed their appellate brief. Our response brief was filed in September 2004, and the *Burdusis* plaintiffs filed their reply in October 2004. On February 9, 2005, the California Court of Appeals reversed and remanded the trial court's denial of class certification in *Burdusis* and directed the trial court to reconsider its ruling in light of two other recent appellate court decisions, including the opinions of the California Supreme Court in *Sav-On Drugs Stores, Inc. v. Superior Court*, and of the California appeals court in *Bell v. Farmers Insurance Exchange*. After remand, the plaintiffs filed a motion with the trial court seeking to remove from the case the trial court judge who previously denied their motion for class certification. The trial court denied the motion. In response, plaintiffs' filed a petition for writ of mandate with the California Court of Appeals requesting review of the trial court's decision. The California Court of Appeals is scheduled to hear arguments in this matter on August 29, 2005.

On October 30, 2003, the plaintiffs' counsel in *Burdusis* and *French* filed a new non-class lawsuit in Orange County, California entitled *Kris Corso, et al. v. Rent-A-Center, Inc*. The plaintiffs' counsel later amended this complaint to add additional plaintiffs, totaling approximately 339 individuals. The claims made are substantially the same as those in *Burdusis*. On January 16, 2004, we filed a demurrer to the complaint, arguing, among other things, that the plaintiffs in *Corso* were misjoined. On February 19, 2004, the court granted our demurrer on the misjoinder argument, with leave for the plaintiffs to replead. On March 8, 2004, the plaintiffs filed an amended complaint in *Corso*, increasing the number of plaintiffs to approximately 400. The claims in the amended complaint are substantially the same as those in *Burdusis*. We filed a demurrer with respect to the amended complaint on April 12, 2004, which the court granted on May 6, 2004. However, the court allowed the plaintiffs to again replead the action on a representative basis, which they did on May 26, 2004. We subsequently filed a demurrer with respect to the newly repled action, which the court granted on August 12, 2004. The court subsequently stayed the *Corso* matter pending the outcome of the *Burdusis* matter. On March 16, 2005, the court lifted the stay and on April 12, 2005, we answered the amended complaint. Discovery is now proceeding.

Kevin Rose, et al. v. Rent-A-Center, Inc. et al. This matter pending in Clark County, Washington was filed on June 26, 2001, and alleges similar violations of the wage and hour laws of Washington as those in *Pucci*. The same law firm seeking to represent the purported class in *Pucci* is seeking to represent the purported class in this matter. On May 14, 2003, the *Rose* court denied the plaintiffs' motion for class certification in that case, which we view as a favorable development in that proceeding. On June 3, 2003, the plaintiffs in *Rose* filed a notice of appeal. On September 8, 2003, the Commissioner appointed by the Court of Appeals denied review of the *Rose* court decision. On October 10, 2003, the *Rose* plaintiffs filed a motion seeking to modify the Commissioner's ruling, to which we responded on October 30, 2003. The Court of Appeals denied the plaintiffs' motion on November 26, 2003. Following the denial by the Court of Appeals, the plaintiffs' counsel filed 14 county-wide putative class actions in Washington with substantially the same claims as in *Rose*. In April 2005, the plaintiffs' counsel filed another putative county-wide lawsuit, bringing the total to 15. The purported classes in these county-wide class actions range from approximately 20 individuals to approximately 100 individuals. Subsequently, we filed motions to dismiss and/or stay the class allegations in each of the county-wide actions, and we also filed motions for summary judgment in various counties with respect to the individual claims of some of the plaintiffs. Following disposition of these motions by the applicable courts, approximately 13 individual plaintiffs and class representatives remain with respect to the claims made in 12 counties. Ten of these county-wide claims are now proceeding as putative county-wide class actions and two are proceeding on an individual plaintiff basis. Certain plaintiffs have appealed some of the orders granting summary judgment. The plaintiffs in eight of the 12 counties have filed motions to certify a county-wide class. We intend to vigorously oppose class certification.

We also filed motions to compel arbitration with respect to 20 individual purported plaintiffs and class representatives in 10 counties. All 20 of these motions to compel arbitration have been granted. Certain plaintiffs have appealed one of these orders compelling arbitration. The 20 arbitration plaintiffs filed separate putative nationwide class arbitration demands. In response, we filed motions to clarify the respective county courts' orders compelling arbitration. Specifically, we asked each county court that previously struck all class allegations to make clear that the arbitration plaintiffs in those counties could not pursue any class claims, and we asked each county court in those counties that allowed plaintiffs to plead putative county-wide class claims, to make clear that such plaintiffs could only pursue county-wide claims. The three courts that granted our motions to compel arbitration and had previously struck all class allegations granted our motions and ruled that the plaintiffs could not pursue any class arbitration claims. Five courts ruled that the arbitration plaintiffs could only pursue county-wide class arbitration claims, and two of the county courts refused to limit the arbitration plaintiffs' ability to pursue class arbitration demands. We intend to vigorously oppose these class arbitration demands, including vigorously challenging the ability of the plaintiffs to pursue in arbitration, on a putative nation-wide class basis, claims which were previously premised on purported violations of Washington state law.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

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

As of June 30, 2005, we are authorized to repurchase up to $300.0 million in aggregate purchase price of our common stock under our common stock repurchase program. As of June 30, 2005, we had repurchased $241.6 million in aggregate purchase price of our common stock under our stock repurchase program. In the second quarter of 2005, we effected the following repurchases of our common stock:

Period	Total Number of Shares Purchased	Average Price Paid per Share (including fees)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs (including fees)
April 1 through April 30	0	$ 0.0000	0	$ 62,409,452
May 1 through May 31	167,400	$ 23.9993	167,400	$ 58,391,967
June 1 through June 30	0	$ 0.0000	0	$ 58,391,967
Total	167,400	$ 23.9993	167,400	$ 58,391,967

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

Our Annual Meeting of Stockholders was held on May 18, 2005. At the meeting, our stockholders voted on the election of three Class II Directors.

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

Nominee	Votes For	Votes Withheld
Mark E. Speese	68,068,348	3,027,697
Richard K. Armey	66,388,333	4,707,712
Laurence M. Berg	66,859,435	4,236,610

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

J.V. Lentell
Andrew S. Jhawar [1]
Mitchell E. Fadel
Peter P. Copses
Mary Elizabeth Burton

1 On May 18, 2005, Andrew S. Jhawar, a Class III director, resigned from our Board of Directors. Mr. Jhawar's resignation was not the result of any disagreement with us on any matter relating to our operations, policies or practices. To fill the vacancy created by Mr. Jhawar's resignation, on May 18, 2005, our Board of Directors appointed Michael J. Gade to serve as a Class III director until the 2006 annual meeting of stockholders or until his earlier death resignation or removal.

Item 6. Exhibits

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

RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

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

Date: July 29, 2005

Table of Contents

RENT-A-CENTER, INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of February 4, 2004, by and between Rent-A-Center, Inc., Eagle Acquisition Sub, Inc. and Rainbow Rentals, Inc. (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.) (Incorporated herein by reference to Exhibit 2.7 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
2.2	Agreement and Plan of Merger, dated as of April 27, 2004, by and between Rent-A-Center, Inc., RAC RR, Inc. and Rent Rite, Inc. d/b/a Rent Rite Rental Purchase (Pursuant to the rules of the SEC, the schedules and exhibits have been omitted. Upon the request of the SEC, Rent-A-Center, Inc. will supplementally supply such schedules and exhibits to the SEC.) (Incorporated herein by reference to Exhibit 2.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
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 3.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-4/A filed on January 13, 1999.)
4.2	Certificate of Elimination of Series A Preferred Stock (Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
4.3	Certificate of Designations, Preferences and relative Rights and Limitations of Series C Preferred Stock of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
4.4	Form of Certificate evidencing Series C Preferred Stock (Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
4.5	Indenture, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.)
4.6	First Supplemental Indenture, dated as of December 4, 2003, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.6 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
4.7	Second Supplemental Indenture, dated as of April 26, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
4.8	Third Supplemental Indenture, dated as of May 7, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.9	Fourth Supplemental Indenture, dated as of May 14, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.10*	Fifth Supplemental Indenture, dated as of June 30, 2005, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee
4.11	Form of 2003 Exchange Note (Incorporated herein by reference to Exhibit 4.11 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
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.)

Table of Contents

Exhibit No.	Description
10.2	Amended and Restated Credit Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2004, among Rent-A-Center, Inc., the several lenders from time to time parties thereto, Calyon New York Branch, SunTrust Bank and Union Bank of California, N.A., as Documentation Agents, Lehman Commercial Paper Inc., as Syndication Agent, and JPMorgan Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated July 15, 2004.)
10.3	Amended and Restated Guarantee and Collateral Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2004, made by Rent-A-Center, Inc. and certain of its Subsidiaries in favor of JPMorgan Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated July 15, 2004.)
10.4	Fifth Amended and Restated Stockholders Agreement, dated as of August 13, 2004, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons (Incorporated herein by reference to Exhibit 10.3 to the registrant's Registration Statement on Form S-3/A filed on September 21, 2004.)
10.5	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.)
10.6	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.)
10.7	Amended and Restated Franchise Financing Agreement, dated October 1, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
10.8	First Amendment to Amended and Restated Franchisee Financing Agreement, dated December 15, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
10.9	Second Amendment to Amended and Restated Franchisee Financing Agreement, dated as of March 1, 2004, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.24 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
10.10+	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.)
10.11+	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.)
10.12+	Summary of Director Compensation (Incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.13+	Summary of Named Executive Officer Compensation (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
21.1*	Subsidiaries of Rent-A-Center, Inc.
31.1*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
31.2*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
32.2*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

+ Management contract or compensatory plan or arrangement

* Filed herewith.

Exhibit 4.10

RENT-A-CENTER, INC.,

as Issuer,

the **GUARANTORS** named herein,
as Guarantors,

and

THE BANK OF NEW YORK,

as Trustee

FIFTH SUPPLEMENTAL INDENTURE

Dated as of June 30, 2005

to

INDENTURE

Dated as of May 6, 2003

by and among

RENT-A-CENTER, INC., as Issuer,

the **GUARANTORS** named therein, as Guarantors,

and

THE BANK OF NEW YORK, as Trustee

$300,000,000
Series B
7 1/2% Senior Subordinated Notes due 2010

This **FIFTH SUPPLEMENTAL INDENTURE**, dated as of June 30, 2005, is entered into by and among Rent-A-Center, Inc., a Delaware corporation (the "***Company***"), Rent-A-Center East, Inc., a Delaware corporation ("***RAC East***"), ColorTyme, Inc., a Texas corporation ("***ColorTyme***"), Rent-A-Center West, Inc., a Delaware corporation ("***RAC West***"), Get It Now, LLC, a Delaware limited liability company ("***Get It Now***"), Rent-A-Center Texas, L.P., a Texas limited partnership ("***RAC Texas, LP***"), Rent-A-Center Texas, L.L.C., a Nevada limited liability company ("***RAC Texas, LLC***"), Rent-A-Center International, Inc., a Delaware corporation ("***RAC International***"), Rent-A-Center Addison, L.L.C., a Delaware limited liability company ("***RAC Addison***"), RAC National Product Service, LLC, a Delaware limited liability company ("***RAC National***"), RAC RR, Inc., a Delaware corporation ("***RAC RR***"), Rainbow Rentals, Inc., an Ohio corporation and successor in interest to Eagle Acquisition Sub, Inc., an Ohio corporation ("***Rainbow***"), RAC West Acquisition Sub, Inc., a Delaware corporation ("***RAC West Acquisition Sub***"), AAA Rent to Own, Inc., an Idaho corporation ("***AAA Rent to Own***"), AAA Rent to Own — Pasco, Inc., a Washington corporation ("***AAA Pasco***"), AAA Rent to Own — Boise, Inc., an Idaho corporation ("***AAA Boise***"), AAA Rent to Own, Elko, Inc., a Nevada corporation ("***AAA Elko***"), AAA Rent to Own, Reno, Inc., a Nevada corporation ("***AAA Reno***"), Rentals, Inc., a Montana corporation ("***Rentals***"), AAA Rent to Own — Oregon , Inc., an Oregon corporation ("***AAA Oregon***"), AAA Rent to Own — Utah, Inc., a Utah corporation ("***AAA Utah***," and together with AAA Rent to Own, AAA Pasco, AAA Boise, AAA Elko, AAA Reno, Rentals and AAA Oregon, the "***GCH Entities***"), and The Bank of New York, a New York banking corporation, as Trustee (the "***Trustee***").

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of May 6, 2003, as supplemented by the First Supplemental Indenture, dated December 4, 2003, the Second Supplemental Indenture, dated April 26, 2004, the Third Supplemental Indenture, dated May 7, 2004, and the Fourth Supplemental Indenture, dated as of May 14, 2004, by and among the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, Rainbow, and the Trustee (collectively, the "***Indenture***"), providing for the issuance of its $7^1/_2$% Series B Senior Subordinated Notes due 2010 (the "***Notes***"); and

WHEREAS, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, and Rainbow are currently Guarantors under the Indenture; and

WHEREAS, RAC West has formed RAC West Acquisition Sub as an indirect wholly-owned subsidiary of the Company; and

WHEREAS, RAC West Acquisition Sub has formed RAC West Acquisition Sub Idaho, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub ("***RAC Idaho***"), RAC West Acquisition Sub Pasco, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub ("***RAC Pasco***"), RAC West Acquisition Sub Boise, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub ("***RAC Boise***"), RAC West Acquisition Sub Elko, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub ("***RAC Elko***"), RAC West Acquisition Sub Reno, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub ("***RAC Reno***"), RAC West Acquisition Sub Montana, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub

(“***RAC Montana***”), RAC West Acquisition Sub Oregon, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub (“***RAC Oregon***”), and RAC West Acquisition Sub Utah, Inc., a Delaware corporation, as a direct wholly-owned subsidiary of RAC West Acquisition Sub (“***RAC Utah***”) (collectively, the “***RAC West Acquisition Entities***”); and

WHEREAS, the Company, RAC West Acquisition Sub, the respective RAC West Acquisition Entity described below, GCH Management, Inc., a Nevada corporation (“***GCH***”), and each of the shareholders of the respective GCH Entities are parties to those certain Agreements and Plans of Merger, dated as of June 30, 2005, whereby (i) RAC Idaho will merge with and into AAA Rent to Own, with AAA Rent to Own continuing as the surviving entity; (ii) RAC Pasco will merge with and into AAA Pasco, with AAA Pasco continuing as the surviving entity; (iii) RAC Boise will merge with and into AAA Boise, with AAA Boise continuing as the surviving entity; (iv) RAC Elko will merge with and into AAA Elko, with AAA Elko continuing as the surviving entity; (v) RAC Reno will merge with and into AAA Reno, with AAA Reno continuing as the surviving entity; (vi) RAC Montana will merge with and into Rentals, with Rentals continuing as the surviving entity; (vii) RAC Oregon will merge with and into AAA Oregon, with AAA Oregon continuing as the surviving corporation; and (viii) RAC Utah will merge with and into AAA Utah, with AAA Utah continuing as the surviving entity (collectively, the “***GCH Mergers***”); and

WHEREAS, the Company has designated (i) RAC West Acquisition Sub as a Restricted Subsidiary under the Indenture to be effective immediately upon the consummation of the first GCH Merger and (ii) each of the GCH Entities, as the surviving entities in the GCH Mergers, as Restricted Subsidiaries under the Indenture to be effective immediately upon the consummation of the respective GCH Merger with respect to such GCH Entity; and

WHEREAS, pursuant to Section 1009 of the Indenture, the GCH Mergers are permitted under the Indenture; and

WHEREAS, pursuant to Section 1020 of the Indenture, the addition of RAC West Acquisition Sub and each of the GCH Entities as Guarantors is required under the Indenture; and

WHEREAS, RAC West Acquisition Sub and each of the GCH Entities have agreed to become Guarantors by guaranteeing the obligations of the Company under the Indenture in accordance with the terms thereof; and

WHEREAS, RAC West Acquisition Sub and each of the GCH Entities have been duly authorized to enter into, execute, and deliver this Fifth Supplemental Indenture.

NOW, THEREFORE, for and in consideration of the premises and covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, Rainbow, RAC West Acquisition Sub, AAA Rent to Own, AAA Pasco, AAA Boise, AAA Elko, AAA Reno, Rentals, AAA Oregon, and AAA Utah, and the Trustee agree as follows:

SECTION 1. Capitalized terms used herein but not defined herein shall have the meaning provided in the Indenture.

SECTION 2. The Trustee hereby consents to the addition of RAC West Acquisition Sub and each of the GCH Entities as additional Guarantors under the Indenture. As of the date hereof (the "***Effective Time***"), RAC West Acquisition Sub and each of the GCH Entities shall become, and each of RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, and Rainbow shall continue to be, a "Guarantor" under and as defined in the Indenture, and at the Effective Time, RAC West Acquisition Sub and each of the GCH Entities shall assume all the obligations of a Guarantor under the Notes and the Indenture as described in the Indenture. RAC West Acquisition Sub and each of the GCH Entities hereby unconditionally guarantee the full and prompt payment of the principal of premium, if any, and interest on the Notes and all other obligations of the Issuer and the Guarantors under the Indenture in accordance with the terms of the Notes and the Indenture.

SECTION 3. Except as expressly supplemented by this Fifth Supplemental Indenture, the Indenture and the Notes issued thereunder are in all respects ratified and confirmed and all of the rights, remedies, terms, conditions, covenants, and agreements of the Indenture and Notes issued thereunder shall remain in full force and effect.

SECTION 4. This Fifth Supplemental Indenture is executed and shall constitute an indenture supplemental to the Indenture and shall be construed in connection with and as part of the Indenture. This Fifth Supplemental Indenture shall be governed by and construed in accordance with the laws of the jurisdiction that governs the Indenture and its construction.

SECTION 5. This Fifth Supplemental Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes, but such counterparts shall together be deemed to constitute but one and the same instrument.

SECTION 6. Any and all notices, requests, certificates, and other instruments executed and delivered after the execution and delivery of this Fifth Supplemental Indenture may refer to the Indenture without making specific reference to this Fifth Supplemental Indenture, but nevertheless all such references shall include this Fifth Supplemental Indenture unless the context otherwise requires.

SECTION 7. This Fifth Supplemental Indenture shall be deemed to have become effective upon the date first above written.

SECTION 8. In the event of a conflict between the terms of this Fifth Supplemental Indenture and the Indenture, this Fifth Supplemental Indenture shall control.

SECTION 9. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, Rainbow, RAC West Acquisition Sub, AAA Rent to Own, AAA Pasco, AAA Boise, AAA Elko, AAA Reno, Rentals, AAA Oregon, and AAA Utah.

IN WITNESS WHEREOF, the parties have caused this Fifth Supplemental Indenture to be duly executed as of the day and year first above written.

THE BANK OF NEW YORK,
as Trustee

By: /s/ John C. Stohlmann
Name: John C. Stohlmann
Title: Vice President

RENT-A-CENTER, INC.

By: /s/ Mitchell E. Fadel
Mitchell E. Fadel
President and Chief Operating Officer

RENT-A-CENTER EAST, INC.

By: /s/ Mitchell E. Fadel
Mitchell E. Fadel
Vice President

COLORTYME, INC.

By: /s/ Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RENT-A-CENTER WEST, INC.

By: /s/ Mitchell E. Fadel
Mitchell E. Fadel
Vice President

GET IT NOW, LLC

By: /s/ Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RENT-A-CENTER TEXAS, L.P.

By: Rent-A-Center East, Inc., its general partner

By: /s/ Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RENT-A-CENTER TEXAS, L.L.C.

By: /s/Robert Reckinger
Robert Reckinger
President and Secretary

RENT-A-CENTER INTERNATIONAL, INC.

By: /s/ Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RENT-A-CENTER ADDISON, L.L.C.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RAC NATIONAL PRODUCT SERVICE, LLC

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RAC RR, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RAINBOW RENTALS, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RAC WEST ACQUISITION SUB, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

AAA RENT TO OWN, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

AAA RENT TO OWN — PASCO, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

AAA RENT TO OWN — BOISE, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

AAA RENT TO OWN, ELKO, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

AAA RENT TO OWN, RENO, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

RENTALS, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel

Vice President

AAA RENT TO OWN — OREGON, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

AAA RENT TO OWN — UTAH, INC.

By: /s/Mitchell E. Fadel
Mitchell E. Fadel
Vice President

EXHIBIT 21.1

ColorTyme, Inc., a Texas corporation

Get It Now, LLC, a Delaware limited liability company

Rainbow Rentals, Inc., an Ohio corporation

RAC Canada Finance LP, a Canadian limited partnership

RAC Canada Holdings, a Canadian partnership

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

RAC RR, Inc., a Delaware corporation

RAC West Acquisition Sub, Inc., a Delaware corporation

Remco America, Inc., a Delaware corporation

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

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

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

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

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

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

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

Exhibit 31.1

I, Mark E. Speese, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: July 29, 2005

/s/ Mark E. Speese

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

Exhibit 31.2

I, Robert D. Davis, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 29, 2005

/s/ Robert D. Davis

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

Exhibit 32.1

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "***Company***") on Form 10-Q for the period ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Mark E. Speese, Chairman of the Board and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

/s/ Mark E. Speese

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

Dated: July 29, 2005

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

Exhibit 32.2

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "***Company***") on Form 10-Q for the period ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Robert D. Davis, Senior Vice President — Finance, Treasurer and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

/s/ Robert D. Davis

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

Dated: July 29, 2005

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.