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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013
or

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

For the transition period from to
Commission File Number: 0-25370

Rent-A-Center, Inc.

(Exact name of registrant as specified in its charter)

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

5501 Headquarters Drive
Plano, Texas 75024
(Address, including zip code of registrant's principal executive offices)
Registrant's telephone number, including area code: 972-801-1100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 21, 2013:

Class	Outstanding
Common stock, $.01 par value per share	53,521,972

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Item 1. Consolidated Financial Statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
(In thousands, except per share data)	Unaudited		Unaudited	
Revenues				
Store				
Rentals and fees	$ 671,334	$ 652,059	$ 2,013,885	$ 1,989,027
Merchandise sales	53,808	58,854	227,171	242,335
Installment sales	17,474	15,560	52,138	49,225
Other	4,483	2,811	14,244	12,280
Franchise				
Merchandise sales	6,396	8,697	23,072	27,332
Royalty income and fees	1,285	1,333	4,062	4,067
	754,780	739,314	2,334,572	2,324,266
Cost of revenues				
Store				
Cost of rentals and fees	170,979	158,805	507,826	481,954
Cost of merchandise sold	42,344	47,497	175,903	192,038
Cost of installment sales	5,983	5,376	18,141	17,402
Franchise cost of merchandise sold	6,142	8,295	22,072	26,141
	225,448	219,973	723,942	717,535
Gross profit	529,332	519,341	1,610,630	1,606,731
Operating expenses				
Salaries and other expenses	435,107	410,693	1,280,457	1,248,732
General and administrative expenses	37,054	38,088	114,227	113,562
Amortization and write-down of intangibles	639	2,447	2,694	5,263
	472,800	451,228	1,397,378	1,367,557
Operating profit	56,532	68,113	213,252	239,174
Interest expense	10,916	8,096	28,773	25,416
Interest income	(183)	(167)	(659)	(470)
Earnings before income taxes	45,799	60,184	185,138	214,228
Income tax expense	18,177	20,274	69,055	78,195
NET EARNINGS	$ 27,622	$ 39,910	$ 116,083	$ 136,033
Basic earnings per common share	$ 0.52	$ 0.68	$ 2.09	$ 2.30
Diluted earnings per common share	$ 0.51	$ 0.67	$ 2.08	$ 2.28
Cash dividends declared per common share	$ 0.21	$ 0.16	$ 0.63	$ 0.48

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
(In thousands)	Unaudited		Unaudited	
Net earnings	$ 27,622	$ 39,910	$ 116,083	$ 136,033
Other comprehensive income (loss):				
Foreign currency translation adjustments	41	3,470	(1,330)	3,439
Total other comprehensive income (loss)	41	3,470	(1,330)	3,439
COMPREHENSIVE INCOME	$ 27,663	$ 43,380	$ 114,753	$ 139,472

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and par value data)	September 30, 2013 Unaudited	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 52,857	$ 61,087
Receivables, net of allowance for doubtful accounts of $7,386 and $6,917 in 2013 in 2012, respectively	48,527	48,822
Prepaid expenses and other assets	73,910	71,963
Rental merchandise, net		
On rent	854,580	821,887
Held for rent	217,388	198,917
Merchandise held for installment sale	4,054	3,741
Property assets, net of accumulated depreciation of $427,201 and $398,039 in 2013 and 2012, respectively	324,648	309,800
Goodwill	1,353,941	1,344,665
Other intangible assets, net	7,405	8,223
	$ 2,937,310	$ 2,869,105
LIABILITIES		
Accounts payable – trade	$ 124,256	$ 99,566
Accrued liabilities	306,699	309,066
Deferred income taxes	324,062	303,110
Senior debt	284,575	387,500
Senior notes	550,000	300,000
	1,589,592	1,399,242
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 250,000,000 shares authorized; 109,036,927 and 108,530,911 shares issued in 2013 and 2012, respectively	1,090	1,085
Additional paid-in capital	759,814	784,725
Retained earnings	1,893,793	1,812,293
Treasury stock at cost, 55,552,836 and 50,495,378 shares in 2013 and 2012, respectively	(1,307,677)	(1,130,268)
Accumulated other comprehensive income	698	2,028
	1,347,718	1,469,863
	$ 2,937,310	$ 2,869,105

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 2013	2012
	Unaudited	
Cash flows from operating activities		
Net earnings	$ 116,083	$ 136,033
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	487,412	464,560
Bad debt expense	3,031	2,543
Stock-based compensation expense	5,524	6,673
Depreciation of property assets	56,654	54,744
Loss on sale or disposal of property assets	2,035	1,833
Amortization of intangibles	1,897	4,042
Amortization of financing fees	2,338	2,074
Deferred income taxes	20,952	(960)
Excess tax benefit related to stock awards	(245)	(2,860)
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(534,843)	(457,749)
Receivables	(2,736)	1,394
Prepaid expenses and other assets	(4,670)	(4,788)
Accounts payable – trade	24,689	37,528
Accrued liabilities	(5,212)	13,682
Net cash provided by operating activities	172,909	258,749
Cash flows from investing activities		
Purchase of property assets	(73,761)	(73,103)
Proceeds from sale of property assets	1,620	4,898
Acquisitions of businesses	(13,829)	(5,249)
Net cash used in investing activities	(85,970)	(73,454)
Cash flows from financing activities		
Purchase of treasury stock	(217,419)	(30,121)
Exercise of stock options	10,711	11,275
Excess tax benefit related to stock awards	245	2,860
Payments on capital leases	—	(27)
Proceeds from debt	631,435	321,985
Repayments of debt	(484,360)	(469,360)
Dividends paid	(35,564)	(28,505)
Net cash used in financing activities	(94,952)	(191,893)
Effect of exchange rate changes on cash	(217)	333
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,230)	(6,265)
Cash and cash equivalents at beginning of period	61,087	88,065
Cash and cash equivalents at end of period	$ 52,857	$ 81,800

See accompanying notes to consolidated financial statements.

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

The interim consolidated 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 ("SEC"). 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 SEC's rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. We suggest 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, 2012. 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 subsidiaries. All intercompany accounts and transactions have been eliminated. Unless the context indicates otherwise, references to "Rent-A-Center" refer only to Rent-A-Center, Inc., the parent, and references to "we," "us" and "our" refer to the consolidated business operations of Rent-A-Center and any or all of its direct and indirect subsidiaries. We report four operating segments: Core U.S., RAC Acceptance, International and Franchising (formerly reported as ColorTyme).

Our Core U.S. segment consists of company-owned rent-to-own stores that lease household durable goods to customers on a rent-to-own basis. We also offer merchandise on an installment sales basis in certain of our stores under the names "Get It Now" and "Home Choice."

Our RAC Acceptance segment generally offers the rent-to-own transaction to consumers who do not qualify for financing from the traditional retailer through kiosks located within such retailers' stores.

Our International segment consists of our company-owned rent-to-own stores in Mexico and Canada that lease household durable goods to customers on a rent-to-own basis. Our stores in Canada operate under the name "Rent-A-Centre."

Rent-A-Center Franchising International, Inc. (formerly ColorTyme, Inc.), an indirect wholly owned subsidiary of Rent-A-Center, is a franchisor of rent-to-own stores. Our Franchising segment's primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a rent-to-own transaction. The balance of our Franchising segment's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

Rental Merchandise. Rental merchandise is carried at cost, net of accumulated depreciation. Depreciation for merchandise is generally provided using the income forecasting method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise, and assumes no salvage value. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental purchase agreement period. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity-based method similar to the units of production method. Effective January 1, 2013, we depreciate merchandise (including computers and tablets) that is held for rent for at least 180 consecutive days using the straight-line method over a period generally not to exceed 18 months. Prior to January 1, 2013, merchandise held for rent (except for computers and tablets) that was at least 270 days old and held for rent for at least 180 consecutive days, was depreciated using the straight-line method over a period generally not to exceed 20 months. Prior to January 1, 2013, the straight-line method was used for computers and tablets that were 24 months old or older and which had become idle over a period of at least six months, generally not to exceed an aggregate depreciation period of 30 months. This change has not had a significant impact on cost of revenues, gross profit, net earnings or earnings per share.

Rental merchandise which is damaged and inoperable is expensed when such impairment occurs. If a customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Core U.S. and International segments, and on or before the 120th day in the RAC Acceptance segment. We maintain a reserve for these expected expenses. In addition, any minor repairs made to rental merchandise are expensed at the time of the repair.

Reclassification. We revised the 2012 consolidated statement of earnings to classify stock-based compensation received by employees above the district manager level that was previously reported within salaries and other expenses to general and administrative expenses to conform to the 2013 presentation. This reclassification resulted in a decrease in salaries and other expenses of $1.9 million and $6.7 million for the three- and nine-month periods ended September 30, 2012, with a corresponding increase to general and administrative expenses. This reclassification had no impact on net earnings or earnings per share for 2012.

Use of Estimates. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent losses and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

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

2. *Intangible Assets and Acquisitions.*

Amortizable intangible assets consist of the following (in thousands):

	Avg. Life (years)	September 30, 2013		December 31, 2012	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Non-compete agreements	3	$ 6,113	$ 6,101	$ 6,104	$ 6,098
Customer relationships	2	72,876	71,459	71,816	70,001
Vendor relationships	11	7,538	1,562	7,538	1,136
Total		$ 86,527	$ 79,122	$ 85,458	$ 77,235

The weighted average amortization period was approximately 21 months for intangible assets added during the three- and nine- month periods ended September 30, 2013. Estimated remaining amortization expense, assuming current intangible balances and no new acquisitions, for each of the years ending December 31, is as follows (in thousands):

	Estimated Amortization Expense
2013	$ 461
2014	1,523
2015	722
2016	569
2017	568
Thereafter	3,562
Total	$ 7,405

At September 30, 2013, the amount of goodwill allocated to the Core U.S., RAC Acceptance and International segments was approximately $1,298.4 million, $54.4 million and $1.1 million, respectively. At December 31, 2012, the amount of goodwill allocated to the Core U.S., RAC Acceptance and International segments was approximately $1,289.2 million, $54.4 million and $1.1 million, respectively.

A summary of the changes in recorded goodwill follows (in thousands):

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
Balance as of January 1,	$ 1,344,665	$ 1,339,125
Additions from acquisitions	9,779	6,874
Store dispositions and write-down	(797)	(1,221)
Post purchase price allocation adjustments	294	(113)
Balance as of the end of the period	$ 1,353,941	$ 1,344,665

Additions to goodwill due to acquisitions in the first nine months of 2013 were tax deductible.

3. *Senior Debt.*

Our $750.0 million senior credit facilities consist of a $250.0 million, five-year term loan and a $500.0 million, five-year revolving credit facility. The amounts outstanding under the term loan were $193.8 million and $212.5 million at September 30, 2013, and December 31, 2012, respectively, and the amounts outstanding under the revolving credit facility were $89.0 million and $175.0 million at September 30, 2013, and December 31, 2012, respectively.

The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which $115.1 million had been so utilized as of September 30, 2013, and at which date $295.9 million was available. The revolving credit facility and the term loan expire on July 14, 2016.

Borrowings under our senior credit facility accrue interest at varying rates equal to, at our election, either (y) the prime rate plus 0.50% to 1.50%; or (z) the Eurodollar rate plus 1.50% to 2.50%. Interest periods range from seven days (for borrowings under the revolving credit facility only) to one, two, three or six months, at our election. The margins on the Eurodollar rate and on the prime rate, which were 2.25% and 1.25%, respectively, at September 30, 2013, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the amended credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under our senior credit facilities. A commitment fee equal to 0.30% to 0.50% of the average daily amount of the available revolving commitment is payable quarterly.

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

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

- incur additional debt in excess of $250.0 million at any one time outstanding (other than subordinated debt, which is generally permitted if the maturity date is later than July 14, 2017);
- repurchase our capital stock, 6.625% notes and 4.75% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x;
- 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 in the event the pro forma consolidated leverage ratio is greater than 2.75x; or
- enter into an unrelated line of business.

Our senior credit facilities require us to comply with several financial covenants. The table below shows the required and actual ratios under our credit facilities calculated as of September 30, 2013:

	Required Ratio		Actual Ratio
Maximum consolidated leverage ratio	No greater than	3.25:1	2.17:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.53:1

These financial covenants, as well as the related components of their computation, are defined in the amended and restated credit agreement governing our senior credit facility, which is included as an exhibit to our Current Report on Form 8-K dated as of July 14, 2011. In accordance with the credit agreement, the maximum consolidated leverage ratio was calculated by dividing the consolidated funded debt outstanding at September 30, 2013 ($804.9 million) by consolidated EBITDA for the 12-month period ending September 30, 2013 ($371.1 million). For purposes of the covenant calculation, (i) “consolidated funded debt” is defined as outstanding indebtedness less cash in excess of $25.0 million, and (ii) “consolidated EBITDA” is generally defined as consolidated net income (a) plus the sum of income taxes, interest expense, depreciation and amortization expense, extraordinary non-cash expenses or losses, and other non-cash charges, and (b) minus the sum of interest income, extraordinary income or gains, other non-cash income, and cash payments with respect to extraordinary non-cash expenses or losses recorded in prior fiscal quarters. Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure used to determine covenant compliance under our senior credit facilities.

The minimum fixed charge coverage ratio was calculated pursuant to the credit agreement by dividing consolidated EBITDA for the 12-month period ending September 30, 2013, as adjusted for certain capital expenditures ($524.1 million), by consolidated fixed charges for the 12-month period ending September 30, 2013 ($342.3 million). For purposes of the covenant calculation,

"consolidated fixed charges" is defined as the sum of interest expense, lease expense, cash dividends and mandatory debt repayments.

Events of default under our senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facility would occur if a change of control occurs. This is defined to include the case where a third party becomes the beneficial owner of 35% or more of our voting stock or upon certain changes in the constitution of Rent-A-Center's Board of Directors. An event of default would also occur if one or more judgments were entered against us of $50.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

We utilize our revolving credit facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the revolving credit facility for general corporate purposes. The funds drawn on individual occasions have varied in amounts of up to $100.0 million, which occurred at the date we refinanced our senior secured debt, with total amounts outstanding ranging up to $221.0 million. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities.

In addition to the senior credit facilities discussed above, we maintain a $20.0 million unsecured, revolving line of credit with INTRUST Bank, N.A. to facilitate cash management. The outstanding balance of this line of credit was $1.8 million and $0 at September 30, 2013, and December 31, 2012, respectively.

4. *Subsidiary Guarantors – Senior Notes.*

Senior Notes Due 2020. On November 2, 2010, we issued $300.0 million in senior unsecured notes due November 2020, bearing interest at 6.625%, pursuant to an indenture dated November 2, 2010, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repay approximately $200.0 million of outstanding term debt under our senior credit facility. The remaining net proceeds were used to repurchase shares of our common stock.

Senior Notes Due 2021. On May 2, 2013, we issued $250.0 million in senior unsecured notes due May 2021, bearing interest at 4.75%, pursuant to an indenture dated May 2, 2013, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repurchase shares of our common stock under a $200.0 million accelerated stock buyback program. The remaining net proceeds were used to repay outstanding revolving debt under our senior credit facility.

The indentures governing the 6.625% notes and the 4.75% notes are substantially similar. Each indenture contains covenants that limit our ability to:

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

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

The 6.625% notes may be redeemed on or after November 15, 2015, at our option, in whole or in part, at a premium declining from 103.313%. The 6.625% notes may be redeemed on or after November 15, 2018, at our option, in whole or in part, at par. The 6.625% notes also require that upon the occurrence of a change of control (as defined in the 2010 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase.

The 4.75% notes may be redeemed on or after May 1, 2016, at our option, in whole or in part, at a premium declining from 103.563%. The 4.75% notes may be redeemed on or after May 1, 2019, at our option, in whole or in part, at par. The 4.75% notes also require that upon the occurrence of a change of control (as defined in the 2013 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase.

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

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

5. Income Taxes.

We are subject to federal, state, local and foreign income taxes. Along with our U.S. subsidiaries, we file a U.S. federal consolidated income tax return. We are no longer subject to U.S. federal, state, foreign and local income tax examinations by tax authorities for years before 2008. During 2013, the Internal Revenue Service (IRS) commenced a limited-scope audit of our consolidated U.S. income tax return for 2010. One issue is still outstanding with the IRS which occurred in years 2003 through 2007. This matter was appealed through the IRS Office of Appeals and subsequently was heard by the United States Tax Court at trial during November 2011, and a decision is expected during 2013. Currently, we are also under examination in various states. We do not anticipate that adjustments, if any, regarding the 2003 through 2007 disputed issue or state examinations will result in a material change to our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

We provide for uncertain tax positions and related interest and adjust our unrecognized tax benefits and accrued interest in the normal course of our business. At September 30, 2013, our unrecognized tax benefits were increased by approximately $2.8 million from December 31, 2012.

6. Fair Value.

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

At September 30, 2013, our financial instruments include cash and cash equivalents, receivables, payables, senior debt and senior notes. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value at September 30, 2013 and December 31, 2012, because of the short maturities of these instruments. Our senior debt is variable rate debt that re-prices frequently and entails no significant change in credit risk and, as a result, fair value approximates carrying value. The fair value of our senior notes is based on Level 1 inputs. At September 30, 2013, the fair value of our 6.625% senior notes was $312.4 million, which was approximately $12.4 million above their carrying value of $300.0 million. At December 31, 2012, the fair value of our 6.625% senior notes was $327.0 million, which was approximately $27.0 million above their carrying value of $300.0 million. At September 30, 2013, the fair value of our 4.75% senior notes was $232.5 million, which was approximately $17.5 million below their carrying value of $250.0 million.

7. Stock Repurchase Plan.

Under our current common stock repurchase program, our Board of Directors has authorized the purchase, from time to time, in the open market and privately negotiated transactions, of up to an aggregate of $1.25 billion of Rent-A-Center common stock. On May 2, 2013, we entered into an agreement with Goldman, Sachs & Co. ("Goldman Sachs") to repurchase $200.0 million of Rent-A-Center common stock under an accelerated stock buyback program ("the ASB transaction"). Under the agreement, we paid $200.0 million to Goldman Sachs on May 7, 2013, and we received an initial share delivery of 4,592,423 shares, which was estimated to represent 80% of shares expected to be purchased in the ASB transaction. The weighted value of these shares immediately reduced weighted-average shares outstanding in our calculation of earnings per share. The remainder of the ASB transaction was subject to a forward contract that settled in October 2013, at which time we received an additional 816,916 shares, ending the ASB transaction. Our consolidated balance sheet as of September 30, 2013, reflects $160.0 million in treasury stock and $40.0 million in additional paid-in capital. Upon final settlement in October 2013, $40.0 million will be reclassified from additional paid-in capital to treasury stock.

We have repurchased a total of 36,177,737 shares and 31,120,279 shares of Rent-A-Center common stock for an aggregate purchase price of $994.8 million and $777.3 million as of September 30, 2013, and December 31, 2012, respectively, under our common stock repurchase program. In addition to the 4,592,423 shares repurchased pursuant to the accelerated stock

buyback in the second quarter of 2013, we repurchased 465,035 shares for $17.4 million in the first quarter of 2013, and no shares were repurchased in the third quarter of 2013.

8. Segment Information.

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

Our Core U.S. segment primarily operates rent-to-own stores in the United States and Puerto Rico whose customers enter into weekly, semi-monthly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain the title to the merchandise during the term of the rental purchase agreement and ownership passes to the customer if the customer has continuously renewed the rental purchase agreement through the end of the term or exercises a specified early purchase option. This segment also includes the 43 stores operating in two states that utilize a retail model which generates installment credit sales through a retail sale transaction. Segment assets include cash, receivables, rental merchandise, property assets, goodwill and other intangible assets.

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

Our International segment consists of our company-owned rent-to-own stores in Mexico and Canada. The nature of this segment's operations and assets are the same as our Core U.S. segment. At September 30, 2013, we operated 150 stores in Mexico and 18 stores in Canada.

During the third quarter of 2013, ColorTyme, Inc., our franchisor of rent-to-own stores, changed its name to Rent-A-Center Franchising International, Inc., and all future franchises sold will be licensed under the Rent-A-Center name. This segment will be referred to as Franchising in the future. We offered our current franchisees the opportunity to convert their ColorTyme stores to the Rent-A-Center name. Our franchised stores use Rent-A-Center's or ColorTyme's trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. Franchising's primary source of revenue is the sale of rental merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. As franchisor, Franchising receives royalties of 2.0% to 6.0% of the franchisees' monthly gross revenue and initial fees for new locations. Segment assets include cash, franchise fee receivables, property assets and intangible assets.

To facilitate the conversion of ColorTyme branded stores to Rent-A-Center, we will sell some of our company-owned stores to existing franchisees, purchase some of the former ColorTyme stores and either operate them under the Rent-A-Center brand or merge them with existing stores, and some franchised stores will continue to operate under the ColorTyme brand. We will also bear certain re-imaging costs incurred by franchisees who elect to re-brand. We anticipate recording a pre-tax restructuring charge in the fourth quarter of 2013 in connection with this rebranding initiative. No restructuring charges were incurred in the third quarter of 2013.

We incur costs at our corporate headquarters that benefit our Core U.S., RAC Acceptance and International operating segments. Accordingly, we allocate such costs among these segments based on segment revenue to determine segment operating profit. Likewise, certain corporate assets used to support these operating segments, including the land and building in which the corporate headquarters are located and related property assets, cash and prepaid expenses are also allocated to these operating segments based on segment revenue. Because our Franchising segment has maintained a separate, independent corporate office, no additional corporate costs or assets have been allocated to that segment.

Segment information for the three and nine months ended September 30, 2013 and 2012 is as follows (in thousands):

	Three Months Ended September 30, 2013				
	Core U.S.	RAC Acceptance	International	Franchising	Total
Revenue	$ 608,333	$ 123,798	$ 14,968	$ 7,681	$ 754,780
Gross profit	442,971	74,083	10,739	1,539	529,332
Operating profit (loss)	44,943	18,855	(7,665)	399	56,532
Depreciation of property assets	16,401	1,323	1,677	20	19,421
Amortization and write-down of intangibles	497	142	—	—	639
Capital expenditures	22,340	2,819	3,781	—	28,940

	Three Months Ended September 30, 2012				
	Core U.S.	RAC Acceptance	International	Franchising	Total
Revenue	$ 634,575	$ 83,838	$ 10,871	$ 10,030	$ 739,314
Gross profit	460,353	49,737	7,516	1,735	519,341
Operating profit (loss)	69,544	7,259	(9,046)	356	68,113
Depreciation of property assets	15,981	936	1,475	20	18,412
Amortization and write-down of intangibles	583	897	967	—	2,447
Capital expenditures	22,056	1,191	1,536	—	24,783

	Nine Months Ended September 30, 2013				
	Core U.S.	RAC Acceptance	International	Franchising	Total
Revenue	$ 1,897,586	$ 368,454	$ 41,398	$ 27,134	$ 2,334,572
Gross profit	1,365,980	209,960	29,628	5,062	1,610,630
Operating profit (loss)	179,608	52,384	(20,384)	1,644	213,252
Depreciation of property assets	48,319	3,574	4,701	60	56,654
Amortization and write-down of intangibles	2,267	427	—	—	2,694
Capital expenditures	57,537	7,021	9,203	—	73,761

	Nine Months Ended September 30, 2012				
	Core U.S.	RAC Acceptance	International	Franchising	Total
Revenue	$ 2,016,761	$ 248,626	$ 27,480	$ 31,399	$ 2,324,266
Gross profit	1,444,824	137,524	19,125	5,258	1,606,731
Operating profit (loss)	244,215	17,024	(23,617)	1,552	239,174
Depreciation of property assets	47,689	2,620	4,366	69	54,744
Amortization and write-down of intangibles	1,606	2,690	967	—	5,263
Capital expenditures	59,089	3,582	10,432	—	73,103

Segment information – selected balance sheet data (in thousands):

	September 30, 2013				
	Core U.S.	RAC Acceptance	International	Franchising	Total
Rental merchandise, net					
On rent	$ 574,871	$ 261,967	$ 17,742	$ —	$ 854,580
Held for rent	205,674	3,579	8,135	—	217,388
Total assets	2,513,251	351,407	71,443	1,209	2,937,310

	December 31, 2012				
	Core U.S.	RAC Acceptance	International	Franchising	Total
Rental merchandise, net					
On rent	$ 597,771	$ 209,964	$ 14,152	$ —	$ 821,887
Held for rent	189,526	2,979	6,412	—	198,917
Total assets	2,508,370	292,070	65,954	2,711	2,869,105

9. Stock-Based Compensation.

We recognized $1.8 million and $1.9 million in pre-tax compensation expense related to stock options and restricted stock units during the three months ended September 30, 2013 and 2012, respectively, and $5.5 million and $6.7 million, during the nine months ended September 30, 2013 and 2012, respectively. During the nine months ended September 30, 2013, we granted approximately 638,000 stock options, 155,000 performance-based restricted stock units and 85,000 time-vesting restricted stock units. The stock options granted were valued using a Black-Scholes pricing model with the following assumptions: an expected volatility of 30.61% to 44.35%, a risk-free interest rate of 0.27% to 1.73%, an expected dividend yield of 2.2% to 2.4% and an expected life of 2.33 to 6.25 years. The weighted-average exercise price of the options granted during the nine months ended September 30, 2013, was $35.65 and the weighted-average grant-date fair value was $9.21. The restricted stock units are valued using the last trade before the day of the grant, adjusted for any provisions affecting fair value, such as the lack of dividends or dividend equivalents during the vesting period. The weighted-average grant date fair value of the restricted stock units granted during the nine months ended September 30, 2013, was $32.45.

10. Litigation.

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

11. Earnings Per Common Share.

Basic and diluted earnings per common share were calculated as follows (in thousands, except per share data):

	Three Months Ended September 30, 2013		
	Net Earnings	Weighted Average Shares	Per Share
Basic earnings per common share	$ 27,622	53,438	$ 0.52
Effect of dilutive stock awards	—	374	
Diluted earnings per common share	$ 27,622	53,812	$ 0.51

	Three Months Ended September 30, 2012		
	Net Earnings	Weighted Average Shares	Per Share
Basic earnings per common share	$ 39,910	58,882	$ 0.68
Effect of dilutive stock awards	—	430	
Diluted earnings per common share	$ 39,910	59,312	$ 0.67

	Nine Months Ended September 30, 2013		
	Net Earnings	Weighted Average Shares	Per Share
Basic earnings per common share	$ 116,083	55,423	$ 2.09
Effect of dilutive stock awards	—	377	
Diluted earnings per common share	$ 116,083	55,800	$ 2.08

	Nine Months Ended September 30, 2012		
	Net Earnings	Weighted Average Shares	Per Share
Basic earnings per common share	$ 136,033	59,098	$ 2.30
Effect of dilutive stock awards	—	511	
Diluted earnings per common share	$ 136,033	59,609	$ 2.28

For the three-month periods ended September 30, 2013 and 2012, the number of anti-dilutive stock awards that were outstanding but not included in the computation of diluted earnings per common share were 1,183,826 and 691,491, respectively.

For the nine-month periods ended September 30, 2013 and 2012, the number of anti-dilutive stock awards that were outstanding but not included in the computation of diluted earnings per common share were 1,340,372 and 1,059,078, respectively.

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 Quarterly Report on Form 10-Q 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 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 locations;
- our ability to acquire additional stores or customer accounts on favorable terms;
- our ability to control costs and increase profitability;
- our ability to enhance the performance of acquired stores;
- our ability to retain the revenue associated with acquired customer accounts;
- our ability to identify and successfully market products and services that appeal to our customer demographic;
- our ability to enter into new and collect on our rental or lease purchase agreements;
- the passage of legislation adversely affecting the rent-to-own industry;
- our compliance with applicable statutes or regulations governing our transactions;
- changes in interest rates;
- changes in the unemployment rate;
- economic pressures, such as high fuel costs, affecting the disposable income available to our current and potential customers;
- the general strength of the economy and other economic conditions affecting consumer preferences and spending;
- adverse changes in the economic conditions of the industries, countries or markets that we serve;
- changes in our stock price, the number of shares of common stock that we may or may not repurchase and future dividends, if any;
- changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;
- changes in our effective tax rate;
- fluctuations in foreign currency exchange rates;
- information technology and data security costs;
- our ability to maintain an effective system of internal controls;
- the resolution of our litigation; and
- the other risks detailed from time to time in our SEC reports.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under the section "*Risk Factors*" in our Annual Report on Form 10-K for the year ended December 31, 2012, and elsewhere in this Quarterly Report on Form 10-Q. You should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Our Business

We are the largest rent-to-own operator in North America, focused on improving the quality of life for our customers by providing them the opportunity to obtain ownership of high-quality durable products, such as consumer electronics, appliances, computers, furniture and accessories, under flexible rental purchase agreements with no long-term obligation.

We were incorporated in Delaware in 1986. From 1993 to 2006, we pursued an aggressive growth strategy in which we opened new stores and sought to acquire underperforming rent-to-own stores to which we could apply our operating model. As a result of this strategy, the number of our locations grew from 27 to over 3,400 in 2006, primarily through acquisitions. We acquired over 3,300 stores during this period, including approximately 390 of our franchised stores. These acquisitions occurred in approximately 200 separate transactions, including ten transactions in each of which we acquired in excess of 50 locations. Since there are few large rent-to-own operators remaining in the United States, our store growth in the Core U.S. segment is currently through new store openings, augmented with opportunistic acquisitions of small rent-to-own operators.

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

As our U.S. store base matured, we began to focus on attracting new customers through sources other than our existing U.S. rent-to-own store locations and to seek additional distribution channels for our products and services. One of our current growth strategies is our "RAC Acceptance" model. With this model, we operate kiosks within various traditional retailers' locations where we generally offer the rent-to-own transaction to consumers who do not qualify for financing from such retailers. We operated 1,254 RAC Acceptance locations at September 30, 2013, and we intend to continue growing the RAC Acceptance segment by expanding the number of our retail partners and the number of locations with our existing retail partners. Capital expenditures related to opening a RAC Acceptance kiosk in a retailer's store are very low, since the only fixed assets required are the kiosk and computer equipment. There is no long-term lease associated with these stores and the retailer does not charge us rent. Our operating model is highly agile and dynamic because we can open locations quickly and efficiently, and we can also close locations quickly and efficiently when their performance does not meet our expectations. In addition, we are rapidly expanding our operations in Mexico, and we are seeking to identify other international markets in which we believe our products and services would be in demand.

Total financing requirements of a typical new Core U.S. store approximate $675,000, with roughly 55% of that amount relating to the purchase of rental merchandise inventory. A newly opened Core U.S. store is typically profitable on a monthly basis in the 12th month after its initial opening. Historically, a typical Core U.S. store has achieved cumulative break-even profitability in the third year after its initial opening. As a result, our quarterly earnings are impacted by how many new stores we opened during a particular quarter and the quarters preceding it. Historically, we achieved growth in our Core U.S. segment by opening new stores and acquiring underperforming rent-to-own stores to which we could apply our operating model. As a result, the acquired stores have generally experienced more significant revenue growth during the initial periods following their acquisition than in subsequent periods. Although we continue to believe there are attractive opportunities to expand our presence in the U.S. rent-to-own industry and we intend to continue our acquisition strategy of targeting under-performing and under-capitalized rent-to-own stores, the consolidation opportunities in the U.S. rent-to-own industry are more limited than in previous periods during which we experienced significant growth through acquisitions. Therefore, 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.

Total financing requirements of a typical new RAC Acceptance kiosk location approximate $345,000, with roughly 85% of that amount relating to the purchase of rental merchandise inventory. A newly opened RAC Acceptance location is typically profitable on a monthly basis in the 6th month after its initial opening, and achieves cumulative break-even profitability in the second year after its initial opening.

Total financing requirements of a typical new Mexico store approximate $575,000, with roughly 45% of that amount relating to the purchase of rental merchandise inventory. The profitability and break-even economics are similar to a Core U.S. store.

Rental payments are generally made in advance on a weekly basis in our Core U.S. and International segments and monthly in our RAC Acceptance segment 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.

The Rental Purchase Transaction

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

Brand name merchandise. We offer well-known brands such as LG, Panasonic, Philips, Sony and Toshiba home electronics; Whirlpool appliances; Acer, Apple, Asus, Dell, Hewlett-Packard, Samsung, Sony and Toshiba computers and/or tablets; and Albany, Ashley, England, Klaussner, Lane, Standard and Welton furniture.

Convenient payment options. Our customers make payments on a weekly, semi-monthly or monthly basis in our stores, kiosks, online or by telephone. We accept cash and credit or debit cards. Rental payments are generally made in advance and, together with applicable fees, constitute our primary revenue source. Approximately 84% and 87% of our rental purchase agreements are on a weekly term in our Core U.S. rent-to-own stores and our International segment, respectively. Payments are made in advance on a monthly basis in our RAC Acceptance segment.

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

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

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

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

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

Flexible options to obtain ownership. Ownership of the merchandise generally transfers to the customer if the customer has continuously renewed the rental purchase agreement for a period of seven to 24 months, depending upon the product type, or exercises a specified early purchase option.

Our Operating Segments

We report four operating segments: Core U.S., RAC Acceptance, International and Franchising. Additional information regarding our operating segments is provided in the Notes to the Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

Core U.S.

Our Core U.S. segment, consisting of our company-owned stores located in the United States and Puerto Rico, is our largest operating segment, comprising approximately 81% of our consolidated net revenues and approximately 84% of our operating profit for the nine months ended September 30, 2013. We continue to believe there are attractive opportunities to expand our presence in the U.S. rent-to-own industry. We plan to continue opening new stores in targeted markets and acquiring existing rent-to-own stores and store account portfolios. We will focus new market penetration in adjacent areas or regions that we believe are underserved by the rent-to-own industry. In addition, we intend to pursue our acquisition strategy of targeting under-performing and under-capitalized rent-to-own stores. We routinely evaluate the markets in which we operate and will close, sell or merge underperforming stores.

Our strategy to grow further the Core U.S. segment is focused on providing compelling product values for our customers through the use of strategic merchandise purchases and new marketing strategies. Approximately 75% of our business in this segment is from repeat customers. In addition, we seek to expand the offering of product lines to appeal to more customers, thus growing our customer base. At September 30, 2013, we operated 2,974 company-owned stores nationwide and in Puerto Rico, including 43 retail installment sales stores under the names "Get It Now" and "Home Choice."

RAC Acceptance

Through our RAC Acceptance segment, we generally provide an onsite rent-to-own option at a third-party retailer's location. In the event a retail purchase credit application is declined, the customer can be introduced to an in-store RAC Acceptance representative who explains an alternative transaction for acquiring the use and ownership of the merchandise. Because we neither require nor perform a credit investigation for the approval of the rental purchase transaction, applicants who meet the basic criteria are generally approved. We believe our RAC Acceptance program is beneficial for both the retailer and the consumer. The retailer captures more sales because we buy the inventory item directly from it and future rental payments are generally made at the retailer's location. We believe consumers also benefit from our RAC Acceptance program because they are able to obtain the products they want and need without the necessity of credit.

Each RAC Acceptance kiosk location typically consists of an area with a computer, desk and chairs. We occupy the space without charge by agreement with each retailer. Accordingly, capital expenditures with respect to a new RAC Acceptance location are minimal. Likewise, any exit costs associated with the closure of a RAC Acceptance location would also be immaterial on an individual basis.

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

We intend to grow the RAC Acceptance segment by increasing both the number of our retail partners and the number of locations with our existing retail partners. In addition, our strategy includes expanding customer awareness of the rent-to-own transaction by implementing joint marketing efforts with our retail partners. At September 30, 2013, we operated 1,254 kiosk locations inside furniture and electronics retailers located in 37 states and Puerto Rico. We expect to add approximately 325 kiosk locations in 2013.

International

Our International segment currently consists of our company-owned rent-to-own stores in Mexico and Canada. We are expanding our operations in Mexico and seeking to identify other international markets in which we believe our products and services would be in demand. We believe there are numerous opportunities to extend the rent-to-own transaction internationally.

In Mexico, our strategy includes entering complementary new market areas, while expanding our presence in currently existing market areas. At September 30, 2013, we operated 150 stores after adding 60 rent-to-own store locations in 2013.

We currently operate 18 stores in Canada.

Franchising

During the third quarter of 2013, ColorTyme, Inc., our franchisor of rent-to-own stores, changed its name to Rent-A-Center Franchising International, Inc., in connection with an offer to its current franchisees of the opportunity to convert their existing ColorTyme stores to the Rent-A-Center brand. We have ceased marketing franchises under the "ColorTyme" trade name and this segment will be referred to as Franchising in the future. Our franchised stores use Rent-A-Center’s or ColorTyme’s trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. Franchising’s primary source of revenue is the sale of rental merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program.

To facilitate the conversion of ColorTyme branded stores to Rent-A-Center, we will sell some of our company-owned stores to existing franchisees, purchase some of the former ColorTyme stores and either operate them under the Rent-A-Center brand or merge them with existing stores, and some franchised stores will continue to operate under the ColorTyme brand. We will also bear certain re-imaging costs incurred by franchisees who elect to re-brand. We anticipate recording a pre-tax restructuring charge in the fourth quarter of 2013 in connection with this rebranding initiative in the range of $1 million to $3 million. No restructuring charges were incurred in the third quarter of 2013. We believe that a unified network of both company-owned and franchised stores operating under the Rent-A-Center name creates a stronger service offering for our customers and leverages our growth efforts to reach more customers.

At September 30, 2013, this segment franchised 213 stores in 32 states. These rent-to-own stores primarily offer high quality durable products such as consumer electronics, appliances, computers, furniture and accessories.

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

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

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

If we make changes to our reserves in accordance with the policies described below, our earnings would be impacted. Increases to our reserves would reduce earnings and, similarly, reductions to our reserves would increase our earnings. A pre-tax change of approximately $0.9 million in our estimates would result in a corresponding $0.01 change in our diluted earnings per common share.

Self-Insurance Liabilities. We have self-insured retentions with respect to losses under our workers' compensation, general liability and vehicle liability insurance 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 continually institute procedures to manage our loss exposure and increases in health care costs associated with our insurance claims through our risk management function, including a transitional duty program for injured workers, ongoing safety and accident prevention training, and various other programs designed to minimize losses and improve our loss experience in our store locations. We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, company-specific development factors, general industry loss development factors and third-party claim administrator loss estimates which are based on known facts surrounding individual claims. These assumptions incorporate expected increases in health care costs. Periodically, we reevaluate our estimate of liability within our self-insured retentions. At that time, we evaluate the adequacy of our reserves by comparing amounts reserved on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third-party claim administrator loss estimates, and make adjustments to our reserves as needed.

As of September 30, 2013, and December 31, 2012 the amount reserved for losses within our self-insured retentions with respect to workers' compensation, general liability and vehicle liability insurance was $116.3 million and $116.1 million, respectively. However, if any of the factors that contribute to the overall cost of insurance claims were to change, the actual amount incurred for our self-insurance liabilities could be more or less than the amounts currently reserved.

Income Taxes. Our annual tax rate is affected by many factors, including the mix of our earnings, legislation and acquisitions, and is based on our income, statutory tax rates and tax planning opportunities available to us in the jurisdictions in which we operate. Tax laws are complex and subject to differing interpretations between the taxpayer and the taxing authorities. Significant judgment is required in determining our tax expense, evaluating our tax positions and evaluating uncertainties. Deferred income tax assets represent amounts available to reduce income taxes payable in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight and assist us in determining recoverability. We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. A number of years may elapse before a particular matter, for which we have recorded a liability, is audited and effectively settled. We review our tax positions quarterly and adjust our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Valuation of Goodwill. We perform an assessment of goodwill for impairment at the reporting unit level annually as of December 31 of each year, or when events or circumstances indicate that impairment may have occurred. Factors which could necessitate an interim impairment assessment include a sustained decline in our stock price, prolonged negative industry or economic trends and significant underperformance relative to expected historical or projected future operating results. Our reporting units are generally our reportable operating segments identified in Note 8 to the consolidated financial statements. At September 30, 2013, the amount of goodwill allocated to the Core U.S., RAC Acceptance and International segments was approximately $1,298.4 million, $54.4 million and $1.1 million, respectively, and no impairment of goodwill was indicated.

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe our consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of our company as of, and for, the periods presented in this Quarterly Report on Form 10-Q. However, we do not suggest that other general risk factors, such as those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012, and elsewhere in this Quarterly Report on Form 10-Q, as well as changes in our growth objectives or performance of new or acquired stores, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Significant Accounting Policies

Our significant accounting policies are summarized below and in Note A to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Revenue. Merchandise is rented to customers pursuant to rental purchase agreements which provide for weekly, semi-monthly or monthly rental terms with non-refundable rental payments. Generally, the customer has the right to acquire title either through a

purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term and merchandise sales revenue is recognized when the customer exercises the purchase option and pays the cash price due. Cash received prior to the period in which it should be recognized is deferred and recognized according to the rental term. Revenue is accrued for uncollected amounts due based on historical collection experience. However, the total amount of the rental purchase agreement is not accrued because the customer can terminate the rental agreement at any time and we cannot enforce collection for non-payment of future rents.

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

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

Depreciation of Rental Merchandise. Depreciation of rental merchandise is included in the cost of rentals and fees on our statement of earnings. Generally, we depreciate our rental merchandise using the income forecasting method. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity-based method similar to the units of production method. Effective January 1, 2013, we depreciate merchandise (including computers and tablets) that is held for rent for at least 180 consecutive days using the straight-line method over a period generally not to exceed 18 months. Prior to January 1, 2013, merchandise held for rent (except for computers and tablets) that was at least 270 days old and held for rent for 180 consecutive days, was depreciated using the straight-line method over a period generally not to exceed 20 months. Prior to January 1, 2013, the straight-line method was used for computers and tablets that were 24 months old or older and which had become idle over a period of at least six months, generally not to exceed an aggregate depreciation period of 30 months. This change has not had a significant impact on cost of revenues, gross profit, net earnings or earnings per share.

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

Salaries and Other Expenses. Salaries and other expenses include all salaries and wages paid to store-level employees, together with district managers' salaries, payroll taxes and benefits, and travel, as well as all store-level general and administrative expenses and selling, advertising, insurance, occupancy, delivery, charge offs due to customer stolen merchandise, 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, payroll taxes and benefits, stock-based compensation, occupancy, administrative and other operating expenses.

Stock-Based Compensation Expense. We recognize share-based payment awards to our employees and directors at the estimated fair value on the grant date. Determining the fair value of any share-based award requires information about several variables that could include, but are not limited to, expected stock volatility over the term of the award, expected dividend yields and the predicted employee exercise behavior. We base expected life on historical exercise and post-vesting employment-termination experience, and expected volatility on historical realized volatility trends. In addition, all stock-based compensation expense is recorded net of an estimated forfeiture rate. The forfeiture rate is based upon historical activity and is analyzed as actual forfeitures occur. Stock options are valued using a Black-Scholes pricing model. Restricted stock units are valued using the last trade before the day of the grant.

We revised the 2012 consolidated statement of earnings to classify stock-based compensation received by employees above the district manager level that was previously reported within salaries and other expenses to general and administrative expenses to conform to the 2013 presentation. This reclassification resulted in a decrease in salaries and other expenses of $1.9 million for the three months ended September 30, 2012, and $6.7 million for the nine months ended September 30, 2012, with a corresponding increase to general and administrative expenses during those periods. This reclassification had no impact on net earnings or earnings per share for 2012.

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

2013 Overview

Core U.S. segment. Rentals and fees revenue and merchandise sales decreased compared to the prior year. Same store revenue generally represents revenue earned in 2,798 stores that were operated by us for 13 months or more. Same store revenues decreased by $122.3 million, or 6.7%, to $1,709.5 million for the nine months ended September 30, 2013, as compared to $1,831.7 million

in 2012. We experienced an unusually high volume of early purchase options in the prior year contributing to our recurring revenue portfolio being down year-over year going into 2013, decreasing both merchandise sales and rentals and fees revenue in the current period. Our portfolio of agreements surpassed prior year levels in the third quarter of 2013, however, electronic product deflation coupled with promotional activity caused our average revenue per agreement (ticket) to lag behind the prior year, driving negative same store revenue. Additionally, we believe our business has been negatively impacted throughout the year by a delay in the issuance of U.S. federal income tax refunds, higher payroll taxes and overall macroeconomic conditions.

RAC Acceptance segment. During the nine months ended September 30, 2013, we continued our expansion of this segment, adding 288 locations during the period. Revenues in the nine months ended September 30, 2013, increased 48.2% and gross profit increased 52.7% compared to same period in the prior year, and the segment generated operating profit of $52.4 million compared to $17.0 million for the comparable period in the prior year. This segment contributed 15.8% of consolidated revenue in the nine months ended September 30, 2013. Same store revenue generally represents revenue earned in 768 locations that were operated by us for 13 months or more. Same store revenues increased by $65.3 million, or 31.6%, to $271.7 million for the nine months ended September 30, 2013, as compared to $206.4 million in 2012. While the higher cost of merchandise results in lower gross margins in this segment, this segment's kiosk model has lower operating costs than our other operating segments, resulting in a positive contribution to operating profit while maintaining an aggressive growth plan.

International segment. Revenues in the nine months ended September 30, 2013, increased 50.6% and gross profit increased 54.9% over the same period in the prior year. Same store revenue generally represents revenue earned in 91 stores that were operated by us for 13 months or more. Same store revenues increased by $9.0 million, or 48.3%, to $27.6 million for the nine months ended September 30, 2013, as compared to $18.6 million in 2012. Our primary target of international expansion is in Mexico, where we have added 60 stores during the first nine months of 2013. As the older stores become profitable, those profits are offset by the expected losses experienced in the new stores.

Franchising segment. During the nine months ended September 30, 2013, this segment continued to generate modest operating profit, and we continue to explore domestic and international franchise expansion, specifically with the rebranding initiative discussed above. We anticipate recording a pre-tax restructuring charge in the fourth quarter of 2013 in this segment in the range of $1 million to $3 million to re-brand certain stores from ColorTyme to Rent-A-Center. No restructuring charges were incurred in the third quarter of 2013.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Store Revenue. Total store revenue increased by $17.8 million, or 2.4%, to $747.1 million for the three months ended September 30, 2013, from $729.3 million for the three months ended September 30, 2012. Store revenue increased approximately $40.0 million in the RAC Acceptance segment and approximately $4.1 million in the International segment, partially offset by a decrease of approximately $26.2 million in the Core U.S. segment.

Rental and Fee Revenue. Rentals and fees increased by $19.3 million, or 3.0%, to $671.3 million for the three months ended September 30, 2013, from $652.1 million for the three months ended September 30, 2012. Rental and fee revenue increased approximately $34.4 million in the RAC Acceptance segment and approximately $4.1 million in the International segment, partially offset by a decrease of approximately $19.3 million in the Core U.S. segment.

Merchandise Sales Revenue. Merchandise sales decreased by $5.0 million, or 8.6%, to $53.8 million for the three months ended September 30, 2013, from $58.9 million for the three months ended September 30, 2012. Merchandise sales decreased approximately $10.5 million in the Core U.S. segment, partially offset by an increase of approximately $5.6 million in the RAC Acceptance segment.

Same store revenue generally represents revenue earned in 3,542 locations that were operated by us for 13 months or more. Same store revenues decreased by $5.6 million, or 0.8%, to $654.1 million for the three months ended September 30, 2013, as compared to $659.7 million in 2012. The decrease in same store revenues was primarily attributable to a 5.1% decrease in the Core U.S. segment, partially offset by increases of 29.3% and 33.1% in the RAC Acceptance and International segments.

Cost of Rentals and Fees. Cost of rentals and fees consists primarily of depreciation of rental merchandise. Cost of rentals and fees for the three months ended September 30, 2013, increased by $12.2 million, or 7.7%, to $171.0 million as compared to $158.8 million in 2012. Growth in the RAC Acceptance and International segments generated increases in the cost of rentals and fees of approximately $11.2 million and $0.9 million, respectively. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased to 25.5% for the three months ended September 30, 2013, as compared to 24.4% in 2012, driven by higher merchandise costs in the RAC Acceptance segment and selective price or term decreases in the Core U.S. segment.

Cost of Merchandise Sold. Cost of merchandise sold decreased by $5.2 million, or 10.8%, to $42.3 million for the three months ended September 30, 2013, from $47.5 million in 2012, driven by a $9.6 million decrease in the Core U.S. segment, partially offset

by a $4.5 million increase in the RAC Acceptance segment. The gross margin percent of merchandise sales increased to 21.3% for the three months ended September 30, 2013, from 19.3% in 2012, primarily due to changes in early purchase option pricing.

Gross Profit. Gross profit increased by $10.0 million, or 1.9%, to $529.3 million for the three months ended September 30, 2013, from $519.3 million in 2012, primarily due to increased store revenue in the RAC Acceptance segment as discussed above. Gross profit increased $24.3 million and $3.2 million in the RAC Acceptance and International segments, respectively, and decreased $17.4 million in the Core U.S. segment. Gross profit as a percentage of total revenue decreased to 70.1% for the three months ended September 30, 2013, from 70.2% in 2012, primarily due to growth in the RAC Acceptance segment, which generally has lower gross margins.

Salaries and Other Expenses. The amounts and percentages that follow have been adjusted for the reclassification of stock-based compensation expense discussed in Note 1 to the financial statements. Salaries and other expenses increased by $24.4 million, or 5.9%, to $435.1 million for the three months ended September 30, 2013, as compared to $410.7 million in 2012. This included increases of $12.2 million and $2.8 million in our RAC Acceptance and International segments, respectively, attributable to increased expenses associated with expansion in those segments, primarily payroll and payroll-related expenses. Salaries and other expenses also increased $8.2 million in the Core U.S. segment due primarily to increased operating costs in our stores. Charge offs in our Core U.S. rental stores due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 3.2% for the three months ended September 30, 2013, as compared to 2.6% in 2012. Salaries and other expenses expressed as a percentage of total store revenue increased to 58.2% for the three months ended September 30, 2013, from 56.3% in 2012, due primarily to a decrease in store revenue in the Core U.S. segment.

General and Administrative Expenses. The amounts and percentages that follow have been adjusted for the reclassification of stock-based compensation expense discussed in Note 1 to the financial statements. General and administrative expenses decreased by $1.0 million, or 2.7%, to $37.1 million for the three months ended September 30, 2013, as compared to $38.1 million in 2012. General and administrative expenses expressed as a percentage of total revenue decreased to 4.9% for the three months ended September 30, 2013, from 5.2% in 2012.

Operating Profit. Operating profit decreased by $11.6 million, or 17.0%, to $56.5 million for the three months ended September 30, 2013, as compared to $68.1 million in 2012. Operating profit as a percentage of total revenue decreased to 7.5% for the three months ended September 30, 2013, from 9.2% in 2012. Operating profit for the three months ended September 30, 2013, decreased primarily due to a $24.6 million decrease in the Core U. S. segment, partially offset by increases of $11.6 million and $1.4 million in our RAC Acceptance and International segments, respectively.

Net Earnings and Earnings per Share. Net earnings decreased by $12.3 million, or 30.8%, to $27.6 million for the three months ended September 30, 2013, as compared to $39.9 million in 2012. This decrease was attributable to a $11.6 million decrease in operating profit and a $2.8 million increase in interest expense, partially offset by a $2.1 million decrease in income tax expense in 2013 as compared to 2012. Diluted earnings per share decreased $0.16, or 23.9%, to $0.51 for the three months ended September 30, 2013, compared to $0.67 in 2012, primarily due to a reduction in net earnings, partially offset by a decrease in weighted shares outstanding resulting from our common stock buyback program.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Store Revenue. Total store revenue increased by $14.6 million, or 0.6%, to $2,307.4 million for the nine months ended September 30, 2013, from $2,292.9 million for the nine months ended September 30, 2012. Store revenue increased approximately $119.8 million and $13.9 million in the RAC Acceptance and International segments, respectively, substantially offset by a decrease of approximately $119.2 million in the Core U.S. segment.

Rental and Fee Revenue. Rentals and fees increased by $24.9 million, or 1.2%, to $2,013.9 million for the nine months ended September 30, 2013, from $1,989.0 million for the nine months ended September 30, 2012. Rental and fee revenue increased approximately $100.2 million in the RAC Acceptance segment and approximately $14.0 million in the International segment, partially offset by a decrease of approximately $89.3 million in the Core U.S. segment.

Merchandise Sales Revenue. Merchandise sales decreased by $15.2 million, or 6.3%, to $227.2 million for the nine months ended September 30, 2013, from $242.3 million for the nine months ended September 30, 2012. Merchandise sales decreased approximately $34.4 million in the Core U.S. segment, partially offset by an increase of approximately $19.4 million in the RAC Acceptance segment.

Same store revenue generally represents revenue earned in 3,657 locations that were operated by us for 13 months or more. Same store revenues decreased by $48.0 million, or 2.3%, to $2,008.8 million for the nine months ended September 30, 2013, as compared to $2,056.8 million in 2012. The decrease in same store revenues was primarily attributable to a 6.7% decrease in the Core U.S. segment, partially offset by increases of 31.6% and 48.3% in the RAC Acceptance and International segments, respectively.

Cost of Rentals and Fees. Cost of rentals and fees consists primarily of depreciation of rental merchandise. Cost of rentals and fees for the nine months ended September 30, 2013, increased by $25.9 million, or 5.4%, to $507.8 million as compared to $482.0 million in 2012. Growth in the RAC Acceptance and International segments generated increases in the cost of rentals and fees of approximately $33.5 million and $3.4 million, respectively, partially offset by a decrease in the Core U.S. segment of $11.0 million. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased to 25.2% for the nine months ended September 30, 2013, as compared to 24.2% in 2012, driven by higher merchandise costs in the RAC Acceptance segment and selective price or term decreases in the Core U.S. segment.

Cost of Merchandise Sold. Cost of merchandise sold decreased by $16.1 million, or 8.4%, to $175.9 million for the nine months ended September 30, 2013, from $192.0 million in 2012, driven by a $30.1 million decrease in the Core U.S. segment, partially offset by a $13.9 million increase in the RAC Acceptance segment. The gross margin percent of merchandise sales increased to 22.6% for the nine months ended September 30, 2013, from 20.8% in 2012, primarily due to changes in early purchase option pricing.

Gross Profit. Gross profit increased by $3.9 million, or 0.2%, to $1,610.6 million for the nine months ended September 30, 2013, from $1,606.7 million in 2012, primarily due to increases in revenue in the RAC Acceptance and International segments as discussed above, partially offset by a decrease in revenue in the Core U.S. segment. Gross profit increased $72.4 million and $10.5 million in the RAC Acceptance and International segments, respectively. and decreased $78.8 million in the Core U.S. segment. Gross profit as a percentage of total revenue decreased to 69.0% for the nine months ended September 30, 2013, from 69.1% in 2012, primarily due to growth in the RAC Acceptance segment, which generally has lower gross margins.

Salaries and Other Expenses. The amounts and percentages that follow have been adjusted for the reclassification of stock-based compensation expense discussed in Note 1 to the financial statements. Salaries and other expenses increased by $31.7 million, or 2.5%, to $1,280.5 million for the nine months ended September 30, 2013, as compared to $1,248.7 million in 2012. This included increases of $34.4 million and $7.6 million in our RAC Acceptance and International segments, respectively, attributable to increased expenses associated with expansion in those segments, primarily payroll and payroll-related expenses. These increases were partially offset by a decrease of $11.0 million in the Core U.S. segment due primarily to our efforts to reduce operating costs in our stores. Charge offs in our Core U.S. rental stores due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 2.7% for the nine months ended September 30, 2013, as compared to 2.3% in 2012. Salaries and other expenses expressed as a percentage of total store revenue increased to 55.5% for the nine months ended September 30, 2013, from 54.5% in 2012, due primarily to the expansion of our RAC Acceptance and International segments, as well as a decrease in store revenue in the Core U.S. segment.

General and Administrative Expenses. The amounts and percentages that follow have been adjusted for the reclassification of stock-based compensation expense discussed in Note 1 to the financial statements. General and administrative expenses increased by $0.7 million, or 0.6%, to $114.2 million for the nine months ended September 30, 2013, as compared to $113.6 million in 2012. General and administrative expenses expressed as a percentage of total revenue were 4.9% for both nine-month periods ended September 30, 2013 and 2012.

Operating Profit. Operating profit decreased by $25.9 million, or 10.8%, to $213.3 million for the nine months ended September 30, 2013, as compared to $239.2 million in 2012. Operating profit as a percentage of total revenue decreased to 9.1% for the nine months ended September 30, 2013, from 10.3% in 2012. Operating profit for the nine months ended September 30, 2013, decreased primarily due to a $64.6 million decrease in the Core U. S. segment, partially offset by increases of $35.4 million and $3.2 million in our RAC Acceptance and International segments, respectively.

Net Earnings and Earnings per Share. Net earnings decreased by $20.0 million, or 14.7%, to $116.1 million for the nine months ended September 30, 2013, as compared to $136.0 million in 2012. This decrease was primarily attributable to a $25.9 million decrease in operating profit and a $3.4 million increase in interest expense, partially offset by a $9.1 million decrease in income tax expense in 2013 as compared to 2012. Diluted earnings per share decreased $0.20, or 8.8%, to $2.08 for the nine months ended September 30, 2013, compared to $2.28 in 2012 primarily due to a reduction in net earnings, partially offset by a decrease in weighted shares outstanding resulting from our common stock repurchase program.

Liquidity and Capital Resources

Overview. For the nine months ended September 30, 2013, we generated $172.9 million in operating cash flow. We raised $250.0 million in a bond offering, using $200.0 million to purchase shares of our common stock in an accelerated stock buyback program. We used the remaining net proceeds to pay down a portion of our revolving debt. Other uses of cash were $73.8 million for capital expenditures, $35.6 million for payment of dividends and $17.4 million to repurchase shares of our common stock in the first quarter in addition to the accelerated stock buyback program discussed above. We ended this nine-month period with $52.9 million of cash and cash equivalents.

Analysis of Cash Flow. Cash provided by operating activities decreased $85.8 million to $172.9 million for the nine months ended September 30, 2013, from $258.7 million in 2012. This decrease was primarily attributable to changes in inventory and accounts payable balances.

Cash used in investing activities increased $12.5 million to $86.0 million for the nine months ended September 30, 2013, from $73.5 million in 2012, due primarily to an increase in acquisitions of businesses and a decrease in the sale of property assets.

Net cash used in financing activities decreased $96.9 million to $95.0 million for the nine months ended September 30, 2013, from $191.9 million million in 2012. Proceeds from debt increased $309.5 million and repayments of outstanding indebtedness increased $15.0 million in 2013 compared to 2012, partially offset by a $187.3 million increase in repurchases of our common stock and a $7.1 million increase in dividends paid.

Liquidity Requirements. Our primary liquidity requirements are for rental merchandise purchases, implementation of our growth strategies, capital expenditures and debt service. Our primary sources of liquidity have been cash provided by operations and borrowings. In the future, to provide any additional funds necessary for the continued operations and expansion of our business, we may incur from time to time additional short-term or long-term bank indebtedness and may issue, in public or private transactions, equity and debt securities. The availability and attractiveness of any outside sources of financing will depend on a number of factors, some of which relate to our financial condition and performance, and some of which are beyond our control, such as prevailing interest rates and general financing and economic conditions. The global financial markets continue to experience volatility and adverse conditions and such conditions in the capital markets may affect our ability to access additional sources of financing. There can be no assurance that additional financing will be available, or if available, that it will be on terms we find acceptable.

We believe the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our liquidity requirements as discussed above during the next 12 months. Our revolving credit facilities, including our $20.0 million line of credit at INTRUST Bank, provide us with revolving loans in an aggregate principal amount not exceeding $520.0 million, of which $332.9 million was available at October 21, 2013. At October 21, 2013, we had $40.8 million in cash. To the extent we have available cash that is not necessary to fund the items listed above, we may declare and pay dividends on our common stock, repurchase additional shares of our common stock or make additional 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.

A change in control would result in an event of default under our senior credit facilities which would allow our lenders to accelerate the indebtedness owed to them. In addition, if a change in control occurs, we may be required to offer to repurchase all of our outstanding senior unsecured notes at 101% of their principal amount, plus accrued interest to the date of repurchase. Our senior credit facilities restrict our ability to repurchase the senior unsecured notes, including in the event of a change in control. In the event a change in control occurs, we cannot be sure we would have enough funds to immediately pay our accelerated senior credit facility and senior note obligations or that we would be able to obtain financing to do so on favorable terms, if at all.

Deferred Taxes. Various tax and recovery acts adopted by Congress in recent years have provided bonus depreciation of 50 - 100% on certain qualified property, such as our rental merchandise, placed in service during such periods. This tax legislation has resulted in an increase in our deferred tax liabilities through the acceleration of tax depreciation, resulting in the deferral of cash income tax payments. Accordingly, our cash flow has benefited over a period of years beginning in 2008 from having a lower cash tax obligation which, in turn, provided additional cash flow from operations. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012 (the “2012 Act”) which extended the 50% bonus depreciation through December 31, 2013. We estimate that the remaining tax deferral associated with the previous acts to be $187 million at December 31, 2012. Approximately $127 million of this is expected to turn in 2013, which will be offset by approximately $132 million in accelerated depreciation allowed in the 2012 Act, for a net benefit in 2013 of $5 million.

Merchandise. A reconciliation of merchandise, which includes purchases, follows:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012
	(In thousands)	
Beginning merchandise value	$ 1,071,680	$ 924,945
Merchandise additions through acquisitions	2,187	1,472
Purchases	251,175	260,622
Depreciation of rental merchandise	(164,276)	(153,078)
Cost of goods sold	(48,327)	(52,872)
Skips and stolens	(27,413)	(22,497)
Other merchandise deletions [1]	(9,004)	(6,560)
Ending merchandise value	$ 1,076,022	$ 952,032

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(In thousands)	
Beginning merchandise value	$ 1,024,545	$ 957,290
Merchandise additions through acquisitions	4,607	1,553
Purchases	828,136	752,208
Depreciation of rental merchandise	(487,412)	(464,560)
Cost of goods sold	(194,044)	(209,439)
Skips and stolens	(73,027)	(63,278)
Other merchandise deletions [1]	(26,783)	(21,742)
Ending merchandise value	$ 1,076,022	$ 952,032

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

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 $73.8 million and $73.1 million on capital expenditures during the nine-month periods ended September 30, 2013 and 2012, respectively, and expect to spend an aggregate of approximately $110.0 million in 2013.

Acquisitions and New Location Openings. During the first nine months of 2013, we used approximately $13.8 million in cash acquiring locations and accounts in 22 separate transactions.

The table below summarizes the location activity for the nine-month period ended September 30, 2013.

	Nine Months Ended September 30, 2013				
	Core U.S.	RAC Acceptance	International	Franchising	Total
Locations at beginning of period	2,990	966	108	224	4,288
New location openings	15	320	62	9	406
Acquired locations remaining open	12	—	—	—	12
Closed locations					
Merged with existing locations	40	31	2	—	73
Sold or closed with no surviving location	3	1	—	20	24
Locations at end of period	2,974	1,254	168	213	4,609
Acquired locations closed and accounts merged with existing locations	18	—	—	—	18
Total approximate purchase price of acquired stores *(in thousands)*	$ 13,829	$ —	$ —	$ —	$ 13,829

The profitability of our Core U.S. stores tends to grow at a slower rate approximately five years after entering our system. As a result of the increasing maturity of our store base, in order for us to show improvements in our profitability, it is important for us to open stores in new locations as well as increase revenue in our existing stores. We intend to accomplish such revenue growth by acquiring customer accounts on favorable terms and seeking additional distribution channels for our products and services. We cannot assure you that we will be able to acquire customer accounts on favorable terms, or at all, or that we will be able to maintain the revenue from any such acquired customer accounts at the rates we expect, or at all. We also cannot assure you that we will be successful in identifying additional distribution channels for our products and services, or that such operations will be as profitable as we expect, or at all.

Senior Debt. Our $750.0 million senior credit facilities consist of a $250.0 million, five-year term loan and a $500.0 million, five-year revolving credit facility.

The table below shows the scheduled maturity dates of our senior term loan outstanding at September 30, 2013:

Year Ending December 31,	(In thousands)
2013	$ 6,250
2014	25,000
2015	25,000
2016	137,500
	$ 193,750

The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which $115.1 million had been so utilized as of October 21, 2013, at which date $72.0 million was outstanding and $312.9 million was available. The revolving credit facility and the term loan expire on July 14, 2016.

Borrowings under our senior credit facility accrue interest at varying rates equal to, at our election, either (y) the prime rate plus 0.50% to 1.50%; or (z) the Eurodollar rate plus 1.50% to 2.50%. Interest periods range from seven days (for borrowings under the revolving credit facility only) to one, two, three or six months, at our election. The weighted average Eurodollar rate on our outstanding debt was 0.17% at October 21, 2013. The margins on the Eurodollar rate and on the prime rate, which were 2.25% and 1.25%, respectively, at September 30, 2013, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the amended credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under our senior credit facilities. A commitment fee equal to 0.30% to 0.50% of the average daily amount of the available revolving commitment is payable quarterly.

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

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

- incur additional debt in excess of $250.0 million at any one time outstanding (other than subordinated debt, which is generally permitted if the maturity date is later than July 14, 2017);
- repurchase our capital stock and 6.625% notes and 4.75% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x;
- 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 in the event the pro forma consolidated leverage ratio is greater than 2.75x; or
- enter into an unrelated line of business.

Our senior credit facilities require us to comply with several financial covenants. The table below shows the required and actual ratios under our credit facilities calculated as of September 30, 2013:

	Required Ratio		Actual Ratio
Maximum consolidated leverage ratio	No greater than	3.25:1	2.17:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.53:1

These financial covenants, as well as the related components of their computation, are defined in the amended and restated credit agreement governing our senior credit facility, which is included as an exhibit to our Current Report on Form 8-K dated as of July 14, 2011. In accordance with the credit agreement, the maximum consolidated leverage ratio was calculated by dividing the consolidated funded debt outstanding at September 30, 2013 ($804.9 million) by consolidated EBITDA for the 12-month period ending September 30, 2013 ($371.1 million). For purposes of the covenant calculation, (i) “consolidated funded debt” is defined as outstanding indebtedness less cash in excess of $25.0 million, and (ii) “consolidated EBITDA” is generally defined as consolidated net income (a) plus the sum of income taxes, interest expense, depreciation and amortization expense, extraordinary non-cash expenses or losses, and other non-cash charges, and (b) minus the sum of interest income, extraordinary income or gains, other non-cash income, and cash payments with respect to extraordinary non-cash expenses or losses recorded in prior fiscal quarters. Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure used to determine covenant compliance under our senior credit facilities.

The minimum fixed charge coverage ratio was calculated pursuant to the credit agreement by dividing consolidated EBITDA for the 12-month period ending September 30, 2013, as adjusted for certain capital expenditures ($524.1 million), by consolidated fixed charges for the 12-month period ending September 30, 2013 ($342.3 million). For purposes of the covenant calculation, “consolidated fixed charges” is defined as the sum of interest expense, lease expense, cash dividends and mandatory debt repayments.

Events of default under our senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facility would occur if a change of control occurs. This is defined to include the case where a third party becomes the beneficial owner of 35% or more of our voting stock or certain changes in Rent-A-Center’s Board of Directors occurs. An event of default would also occur if one or more judgments were entered against us of $50.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

We utilize our revolving credit facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the revolving credit facility for general corporate purposes. The funds drawn on individual occasions have varied in amounts of up to $100.0 million, which occurred at the date we refinanced our senior secured debt, with total amounts outstanding ranging up to $221.0 million. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities.

Senior Notes. On November 2, 2010, we issued $300.0 million in senior unsecured notes due November 2020, bearing interest at 6.625%, pursuant to an indenture dated November 2, 2010, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repay approximately $200.0 million of outstanding term debt under our senior credit facility. The remaining net proceeds were used to repurchase shares of our common stock.

On May 2, 2013, we issued $250.0 million in senior unsecured notes due May 2021, bearing interest at 4.75%, pursuant to an indenture dated May 2, 2013, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repurchase shares of our common stock under a $200.0 million accelerated stock buyback program. The remaining net proceeds were used to repay outstanding revolving debt under our senior credit facility.

The indentures governing the 6.625% notes and the 4.75% notes are substantially similar. Each indenture contains covenants that limit our ability to:

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

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

The 6.625% notes may be redeemed on or after November 15, 2015, at our option, in whole or in part, at a premium declining from 103.313%. The 6.625% notes may be redeemed on or after November 15, 2018, at our option, in whole or in part, at par. The 6.625% notes also require that upon the occurrence of a change of control (as defined in the 2010 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facilities. We are not required to maintain any financial ratios under the 2010 indenture.

The 4.75% notes may be redeemed on or after May 1, 2016, at our option, in whole or in part, at a premium declining from 103.563%. The 4.75% notes may be redeemed on or after May 1, 2019, at our option, in whole or in part, at par. The 4.75% notes also require that upon the occurrence of a change of control (as defined in the 2013 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facilities. We are not required to maintain any financial ratios under the 2013 indenture.

In addition to the senior credit facilities discussed above, we maintain a $20.0 million unsecured, revolving line of credit with INTRUST Bank, N.A. to facilitate cash management. The outstanding balance of this line of credit was $1.8 million and $0 at September 30, 2013, and December 31, 2012, respectively.

Store Leases. We lease space for substantially all of our Core U.S. and International stores and certain support facilities under operating leases expiring at various times through 2023. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas.

Franchising Guarantees. Our subsidiary, ColorTyme Finance, Inc. ("ColorTyme Finance"), is a party to an agreement with Citibank, N.A., pursuant to which Citibank provides up to $40.0 million in aggregate financing to qualifying franchisees of Franchising. Under the Citibank agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Citibank can assign the loans and the collateral securing such loans to ColorTyme Finance, with ColorTyme Finance paying or causing to be paid the outstanding debt to Citibank and then succeeding to the rights of Citibank under the debt agreements, including the right to foreclose on the collateral. Rent-A-Center and ColorTyme Finance guarantee the obligations of the franchise borrowers under the Citibank facility. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association (“Texas Capital Bank”) under an agreement similar to the Citibank financing, which is guaranteed by Rent-A-Center East, Inc., a subsidiary of Rent-A-Center. The maximum guarantee obligations under these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, is $60.0 million, of which $20.1 million was outstanding as of September 30, 2013.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of September 30, 2013:

	Payments Due by Period				
Contractual Cash Obligations	**Total**	**2013**	**2014-2015**	**2016-2017**	**Thereafter**
		(In thousands)			
Senior Debt (including current portion)	$ 284,575 [1]	$ 6,250	$ 51,825	$ 226,500	$ —
6.625% Senior Notes[2]	449,060	9,938	39,750	39,750	359,622
4.75% Senior Notes[3]	344,970	5,904	23,750	23,750	291,566
Operating Leases	562,924	48,797	330,386	162,766	20,975
Total[4]	$ 1,641,529	$ 70,889	$ 445,711	$ 452,766	$ 672,163

(1) Amount referenced does not include interest payments. Our senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus 1.5% to 2.5% or the prime rate plus 0.5% to 1.5% at our election. The weighted average Eurodollar rate on our outstanding debt at September 30, 2013, was 0.18%.

(2) Includes interest payments of $9.9 million on each of May 15 and November 15 of each year.

(3) Includes interest payments of $5.9 million on each of May 1 and November 1 of each year.

(4) As of September 30, 2013, we have $13.0 million in uncertain tax positions. Because of the uncertainty of the amounts to be ultimately paid as well as the timing of such payments, uncertain tax positions are not reflected in the contractual obligations table.

Repurchases of Outstanding Securities. Under our current common stock repurchase program, our Board of Directors has authorized the purchase, from time to time, in the open market and privately negotiated transactions, of up to an aggregate of $1.25 billion of Rent-A-Center common stock. On May 2, 2013, we entered into an agreement with Goldman, Sachs & Co. ("Goldman Sachs") to repurchase $200.0 million of Rent-A-Center common stock under an accelerated stock buyback program ("the ASB transaction"). Under the agreement, we paid $200.0 million to Goldman Sachs on May 7, 2013, and we received an initial share delivery of 4,592,423 shares, which was estimated to represent 80% of shares expected to be purchased in the ASB transaction. The weighted value of these shares immediately reduced weighted-average shares outstanding in our calculation of earnings per share. The remainder of the ASB transaction was subject to a forward contract that settled in October 2013, at which time we received an additional 816,916 shares, ending the ASB transaction. Our consolidated balance sheet as of September 30, 2013, reflects $160.0 million in treasury stock and $40.0 million in additional paid-in capital. Upon final settlement in October 2013, $40.0 million will be reclassified from additional paid-in capital to treasury stock.

We have repurchased a total of 36,177,737 shares and 31,120,279 shares of Rent-A-Center common stock for an aggregate purchase price of $994.8 million and $777.3 million as of September 30, 2013 and December 31, 2012, respectively, under this common stock repurchase program. In addition to the 4,592,423 shares repurchased pursuant to the accelerated stock buyback in the second quarter of 2013, we repurchased 465,035 shares for $17.4 million in the first quarter of 2013, and no shares were repurchased in the third quarter of 2013.

Economic Conditions. Although our performance has not suffered materially in previous economic downturns, we cannot assure you that demand for our products, particularly in higher price ranges, will not significantly decrease in the event of a prolonged recession. Fluctuations in our current and potential customers' monthly disposable income or high levels of unemployment could adversely impact our results of operations. In addition, inflation or deflation in any of our core product categories may impact our revenue and gross profit margins.

Seasonality. Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year, primarily related to federal income tax refunds. Generally, our customers will more frequently exercise the early purchase option on their existing rental purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year. Furthermore, we tend to experience slower growth in the number of rental purchase agreements in the third quarter of each fiscal year when compared to other quarters throughout the year. We expect these trends to continue in the future.

Effect of New Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-11, *Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, an amendment to FASB Accounting Standards Codification Topic 740, *Income Taxes*. This update clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Both early adoption and retrospective application are permitted, and we are currently evaluating the date and method of adoption. This standard will not have a material impact on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity

As of September 30, 2013, we had $300.0 million in senior notes outstanding at a fixed interest rate of 6.625%, and $250.0 million in senior notes outstanding at a fixed interest rate of 4.75%. We also had $193.8 million outstanding in term loans, $89.0 million outstanding on our revolving credit facility and $1.8 million outstanding on our INTRUST line of credit, each at interest rates indexed to the Eurodollar rate. The fair value of the 6.625% senior notes, based on the closing price at September 30, 2013, was $312.4 million. The fair value of the 4.75% senior notes, based on the closing price at September 30, 2013, was $232.5 million. Carrying value approximates fair value for all other indebtedness.

Market Risk

Market risk is the potential change in an instrument’s value caused by fluctuations in interest rates. Our primary market risk exposure is fluctuations in interest rates. Monitoring and managing this risk is a continual process carried out by our senior management. We manage our market risk based on an ongoing assessment of trends in interest rates and economic developments, giving consideration to possible effects on both total return and reported earnings. As a result of such assessment, we may enter into swap contracts or other interest rate protection agreements from time to time to mitigate this risk.

Interest Rate Risk

We have senior credit facilities with variable interest rates indexed to prime or Eurodollar rates that exposes us to the risk of increased interest costs if interest rates rise. As of September 30, 2013, we have not entered into any interest rate swap agreements. The credit markets have experienced adverse conditions, including wide fluctuations in rates. Such volatility in the credit markets could increase the costs associated with our existing long-term debt. Based on our overall interest rate exposure at September 30, 2013, a hypothetical 1.0% increase or decrease in interest rates would have the effect of causing a $2.9 million additional pre-tax charge or credit to our statement of earnings.

Foreign Currency Translation

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

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. In accordance with Rule 13a-15(b) under the Securities Exchange Act of 1934, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that information required to be

disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is (1) recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of September 30, 2013, our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) under the Securities Exchange Act of 1934) were effective.

Changes in internal controls. For the quarter ended September 30, 2013, 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 6. Exhibits.

The exhibits required to be furnished pursuant to Item 6 of Form 10-Q are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

Rent-A-Center, Inc.

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

Date: October 25, 2013

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Rent-A-Center, Inc., as amended (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002.)
3.2	Certificate of Amendment to the Certificate of Incorporation of Rent-A-Center, Inc., dated May 19, 2004 (Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
3.3	Amended and Restated Bylaws of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of September 28, 2011.)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-4/A filed on January 13, 1999.)
4.2	Indenture, dated as of November 2, 2010, by and among Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of November 2, 2010.)
4.3	Registration Rights Agreement relating to the 6.625% Senior Notes due 2020, dated as of November 2, 2010, among Rent-A-Center, Inc., the subsidiary guarantors party thereto and J.P. Morgan Securities LLC, as representative for the initial purchasers named therein (Incorporated herein by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K dated as of November 2, 2010.)
4.4	Indenture, dated as of May 2, 2013, by and among Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)
4.5	Registration Rights Agreement relating to the 4.75% Senior Notes due 2021, dated as of May 2, 2013, among Rent-A-Center, Inc., the subsidiary guarantors party thereto and J.P. Morgan Securities LLC, as representative for the initial purchasers named therein (Incorporated herein by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)
4.6	Supplemental Indenture, dated as of December 21, 2010, among Diamondback Merger Sub, Inc., Rent-A-Center, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2010.)
4.7	Supplemental Indenture, dated as of December 21, 2010, among The Rental Store, Inc., Rent-A-Center, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.5 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2010.)
4.8	Supplemental Indenture, dated as of November 19, 2012, among RAC Acceptance East, LLC, Rent-A-Center, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.6 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2012.)
4.9	Supplemental Indenture, dated as of November 19, 2012, among RAC Acceptance Texas, LLC, Rent-A-Center, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.7 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2012.)
4.10	Supplemental Indenture, dated as of November 19, 2012, among RAC Acceptance West, LLC, Rent-A-Center, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.8 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2012.)
10.1†	Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
10.2	Amended and Restated Guarantee and Collateral Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2004, made by Rent-A-Center, Inc. and certain of its Subsidiaries in favor of JPMorgan Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated July 15, 2004.)

INDEX TO EXHIBITS

Exhibit No.	Description
10.3	Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.14 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.)
10.4	Supplemental Letter Agreement to Franchisee Financing Agreement, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.5	First Amendment to Franchisee Financing Agreement, dated August 30, 2005, by and among Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.)
10.6	Franchise Financing Agreement, dated as of August 2, 2010, between ColorTyme Finance, Inc. and Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
10.7	Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by Rent-A-Center, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
10.8	Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by ColorTyme Finance, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of August 2, 2010.)
10.9†	Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.10†	Form of Stock Option Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.11†	Summary of Director Compensation (Incorporated herein by reference to Exhibit 10.11 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2012.)
10.12†	Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.13†	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.16 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.14†*	Form of Loyalty and Confidentiality Agreement entered into with management
10.15†	Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.16†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.17†	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.18†	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.19†	Rent-A-Center, Inc. 2006 Equity Incentive Plan and Amendment (Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-8 filed with the SEC on January 4, 2007.)

INDEX TO EXHIBITS

Exhibit No.	Description
10.20†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.21†	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.22†	Form of Stock Option Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.23†	Form of Deferred Stock Unit Award Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2010.)
10.24†*	Form of Executive Transition Agreement entered into with management
10.25†*	Employment Agreement, dated October 2, 2006, and amended and restated as of September 6, 2013, between Rent-A-Center, Inc. and Mark E. Speese
10.26†	Non-Qualified Stock Option Agreement, dated October 2, 2006, between Rent-A-Center, Inc. and Mark E. Speese (Incorporated herein by reference to Exhibit 10.23 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.27†	Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.28 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
10.28†	Rent-A-Center, Inc. 401-K Plan (Incorporated herein by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008.)
10.29	Fourth Amended and Restated Credit Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2011, among Rent-A-Center, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Bank of America, N.A., Compass Bank and Wells Fargo Bank, N.A., as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of July 14, 2011.)
10.30†	Rent-A-Center East, Inc. Retirement Savings Plan for Puerto Rico Employees (Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement on Form S-8 filed January 28, 2011.)
10.31	First Amendment, dated as of April 13, 2012, to the Fourth Amended and Restated Credit Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2011, among Rent-A-Center, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Bank of America, N.A., Compass Bank and Wells Fargo Bank, N.A., as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.31 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.)
10.32	First Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of July 25, 2012 (Incorporated herein by reference to Exhibit 10.32 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.)
10.33	Master Confirmation Agreement, dated as of May 2, 2013, between Rent-A-Center, Inc. and Goldman Sachs & Co. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)
10.34*	Second Amendment to Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A., dated as of August 30, 2013
16.1	Letter from Grant Thornton LLP to the Securities Exchange Commission dated December 19, 2012 (Incorporated herein by reference to Exhibit 16.1 to the registrant's Current Report on Form 8-K dated as of December 13, 2012.)
16.2	Letter from Grant Thornton LLP to the Securities Exchange Commission dated February 25, 2013 (Incorporated herein by reference to Exhibit 16.1 to the registrant's Current Report on Form 8-K dated as of February 25, 2013.)

INDEX TO EXHIBITS

Exhibit No.	Description
21.1	Subsidiaries of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 21.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2012.)
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
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

† Management contract or compensatory plan or arrangement.

* Filed herewith.

LOYALTY AND CONFIDENTIALITY AGREEMENT

Name: _____

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

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

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

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

2.2. Company Authorizations.. Upon the Effective Date of this Agreement, Company will do one or more of the following: (a) provide Employee with authorization to access and use some of the Company's Confidential Information (such authorization may be provided through a computer password, authorization letter, or other means); and/or, (b) provide Employee authorization to develop and use goodwill of the Company through, for example, authorization to represent the Company in communications with customers and prospective customers, expense reimbursements in accordance with Company policy limits, and/or assistance in facilitating contact with customers, and/or (c) provide Employee with authorization to participate in specialized management training related to the business and Confidential Information of the Company. The foregoing agreement is a fully enforceable ancillary agreement at the time made. The Company is acting in reliance upon Employee's agreement to comply fully with the restrictions provided for in this Agreement.

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

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

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

3.2. Restriction on Interfering with Employee Relationships. During employment with Company, and for two (2) years thereafter, Employee will not, either directly or indirectly, (a) solicit, induce, or encourage an employee of the Company to leave the Company, or (b) help another person or entity to hire away an employee of the Company; unless such activity is expressly authorized by a supervisor of Employee on behalf of the Company. Where required by law, the foregoing restriction will only apply to employees that Employee, worked with, supervised, or help manage, within the last two years of Employee's employment with Company. The Company's primary remedy shall be injunctive relief as provided for in Section 5 below. However, the parties recognize that if Company loses an employee due to interference by Employee prior to or in spite of an injunction, it will not be possible to quantify the precise damage that this would cause. Accordingly, in the event Company loses an employee due, in whole or in part, to conduct by Employee that violates this Agreement, then Employee shall pay Company a sum equal to fifty percent (50%) of the lost employee's annual compensation (based on the lost employee's last rate of pay with Company) as a reasonable estimate of part of the damages caused by Employee's breach. This shall not preclude or act as a substitute for any remedy that would otherwise be available, including but not limited to, injunctive relief against further prohibited solicitation or interference with employee relationships.

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

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

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

SECTION 4. Alternative Dispute Resolution.

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

4.2. Arbitration. The parties agree to use arbitration in accordance with the Mutual Agreement to Arbitrate Claims that exists between the parties to resolve any disputes arising from this Agreement; provided, however, that temporary injunctive relief to secure compliance with the restrictions on Employee in this Agreement, and related discovery, may be pursued in a court of law pursuant to Section 5 below until such time as an arbitration can be conducted. Any such action shall not constitute a waiver of the parties' agreement to arbitrate by any party. The arbitrator(s) shall have the power to issue both preliminary and permanent injunctive relief to enforce this Agreement. In all other respects the Mutual Agreement to Arbitrate Claims between the parties, which is incorporated herein by reference, shall control. All issues of final relief related to this Agreement will be decided through arbitration in accordance with the Mutual Agreement to

Arbitrate Claims or comparable controlling agreement to arbitrate between the parties. The parties waive trial by jury on any claim arising from this Agreement.

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

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

SECTION 7. Resolution of Rights Regarding Confidential Information and Goodwill. The parties stipulate that Employee has received Confidential Information and/or developed business goodwill with customers through a past association with the Company subject to agreements and policies of the Company limiting the use of the Confidential Information and goodwill for the Company's benefit. Grounds for dispute exists between the parties as to what post-employment activities of Employee would result in unauthorized disclosure or use of these items. This Agreement is entered into, in part, to resolve such dispute, provide the parties with a predictable set of expectations as to future conduct, avoid the cost of litigation, and provide finality. This Agreement shall be construed as a form of settlement agreement and enforced in accordance with public policies favoring same. Accordingly, Employee agrees not to file a lawsuit to challenge the enforceability of this Agreement.
//////END OF AGREEMENT, ONLY SIGNATURES FOLLOW///////

AGREED to and effective as of _____ (Effective Date).

THE COMPANY EMPLOYEE

_____ _____

Mark E. Speese [Name]
Chairman and Chief Executive Officer

RENT-A-CENTER, INC.
EXECUTIVE TRANSITION AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) "Good Reason" means the occurrence of any of the following without the written consent of Executive: (1) a material diminution by Company or an Affiliate of Executive's duties or responsibilities in a manner which is inconsistent with Executive's position or which has or is reasonably likely to have a material adverse effect on Executive's status or authority; (2) a relocation by more than 50 miles of Executive's principal place of business; or (3) a reduction by Company or an Affiliate of Executive's rate of salary or annual incentive opportunity or a breach by Company or any of its Affiliates of a material provision of any written employment or other agreement with Executive which is not corrected within 15 business days following notice thereof by Executive to Company.

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

(n) "Salary & Bonus" means, as of the effective date of the termination of Executive's Employment with Company and its Affiliates, the sum of: (1) Executive's highest annual rate of salary at any time during the preceding 24 months, and (2) Executive's average annual bonus for the two preceding calendar years. If the number of preceding years of Executive's Employment is less than two, then the bonus component of Executive's Salary & Bonus will be equal to bonus earned during the calendar year preceding the date of Executive's termination of Employment; and, if the Executive has not completed at least a full calendar year of Employment, the bonus component of Executive's Salary & Bonus will be zero.

3. General Severance Protection. Subject to the provisions hereof, including, without limitation, Section 7 (relating to non-duplication of payments and benefits provided under other agreements and arrangements) and Section 8 (relating to the execution and delivery of a release as a condition of Executive's (or a beneficiary's) entitlement to payments and benefits hereunder), upon termination of Employment, other than a termination of Employment in conjunction with a Change in Control to which Section 4 applies, Executive (or Executive's beneficiary, as the case may be) will be entitled to receive the applicable severance payments and benefits set forth in this Section.

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

(i) Accrued Compensation;

(ii) Pro Rata Bonus;

(iii) [EVP: 1.5] [DVP/SVP/VP: 1.0] times Salary & Bonus, payable to Executive in equal monthly (or, at the option of the Company, more frequent) installments; and

(iv) Benefit Continuation Coverage for the period covered by Section 3(a)(iii).

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

(i) Accrued Compensation;

(ii) Pro Rata Bonus; and

(iii) Benefit Continuation Coverage for twelve months.

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

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

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

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

(i) Accrued Compensation;

(ii) Pro Rata Bonus;

(iii) an amount equal to [EVP: 2] [DVP/SVP/VP: 1.5] times Salary & Bonus, which amount shall be payable in a lump sum in cash within 10 business days following the date of Executive's termination of Employment or, if later, the date of the Change in Control; and

(iv) Benefit Continuation Coverage for [EVP: two years] [DVP/SVP/VP: twelve months] following termination.

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

(i) Accrued Compensation;

(ii) Pro Rata Bonus; and

(iii) Benefit Continuation Coverage for twelve months.

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

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

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

6. Golden Parachute Tax Limitation. If Executive is entitled to receive payments and benefits under this Agreement and if, when combined with the payments and benefits Executive is entitled to receive under any other plan, program or arrangement of Company or an Affiliate, Executive would be subject to excise tax under Section 4999 of the Code or Company would be denied a deduction under Section 2800 of the Code, then the severance amounts otherwise payable to Executive under this Agreement will be reduced by the minimum amount necessary to ensure that Executive will not be subject to such excise tax and Company will not be denied any such deduction.

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

8. Release of Claims. Notwithstanding anything herein to the contrary, the Compensation Committee or the Board may condition severance payments or benefits otherwise payable under this Agreement upon the execution and delivery by Executive (or Executive's beneficiary) of a general release in favor of Company, its Affiliates and their officers, directors and employees, in such form as the Board or the Compensation Committee may specify; provided, however, that no such release will be required as a condition of Executive's (or the beneficiary's) entitlement to Accrued Compensation. Subject to Section 17 of this Agreement, any payment or benefit that is so conditioned shall commence or be paid during the period commencing on Executive's termination of Employment and ending on a date not more than 30 days thereafter,

except that, in the event that such period could span two taxable years, payment must be made in the later year.

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

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

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

12. Successors and Beneficiaries.

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

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

13. Nonassignability. With the exception of Executive's beneficiary designation, neither Executive nor Executive's beneficiary may pledge, transfer or assign in any way the right to receive payments

or benefits hereunder, and any attempted pledge, transfer or assignment shall be void and of no force or effect.

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

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

16. Governing Law. This Agreement shall be governed by the laws of the State of Texas, excluding its conflict of law rules. Any suit with respect to this Agreement will be brought in the federal or state courts in the districts, which include Dallas, Texas, and Executive hereby agrees to submit to the personal jurisdiction and venue thereof.

17. Compliance with Section 409A of the Code. This Agreement is intended to comply with Section 409A of the Code, if and to the extent applicable, and will be interpreted and applied in a manner consistent with that intention. Toward that end, unless permitted sooner by Section 409A of the Code, severance amounts otherwise payable within six-months after termination of employment will be deferred until and become payable on the first day of the seventh month following termination of employment. Further, to the extent Section 409A of the Code is applicable, the phrase "termination of Employment" shall have the same meaning as a "separation from service" as defined in Section 409A of the Code and its accompanying regulations.

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

[SIGNATURE PAGE FOLLOWS.]

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

RENT-A-CENTER, INC.

By: _____

EXECUTIVE:

_____

EMPLOYMENT AGREEMENT

AGREEMENT made on October 2, 2006, and amended and restated as of September 6, 2013, by and between RENT-A-CENTER, INC. (the "Company") and MARK E. SPEESE ("Mr. Speese").

1. Employment. The Company desires to enter into a written agreement to employ Mr. Speese upon and subject to the terms and conditions set forth herein, and Mr. Speese hereby agrees to be employed by the Company upon and subject to such terms and conditions.

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

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

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

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

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

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

(f) "Change in Control" means the occurrence of any of the following after the date of this Agreement:

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

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

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

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

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

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

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

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

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

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

(l) "Good Reason" means the occurrence of any of the following without the written consent of Mr. Speese: (1) a material diminution by the Company or an Affiliate of Mr. Speese's duties or responsibilities in a manner which is inconsistent with Mr. Speese's position or which has or is reasonably likely to have a material adverse effect on Mr. Speese's status or authority, *provided, however*, that a change in Mr. Speese's position as Chairman of the Board shall not be considered a material diminution in Mr.

Speese's duties or responsibilities or having or reasonably likely to have a material adverse effect on Mr. Speese's status or authority within the meaning of "Good Reason" if a majority of the independent directors of the Board (such independent directors being determined in accordance with securities listing standards then applicable to the Company's common stock), (a) upon the advice of counsel, determines such change in position is required to comply with such applicable securities listing standard or any law or regulation applicable to the Company, or (b) in their reasonable discretion, determines such a change in position to be in the best interest of the Company to comply with appropriate corporate governance practices or for similar reasons; (2) a relocation by more than 50 miles of Mr. Speese's principal place of business; or (3) a reduction by the Company or an Affiliate of Mr. Speese's rate of salary or annual incentive opportunity or a breach by the Company or any of its Affiliates of a material provision of this Agreement which is not corrected within 15 business days following notice thereof by Mr. Speese to the Company.

(m) "Pro Rata Bonus" means the annual bonus, if any, earned by Mr. Speese for the calendar year preceding the year in which Mr. Speese's Employment terminates multiplied by a fraction, the numerator of which is the number of days elapsed from the beginning of the calendar year in which Mr. Speese's Employment terminates until the date Mr. Speese's Employment terminates, and the denominator of which is 365. If Mr. Speese's Employment terminates before April 1 of a calendar year, the Pro Rata Bonus for such calendar year shall be deemed to be zero.

(n) "Salary & Bonus" means, as of the effective date of the termination of Mr. Speese's Employment with the Company and its Affiliates, the sum of: (1) Mr. Speese's highest annual rate of salary at any time during the preceding 24 months, and (2) Mr. Speese's average annual bonus for the two preceding calendar years.

(o) "Transfer Restrictions" means the contractual restrictions against the sale or transfer of Company stock acquired upon the exercise of the special option granted to Mr. Speese pursuant to Section 6 of this Agreement.

3. Term. The term of this Agreement will be begin on the date hereof and will end on December 31, 2009, unless sooner terminated in accordance with the provisions of Section 8 or Section 9 hereof. The term of this Agreement will be renewed for successive one year renewal periods unless (a) at least 90 days before the end of the initial term or a renewal term, either party gives written notice of non-renewal to the other, or (B) Mr. Speese's employment is sooner terminated pursuant to Section 8 or Section 9 of this Agreement.

4. Position and Duties. During the term of this Agreement, Mr. Speese shall serve as the Chairman of the Board and the Chief Executive Officer of the Company. The Company agrees to use its reasonable best efforts to cause Mr. Speese to be a member of the Board. Mr. Speese shall report directly to the Board and will have such executive and managerial powers, duties and responsibilities as are assigned to him by the Board, consistent with his position as Chief Executive Officer. At the request of the Board, Mr. Speese shall serve as an officer and director of the Company's subsidiaries and other affiliates without additional compensation. Mr. Speese shall devote all of his business time, attention, knowledge and skills faithfully and to the best of his ability to the performance of the obligations, duties and responsibilities of his position as Chairman of the Board and Chief Executive Officer of the Company and in furtherance of the business, affairs, policies, codes of conduct and activities of the Company in the interests of its shareholders. Subject to the Company's policies applicable to senior executives generally, Mr. Speese may engage in personal, charitable, professional and investment activities to the extent such activities do not conflict or interfere with his obligations to, or his ability to perform the duties and responsibilities of his employment with the Company.

5. Annual Compensation.

(a) Base Salary. During the term of this Agreement, the Company will pay salary to Mr. Speese at an annual rate of $740,000, in accordance with its regular payroll practices. The Board and/or the Compensation Committee will review Mr. Speese's salary at least annually. The Board, acting in its discretion, may increase (but may not decrease) the annual rate of Mr. Speese's salary in effect at any time.

(b) Bonus. Mr. Speese will be eligible for an annual bonus determined at the sole discretion of the Compensation Committee. The amount of the annual bonus, if any, will be payable to Mr. Speese as soon as practicable after the end of the year, consistent with the payment of annual incentive compensation to senior executives generally.

6. Additional Compensation. Simultaneously with the execution of this Agreement, the Company will make a special option grant to Mr. Speese pursuant to the Company's 2006 Long Term Incentive Plan. The special option will cover seventy thousand (70,000) shares of the Company's common stock and will be fully vested on the date of grant, *provided, however,* that, except as otherwise specified in the option agreement, if Mr. Speese exercises the option before December 31, 2009, any shares of the Company stock acquired upon such exercise may not be sold or otherwise transferred until such date. The Compensation Committee, acting in its discretion, may reduce the transfer restriction period with respect to some or all of the shares covered by the option. The terms and conditions of the special option are set forth in a separate option agreement made of even date herewith between the Company and Mr. Speese.

7. Employee Benefit Programs and Perquisites.

(a) General. Subject to the provisions of this Agreement, Mr. Speese will be entitled to participate in such qualified and nonqualified employee pension plans, stock option or other equity or long term incentive compensation plans, group health, long term disability and group life insurance plans, and any other welfare and fringe benefit plans, arrangements, programs and perquisites sponsored or maintained by the Company from time to time for the benefit of its employees generally or its senior executives generally.

(b) Reimbursement of Business Expenses. Mr. Speese is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement, and the Company will promptly reimburse him for all expenses that are so incurred upon presentation of appropriate vouchers or receipts, subject to the Company's expense reimbursement policies applicable to senior executive officers generally as in effect from time to time.

(c) Conditions of Employment. Mr. Speese's place of employment during the term of his employment under this Agreement will be at the principal office of the Company in Plano, Texas, subject to the need for business travel. The conditions of Mr. Speese's employment, including, without limitation, office space and accouterments, secretarial, administrative and other support, will be consistent with his status as the Chairman of the Board and the Chief Executive Officer of the Company.

8. Termination of Employment. Subject to the provisions hereof, including, without limitation, Section 12 (relating to the execution and delivery of a release as a condition of Mr. Speese's (or a beneficiary's) entitlement to certain payments and benefits hereunder), upon termination of Employment, other than a termination of Employment in conjunction with a Change in Control to which Section 9 applies, Mr. Speese (or Mr. Speese's beneficiary, as the case may be) will be entitled to receive the applicable payments and benefits set forth in this Section. For the purposes hereof, termination of Employment at the expiration of the initial term or a renewal term due to the Company's providing notice of non-renewal pursuant to Section

3 of this Agreement will be deemed to be a termination by the Company without Cause; and, if such a termination is due to notice of non-renewal by Mr. Speese, it shall be deemed to be a voluntary termination by Mr. Speese without Good Reason.

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

(i) Accrued Compensation;

(ii) Pro Rata Bonus;

(iii) 2.0 times Salary & Bonus, payable to Mr. Speese in equal monthly (or, at the option of the Company, more frequent) installments;

(iv) Lapse of any Transfer Restrictions; and

(v) Benefit Continuation Coverage for twenty-four months following termination of Employment.

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

(i) Accrued Compensation;

(ii) Pro Rata Bonus;

(iii) Lapse of any Transfer Restrictions; and

(iv) Benefit Continuation Coverage for twelve months.

(c) Termination by the Company or an Affiliate for Cause or Termination by Mr. Speese without Good Reason. If the Company or an Affiliate terminates Mr. Speese's Employment for Cause or if Mr. Speese terminates such Employment for any reason other than death or for Good Reason, then Mr. Speese shall be entitled to receive any Accrued Compensation, subject to set off for amounts owed by Mr. Speese to the Company or an Affiliate, and nothing more.

(d) Restoration. Any severance payments and benefits paid under this Section 8 shall be subject to continuing compliance with the covenants described in and repayment pursuant to Section 13.

9. Termination in Conjunction with a Change in Control. Subject to the provisions hereof, including, without limitation, Section 11 (relating to a reduction of severance payments and benefits in order to avoid adverse tax consequences) and Section 12 (relating to execution and delivery of a general release as a condition of Mr. Speese's entitlement to certain payments and benefits hereunder), upon the termination of Mr. Speese's Employment with the Company and its Affiliates in conjunction with a Change in Control, Mr. Speese (or Mr. Speese's beneficiary, as the case may be) will be entitled to receive the applicable severance payments and benefits described in Section 8, *provided, however,* that, if Mr. Speese's Employment is terminated by the Company without Cause or by Mr. Speese for Good Reason in conjunction with a Change

in Control, then (a) in lieu of the installment payout described in Section 8(a)(iii), Mr. Speese shall be entitled to receive a single sum payment equal to 2.0 times Salary & Bonus within 10 business days following the date of Mr. Speese's termination of Employment or, if later, the date of the Change in Control, and (b) the period of Benefit Continuation Coverage will be thirty-six months (as opposed to twenty-four months). For the purposes hereof, a termination of Employment is in conjunction with a Change in Control if (and only if) it occurs during the period beginning six months prior to a Change in Control (or, in the case of a Change in Control described in Section 2(f)(i) or (ii), beginning on the date of the definitive agreement pursuant to which the Change in Control is consummated), and ending on the second anniversary of the date of the Change in Control. If Mr. Speese is entitled to receive payments and benefits under Section 8 (due to a termination of Employment not in conjunction with a Change in Control) and if, by reason of a subsequent Change in Control, Mr. Speese's termination of Employment is deemed to be in conjunction with the Change in Control, then, in order to avoid duplication, the payments and benefits to which Mr. Speese is entitled under this Section upon and following the Change in Control will be reduced by the payments and benefits which Mr. Speese received under Section 8, and no further payments will be made under Section 8. Any severance payments and benefits paid under this Section 9 shall be subject to continuing compliance with the covenants described in and repayment pursuant to Section 13.

10. Effect of a Change in Control on Options and Other Equity-Based Awards. All Transfer Restrictions shall lapse immediately before a Change In Control. All outstanding Company stock options and other Company equity-based awards held by Mr. Speese shall become fully vested immediately before the occurrence of a Change in Control if (a) Mr. Speese is then still employed by the Company or an Affiliate; or (b) if Mr. Speese's Employment is terminated by the Company or an Affiliate without Cause or by Mr. Speese for Good Reason during the pre-Change in Control severance protection period described in Section 9. If Mr. Speese becomes vested in a stock option or other equity-based award pursuant to part (b) of the preceding sentence, then, before the Change in Control, the Company will either reinstate the option or other award to the extent it would otherwise not be vested, or make a cash payment to Mr. Speese equal to the intrinsic value of the non-vested portion of the option or other award based upon the then value per share of the Company's common stock. The vesting and other terms and conditions of Mr. Speese's stock options and other equity-based awards will continue to govern except as otherwise specifically provided by this Section 10.

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

12. Release of Claims. Notwithstanding anything herein to the contrary, the Compensation Committee or the Board may condition severance payments or benefits otherwise payable under this Agreement upon the execution and delivery by Mr. Speese (or Mr. Speese's beneficiary) of a general release in favor of the Company, its Affiliates and their officers, directors and employees, in such form as the Board or the Compensation Committee may specify; provided, however, that no such release will be required as a condition of Mr. Speese's (or the beneficiary's) entitlement to Accrued Compensation. Subject to Section 20 of this Agreement, any payment or benefit that is so conditioned shall commence or be paid during the period commencing on Executive's termination of Employment and ending on a date not more than 30 days thereafter, except that, in the event that such period could span two taxable years, payment must be made in the later year.

13. Restoration. Mr. Speese has been provided and is privy to intellectual property, trade secrets and other confidential information of the Company and its Affiliates. For two years following Mr. Speese's termination of Employment, Mr. Speese has agreed not to engage in any activity or provide any services which are similar to or competitive with the business of the Company and its Affiliates. For the same two year period, Mr. Speese also agreed not to solicit or induce, or cause or permit others to solicit or induce, any employee to terminate their employment with the Company and its Affiliates. These covenants are set forth and agreed to in the Loyalty and Confidentiality Agreement between Mr. Speese and the Company ("Loyalty Agreement"). The parties hereto understand and acknowledge that the promises in this Agreement and those in the Loyalty Agreement, and not any employment of or services performed by Mr. Speese in the course and scope of that employment, constitute the sole consideration for the severance payments and benefits provided by this Agreement. Further, it is agreed that should Mr. Speese violate or be in breach of any restrictions set forth herein or in the Loyalty Agreement (which determination shall be made in the discretion of the Compensation Committee), (a) Mr. Speese shall not be entitled to any further severance payments and benefits under this Agreement, (b) Mr. Speese shall immediately return to the Company any severance payments and the value of any severance benefits which were received hereunder, and (c) Mr. Speese will have no further rights or entitlements under this Agreement. This Section 13 shall not in any manner supersede or limit any other right the Company may have to enforce or seek legal or equitable relief based on this Agreement or the Loyalty Agreement.

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

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

16. Successors and Beneficiaries.

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

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

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

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

19. Governing Law. This Agreement shall be governed by the laws of the State of Texas, excluding its conflict of law rules. Any suit with respect to this Agreement will be brought in the federal or state courts in the districts, which include Dallas, Texas, and Mr. Speese hereby agrees to submit to the personal jurisdiction and venue thereof.

20. Compliance with Section 409A Deferral Requirements. This Agreement is intended to comply with Section 409A of the Code, if and to the extent applicable, and will be interpreted and applied in a manner consistent with that intention. Toward that end, unless permitted sooner by Section 409A of the Code, severance amounts otherwise payable within six-months after termination of employment will be deferred until and become payable on the first day of the seventh month following termination of Employment. Further, to the extent Section 409A of the Code is applicable, the phrase "termination of Employment" shall have the same meaning as a "separation from service" as defined in Section 409A of the Code and its accompanying regulations.

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

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

RENT-A-CENTER, INC.

By: /s/ Mitchell E. Fadel

Mitchell E. Fadel, President and COO

/s/ Mark E. Speese
Mark E. Speese

SECOND AMENDMENT TO FRANCHISEE FINANCING AGREEMENT

THIS SECOND AMENDMENT TO FRANCHISEE AGREEMENT is made as of August 30, 2013 (this ***"Amendment"***), between COLORTYME FINANCE, INC., a Texas corporation (***"Administrator"***), and CITIBANK, N.A., a national banking association (***"Lender"***).

R E C I T A L S

A. Administrator and Lender are parties to a Franchisee Financing Agreement dated as of August 2, 2010 (the ***"Original Financing Agreement"***), as amended by that certain First Amendment to Franchisee Financing Agreement dated as of July 25, 2012.

B. The parties desire to amend the Original Financing Agreement to, among other things, increase the Program Amount as hereinafter provided.

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

1. **Same Terms**. All terms used herein which are defined in the Original Financing Agreement shall have the same meanings when used herein, unless the context hereof otherwise requires or provides. In addition, all references in the Loan Documents to the "Agreement" shall mean the Original Financing Agreement, as amended by this Amendment, as the same shall hereafter be amended from time to time. In addition, the following terms have the meanings set forth below:

"***Effective Date"*** means August 30, 2013.

"Modification Papers" means this Amendment, the Authorization Certificates, and all of the other documents and agreements executed in connection with the transactions contemplated by this Amendment.

2. **Conditions Precedent**. The transactions contemplated by this Amendment shall be deemed to be effective as of the Effective Date, when the following conditions have been complied with to the satisfaction of Lender, unless waived in writing by Lender:

A. **Second Amendment to Franchise Financing Agreement**. This Second Amendment to Franchisee Financing Agreement shall be fully executed by Administrator and Lender.

B. **Authorization Certificates**. Administrator shall have delivered certificates from all appropriate Loan Parties (each an ***"Authorization Certificate"***) satisfactory in form and substance to Lender authorizing the execution, delivery and performance of the Modification Papers.

C. **Fees and Expenses**. Lender shall have received payment of all out-of-pocket fees and expenses (including reasonable attorneys' fees and expenses) incurred by Lender in connection with the preparation, negotiation and execution of the Modification Papers.

D. **Representations and Warranties** All representations and warranties contained herein or in the documents referred to herein or otherwise made in writing in connection herewith or

therewith shall be true and correct with the same force and effect as though such representations and warranties have been made on and as of this date.

3. **Amendments to Original Financing Agreement**. On the Effective Date, the Original Financing Agreement shall be amended as follows:

(a) The following definitions in Section 1.1 of the Original Financing Agreement shall be amended in their entirety to read as follows:

"Borrowers" means collectively, each franchisee of Rent-A-Center Franchising International, Inc. who (a) is approved by Lender in its sole discretion, and (b) satisfies the conditions in ***Section 5.6*** Franchises may be added as Borrowers hereunder from time to time.

"Program Amount" means the obligation of Lender, subject to the terms and conditions of this Agreement, to make Loans which shall not exceed at any one time outstanding $40,000,000.

"Store" means, with respect to any Borrower, each store operated by such Borrower pursuant to a franchise or licensee agreement with Rent-A-Center Franchising International, Inc.

(b) Section 2.3 of the Original Financing Agreement shall be amended in its entirety as follows:

"**2.3 Credit Approval**. Nothing herein shall obligate Lender to accept or approve any request for financing submitted by or on behalf of a franchisee of Rent-A-Center Franchising International, Inc. to become a new Borrower hereunder. Lender may in its sole discretion reject or otherwise decline to accept any franchisee of Rent-A-Center Franchising International, Inc. as a new Borrower hereunder."

(c) Section 2.5(a) of the Original Financing Agreement shall be amended in its entirety as follows:

"(a) In the event that any franchisee (whether existing or prospective) of Rent-A-Center Franchising International, Inc. shall indicate an interest in obtaining financing as a new Borrower hereunder, then Lender shall provide Administrator with Lender's new account applications for a Borrower Operating Account and with Lender's loan application. Administrator shall then provide such applications to such franchisee."

(d) Section 5.6(e) of the Original Financing Agreement shall be amended in its entirety as follows:

"(e) a signed copy of such Borrower's franchise agreement with Rent-A-Center Franchising International, Inc., as applicable".

(e) Section 6.2 of the Original Financing Agreement shall be amended in its entirety as follows:

"**6.2 Adverse Conditions or Events**. Promptly advise Lender in writing of (i) any condition, event or act which comes to its attention that would reasonably be expected to materially adversely affect either Corporate Guarantor's financial condition or operations or Lender's rights under the Loan Documents, (ii) any litigation filed by or against either Corporate Guarantor in which the amount in controversy exceeds $50,000,000, (iii) the occurrence of any Event of Default, or of any Potential Default, or to any Corporate Guarantor's knowledge, the failure of any other Loan Party to observe any of its undertakings hereunder or under any of the other Loan Documents, (iv) any event of default by a Borrower known to Administrator or Rent-A-Center Franchising International, Inc. under the terms of its franchise agreement with Rent-A-Center Franchising International, Inc. and (v) any other event which has or would reasonably be expected to have a Material Adverse Effect."

(f) Exhibit A to the Original Financing Agreement is hereby replaced with Exhibit A attached hereto.

(g) Exhibit B to the Original Financing Agreement is hereby replaced with Exhibit B attached hereto.

4. **Certain Representations**. Administrator represents and warrants that, as of the Effective Date: (a) each Loan Party has full power and authority to execute the Modification Papers to which it is a party and the Modification Papers executed by each Loan Party constitute the legal, valid and binding obligation of such Loan Party enforceable in accordance with their terms, except as enforceability may be limited by general principles of equity and applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the enforcement of creditors' rights generally; and (b) no authorization, approval, consent or other action by, notice to, or filing with, any governmental authority or other person is required for the execution, delivery and performance by each Loan Party thereof. In addition, Administrator represents that all representations and warranties contained in the Original Loan Agreement are true and correct in all material respects on and as of the Effective Date (except representations and warranties that relate to a specific prior date are based upon the state of facts as they exist as of such date).

5. **No Further Amendments.** Except as previously amended in writing or as amended hereby, the Original Financing Agreement shall remain unchanged and all provisions shall remain fully effective between the parties.

6. **Limitation on Agreements**. The modifications set forth herein are limited precisely as written and shall not be deemed (a) to be a consent under or a waiver of or an amendment to any other term or condition in the Original Financing Agreement or any of the Loan Documents, or (b) to prejudice any right or rights which Lender now has or may have in the future under or in connection with the Original Financing Agreement and the Loan Documents, each as amended hereby, or any of the other documents referred to herein or therein. The Modification Papers shall constitute Loan Documents for all purposes.

7. **Counterparts**. This Amendment may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, but all of which constitute one instrument. In making proof of this Amendment, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties hereto.

8. **Incorporation of Certain Provisions by Reference**. The provisions of Section 12.3 of the Original Loan Agreement captioned "Choice of Law and Venue" and Section 12.15 of the Original Loan Agreement captioned "Waiver of Jury Trial" are incorporated herein by reference for all purposes.

9. **Entirety, Etc**. This instrument and all of the other Loan Documents embody the entire agreement between the parties. THIS AMENDMENT AND ALL OF THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of Page Intentionally Left Blank; Signatures Begin on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to be effective as of the date and year first above written.

ADMINISTRATOR:

COLORTYME FINANCE, INC.

By: /s/ Dawn M. Wolverton
Dawn M. Wolverton, Secretary

LENDER

CITIBANK, N.A.

By: /s/ David C. Hauglid
David C. Hauglid
Senior Vice President

Each Corporate Guarantor hereby acknowledges and agrees that the Obligations, as amended and increased hereby, continue to be guaranteed pursuant to the terms of its Corporate Guaranty Agreement, which Corporate Guaranty Agreement is in full force and effect.

COLORTYME FINANCE, INC.

By: /s/ Dawn M. Wolverton
Dawn M. Wolverton, Secretary

RENT-A-CENTER, INC.

By: /s/ Dawn M. Wolverton
Dawn M. Wolverton, Secretary

EXHIBIT A

LOAN NOTICE
(from ColorTyme Finance, Inc. to Lender)

Reference is made to (i) that certain Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A. dated as of August 2, 2010 (together with all amendments and modifications, if any, from time to time made thereto, the ***"Agreement"***) and (ii) Section 2.4 of each Note, pursuant to which Administrator is authorized, on behalf of the Borrowers, to request Loans. The terms used herein shall have the same meanings as provided therefor in the Agreement unless the context hereof otherwise requires or provides. This notice may only be delivered by Administrator to Lender. Lender will not accept any loan notice from a Borrower.

A. GENERAL.

1. Date of proposed Loans _____
2. Aggregate amount of Loans requested. _____
3. Administrator hereby certifies that all conditions precedent specified by the Agreement for these Loans have been complied with in all respects.
4. Attached hereto is a schedule evidencing the Borrowers requesting Loans and the requested Loan amounts.

B. AVAILABILITY UNDER PROGRAM.

1. Enter: Program Amount $_____
2. Enter: Outstanding Revolving Loan Commitments
   of all Borrowers approved by Lender _____
3. Excess availability for Loans
   under the Program (subtract line B2 from line B1) _____

C. AVAILABILITY FOR APPLICABLE BORROWER(S).

1. Enter: Outstanding Revolving Loan Commitments
   of applicable Borrower(s) _____
2. Enter: Aggregate Revolving Loan Principal Debt
   of applicable Borrower(s) outstanding as of this date _____
3. Excess (deficit) available for Loans
   (subtract line C2 from line C1) _____

Administrator hereby certifies that on the date hereof the representations and warranties contained the Agreement are true in all material respects as if made on the date hereof, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date and no Event of Default or Potential Default exists and is continuing.

Dated _____, 201_.

COLORTYME FINANCE, INC.

By:________________________________
Name:___________________________
Title:____________________________

EXHIBIT B

FORM OF REVOLVING NOTE

See attached.

REVOLVING PROMISSORY NOTE

$_____ _____, 2013

FOR VALUE RECEIVED, _____, a _____ ("***Borrower***"), having an address at _____, hereby promises to pay to the order of CITIBANK, N.A., a national banking association (together with its successors and assigns and any subsequent holders of this Note, "***Lender***"), as hereinafter provided, the principal sum of _____ AND ___/100 DOLLARS ($_____) or so much thereof as may be advanced by Lender from time to time hereunder to or for the benefit or account of Borrower, together with interest thereon at the Note Rate (as hereinafter defined), and otherwise in strict accordance with the terms and provisions hereof.

SECTION 1

DEFINITIONS

1.1 Definitions. As used in this Note, the following terms shall have the following meanings:

"***Administrator***" means ColorTyme Finance, Inc.

"***Administrator Interest***" means that portion of any interest payment that accrued at the Administrator Interest Rate.

"***Administrator Interest Rate***" means a rate of interest equal to two and three-quarters percent (2.75%) per annum.

"***Applicable Rate***" means the Base Rate plus one and one-half percent (1.5%) per annum plus the Administrator Interest Rate.

"***Base Rate***" means for any day, a rate of interest equal to the higher of (a) the Federal Funds Rate plus one half of one percent (0.5%); (b) the prime commercial lending rate as announced by Lender from time to time; provided, however, that if the prime commercial lending rate in this clause (b) is less than LIBOR plus two percent (2.0%) for more than two consecutive months, the rate equal to LIBOR plus two percent (2.0%).

"***Borrower***" has the meaning set forth in the introductory paragraph of this Note.

"***Business Day***" means a weekday, Monday through Friday, except a legal holiday or a day on which banking institutions in Dallas, Texas are authorized or required by law to be closed. Unless otherwise provided, the term "days" when used herein means calendar days.

"***Change***" means (a) any change after the date of this Note in the risk-based capital guidelines applicable to Lender, or (b) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Note that affects capital adequacy or the amount of capital required or expected to be maintained by Lender or any entity controlling Lender.

"***Charges***" means all fees, charges and/or any other things of value, if any, contracted for, charged, taken, received or reserved by Lender in connection with the transactions relating to this Note and the other Loan Documents, which are treated as interest under applicable law.

"***Debtor Relief Laws***" means Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or similar laws affecting the rights of creditors.

"***Default Interest Rate***" means a rate per annum equal to the Note Rate plus two percent (2.0%), but in no

event in excess of the Maximum Rate.

"***Event of Default***" has the meaning set forth in ***Section 3*** herein.

"***Federal Funds Rate***" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a Business Day, the average of the quotations at approximately 10:00 a.m., (Dallas, Texas time) on such day on such transactions received by Lender from three (3) Federal funds brokers of recognized standing selected by Lender in its sole discretion.

"***LIBOR***" means, with respect to each LIBOR Interest Period, the rate (expressed as a percentage per annum and adjusted as described in the last sentence of this definition of LIBOR) for deposits in United States Dollars that appears on Thomson Reuters British Banker's Association LIBOR Rates Page (or the successor thereto) as of 11:00 a.m., London, England time, on the related LIBOR Determination Date. If such rate does not appear on such screen or service, or such screen or service shall cease to be available, LIBOR shall be determined by Lender to be the offered rate on such other screen or service that displays an average British Bankers Association Interest Settlement Rate for deposits in United States Dollars (for delivery on the first day of such LIBOR Interest Period) for a term equivalent to such LIBOR Interest Period as of 11:00 a.m. on the relevant LIBOR Determination Date. If the rates referenced in the two preceding sentences are not available, LIBOR for the relevant LIBOR Interest Period will be determined by such alternate method or reasonably selected by Lender. LIBOR shall be adjusted from time to time in Lender's sole discretion for then-applicable reserve requirements, deposit insurance assessment rates, marginal emergency, supplemental, special and other reserve percentages, and other regulatory costs.

"***LIBOR Determination Date***" means a day that is three (3) Business Days prior to the beginning of the relevant LIBOR Interest Period.

"***LIBOR Interest Period***" means a period of one (1) month. The first day of the interest period must be a Business Day. The last day of the interest period and the actual number of days during the interest period will be determined by Lender using the practices of the London inter-bank market.

"***Lien***" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever.

"***Loan***" means sums advanced to Borrower by Lender which may be repaid and reborrowed pursuant the Loan Documents.

"***Loan Documents***" means this Note, the Franchisee Financing Agreement, the Security Agreement, the Guaranty Agreements, any applicable UCC-1 financing statements, the Officer's Certificate, and all other documents, instruments, guarantees, security agreements, deeds of trust, pledge agreements, certificates and agreements executed or delivered by any Loan Party in connection with the Note, together with all renewals, extensions, modifications and amendments from time to time made of any such documents.

"***Franchisee Financing Agreement***" means that certain Franchisee Financing Agreement dated as of August 2, 2010, executed by Lender and Administrator, as modified, amended, renewed, extended, and restated from time to time.

"***Maturity Date***" means _____, 201_.

"***Maximum Rate***" means, at all times, the maximum rate of interest which may be charged, contracted for, taken, received or reserved by Lender in accordance with applicable Texas law (or applicable United States federal law to the extent that such law permits Lender to charge, contract for, receive or reserve a greater amount of interest

than under Texas law). The Maximum Rate shall be calculated in a manner that takes into account any and all fees, payments, and other charges in respect of the Loan Documents that constitute interest under applicable law. Each change in any interest rate provided for herein based upon the Maximum Rate resulting from a change in the Maximum Rate shall take effect without notice to Borrower at the time of such change in the Maximum Rate.

"***Note***" means this Note.

"***Note Rate***" means the rate equal to the lesser of (a) the Maximum Rate or (b) the Applicable Rate.

"***Payment Date***" means the twenty-sixth (26th) day of each and every calendar month during the term of this Note.

"***Related Indebtedness***" means any and all indebtedness paid or payable by Borrower to Lender pursuant to the Loan Documents or any other communication or writing by or between Borrower and Lender related to the transaction or transactions that are the subject matter of the Loan Documents, except such indebtedness which has been paid or is payable by Borrower to Lender under this Note.

"Revolving Loan Commitment" means the obligation of Lender, subject to the terms and conditions of the Franchisee Financing Agreement and the terms of this Note, to make Revolving Loans to Borrower which shall not exceed the face amount of this Note.

"Revolving Loan Principal Debt" means, at any time, the aggregate outstanding principal balance of this Note.

"***Security Agreement***" means that certain Security Agreement dated as of even date herewith, executed by Borrower in favor of Lender, as modified, amended, renewed, extended and restated from time to time.

"***Store***" means each store operated by Borrower pursuant to a franchise or license agreement with Rent-A-Center Franchising International, Inc.

1.2 Rules of Construction. Any capitalized term used in this Note and not otherwise defined herein shall have the meaning ascribed to such term in the Franchisee Financing Agreement. All terms used herein, whether or not defined in ***Section 1.1*** hereof, and whether used in singular or plural form, shall be deemed to refer to the object of such term whether such is singular or plural in nature, as the context may suggest or require. All personal pronouns used herein, whether used in the masculine, feminine or neutral gender, shall include all other genders; the singular shall include the plural and vice versa.

SECTION 2

PAYMENT TERMS

2.1 Payment of Principal and Interest; Revolving Nature. The principal and interest on each advance (an "***Advance***") made under this Note shall be due and payable in equal consecutive monthly installments in an amount based on a twenty-four (24) month amortization schedule provided by Administrator to Borrower and Lender. Additionally, monthly prepayments must be made for the remaining net book value of all disposed inventory. The principal amortization may be modified by Administrator from time to time. Payments on each Advance shall be made monthly beginning on the twenty-sixth (26th) day of the month immediately following the month during which each such Advance is made, and continuing on each Payment Date thereafter through and including the earlier of (a) the date the principal balance and all accrued but unpaid interest on such Advance is paid, or (b) the Maturity Date. The required monthly payment amount under this Note shall be set forth in a statement delivered by Administrator to Borrower on the 10th day of each month immediately following the month during which any Advance is made. The outstanding principal

balance hereof and any and all accrued but unpaid interest hereon shall be finally due and payable in full on the Maturity Date or upon the earlier maturity hereof, whether by acceleration or otherwise. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of the Note and other Loan Documents; provided, however, that the total outstanding borrowings under this Note shall not at any time exceed Borrower's Revolving Loan Commitment. The unpaid principal balance of this Note at any time shall be the total amount advanced hereunder by Lender less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by Lender or otherwise noted in Lender's records, which notations shall be, absent manifest error, conclusive evidence of the amounts owing hereunder from time to time.

2.2 Application. Except as expressly provided herein to the contrary, all payments on this Note shall be applied in the following order of priority: (a) the payment or reimbursement of any expenses, costs or obligations (other than the outstanding principal balance hereof and interest hereon) for which Borrower shall be obligated or Lender shall be entitled pursuant to the provisions of this Note or the other Loan Documents; (b) the payment to Lender of accrued but unpaid interest hereon, other than Administrator Interest; (c) the payment of accrued but unpaid Administrator Interest; and (d) the payment to Lender of all or any portion of the principal balance hereof then outstanding hereunder, in the direct order of maturity. If an Event of Default exists and is continuing under this Note or under any of the other Loan Documents, then Lender may, at the sole option of Lender, apply any such payments, at any time and from time to time, to any of the items specified in ***clauses (a)***, ***(b), (c)*** or ***(d)*** above without regard to the order of priority otherwise specified in this ***Section 2.2*** and any application to the outstanding principal balance hereof may be made in either direct or inverse order of maturity. During the continuance of any Event of Default, Administrator shall not be entitled to receive any payments (whether for principal, interest or fees) until Lender has received full repayment of the Revolving Loan Principal Debt and all accrued and unpaid interest thereon other than any payments by Borrower to Administrator under Borrower's franchise agreement.

2.3 Payments.

(a) All payments under this Note made to Lender shall be made in immediately available funds at 8401 N. Central Expressway, Suite 500, LB 36, Dallas, Texas 75225 (or at such other place as Lender, in Lender's sole discretion, may have established by delivery of written notice thereof to Borrower from time to time), without offset, in lawful money of the United States of America, which shall at the time of payment be legal tender in payment of all debts and dues, public and private. Payments by check or draft shall not constitute payment in immediately available funds until the required amount is actually received by Lender in full. Payments in immediately available funds received by Lender in the place designated for payment on a Business Day prior to 11:00 a.m. (Dallas, Texas time) at such place of payment shall be credited prior to the close of business on the Business Day received, while payments received by Lender on a day other than a Business Day or after 11:00 a.m. (Dallas, Texas time) on a Business Day shall not be credited until the next succeeding Business Day. If any payment of principal or interest on this Note shall become due and payable on a day other than a Business Day, then such payment shall be made on the next succeeding Business Day. Any such extension of time for payment shall be included in computing interest which has accrued and shall be payable in connection with such payment.

(b) Notwithstanding the foregoing, payments under this Note (including for principal, interest and fees) are to be direct debited from an operating account (the "***Borrower Operating Account***") at Lender held in the name of Borrower on each Payment Date unless otherwise directed by Lender upon prior written notice. Such payments of accrued interest and unused charges due to Lender shall be direct debited from the Borrower Operating Account on a monthly basis. Principal payments owing to Administrator and Administrator Interest are to be made at the direction of Administrator on behalf of Borrower in the amounts provided to Lender by Administrator, and Lender shall be entitled to rely upon such information provided by Administrator as agent for Borrower and shall not incur any liability from relying thereon.

2.4 Borrowings.

(a) Each Loan shall be made upon Administrator's irrevocable notice to Lender on behalf of Borrower. Pursuant to Section 2.2 of the Franchisee Financing Agreement, Administrator shall deliver to Lender monthly a Loan Notice pursuant to which Administrator will request that Lender make Loans for the benefit of Borrower as specified in the Loan Notice.

(b) Subject to the terms and conditions of the Franchisee Financing Agreement, each Loan to Borrower will be advanced by Lender to Administrator, as determined by Administrator, on behalf of Borrower. On each Business Day after Loans are made, the proceeds of such Loans held in the Blocked Disbursement Account may be sent to Administrator for repayment of inventory purchases made by Borrower.

(c) Administrator shall at all times during the term hereof act as Borrower's agent for the purpose of requesting Loans from Lender. Any requests for Loans by Borrower to Administrator may be made in any manner requested by Administrator including without limitation in the form of a loan notice in the form of ***Exhibit A*** attached hereto or in any other form acceptable to Administrator. All requests for Loans by Borrower shall be made through Administrator as its agent. Borrower may not request Loans directly from Lender.

2.5 Commitment Fee. Borrower agrees to pay to Lender an unused commitment fee for the period commencing with the date of this Note to the Maturity Date, computed at the rate of one half of one percent (0.50%) per annum on the average daily unused portion of the Revolving Loan Commitment. The phrase "unused portion of the Revolving Loan Commitment" as used in the preceding sentence means the difference between (a) the Revolving Loan Commitment, and (b) the Revolving Loan Principal Debt. The commitment fee shall be payable quarterly in arrears upon receipt of billing from Lender.

2.6 Administration Fee. Borrower shall pay to Lender an annual administration fee in an amount equal to $1,250. Such fee shall be payable on the initial Funding Date and each anniversary thereof during the term of this Note.

2.7 Upfront Fee. On the initial Funding Date, Borrower shall pay to Lender an upfront fee in an amount equal to one percent (1.0%) of the original principal face amount of this Note, which upfront fee may, at the request of Borrower, be paid by an Advance hereunder. In addition, on the date of any increase to the principal face amount of this Note, Borrower shall pay to Lender an upfront fee in an amount equal to one percent (1.0%) of such increase. Such upfront fees are fully earned on the date paid.

2.8 Computation Period. Interest on the indebtedness evidenced by this Note shall be computed on the basis of a three hundred sixty (360) day year and shall accrue on the actual number of days elapsed for any whole or partial month in which interest is being calculated. In computing the number of days during which interest accrues, the day on which funds are initially advanced shall be included regardless of the time of day such advance is made, and the day on which funds are repaid shall be included unless repayment is credited prior to the close of business on the Business Day received as provided in ***Section 2.3*** hereof. Each determination by Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.9 Prepayment. Borrower shall have the right to prepay, at any time and from time to time upon at least one (1) Business Day prior written notice to Lender, without fee, premium or penalty, all or any portion of the outstanding principal balance hereof; provided, however, that such prepayment shall also include any and all accrued but unpaid interest on the amount of principal being so prepaid through and including the date of prepayment, plus any other sums which have become due to Lender under the other Loan Documents on or before the date of prepayment, but which have not been fully paid.

2.10 Unconditional Payment. Borrower is and shall be obligated to pay all principal, interest and any and all other amounts which become payable under this Note or under any of the other Loan Documents absolutely and unconditionally and without any abatement, postponement, diminution or deduction whatsoever and without any

reduction for counterclaim or setoff whatsoever. If at any time any payment received by Lender hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any Debtor Relief Law, then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Borrower and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand.

2.11 Partial or Incomplete Payments. Remittances in payment of any part of this Note other than in the required amount in immediately available funds at the place where this Note is payable shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in full in accordance herewith and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the full amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default in the payment of this Note.

2.12 Default Interest Rate. For so long as any Event of Default exists and is continuing under this Note, regardless of whether or not there has been an acceleration of the indebtedness evidenced by this Note, and at all times after the maturity of the indebtedness evidenced by this Note (whether by acceleration or otherwise), and in addition to all other rights and remedies of Lender hereunder, interest shall accrue on the outstanding principal balance hereof at the Default Interest Rate, and such accrued interest shall be immediately due and payable. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any late payment or Event of Default, and such late charges and accrued interest are reasonable estimates of those damages and do not constitute a penalty.

2.13 Late Fee. To the extent permitted by law, Borrower agrees to pay to Administrator for its own benefit a daily delinquency charge of fifteen hundredths of one percent (0.15%) of any payment that is late.

SECTION 3

EVENT OF DEFAULT AND REMEDIES

3.1 Events of Default. Any of the following shall constitute an event of default (each an ***"Event of Default"***):

(a) Nonpayment. Borrower shall default in the due and punctual payment of any principal or interest of the Note when due and payable, whether at maturity or otherwise.

(b) Representations and Warranties. Any representation, warranty or statement made by Borrower herein or otherwise in writing in connection herewith or in connection with any of the other Loan Documents and the agreements referred to herein or therein or in any financial statement, certificate or statement signed by any officer or employee of Borrower and furnished pursuant to any provision of the Loan Documents shall be breached, or shall be materially false, incorrect or incomplete when made.

(c) Default in Covenants Under Agreement. Borrower shall default in the due performance or observance by Borrower of any term, covenant or agreement contained in this Note.

(d) Default in Other Loan Documents. Borrower shall default in the due performance of or observance by it of any term, covenant or agreement on its part to be performed pursuant to the terms of any of the other Loan Documents and the default shall continue unremedied beyond any grace or cure period therein provided.

(e) Default in Other Debt. An event of default shall have occurred and be continuing under the provisions of any instrument (other than the Loan Documents) evidencing indebtedness of Borrower for the payment of borrowed money or of any agreement relating thereto, the effect of which is to permit the holder

or holders of such instrument to cause the indebtedness evidenced by such instrument to become due and payable prior to its stated maturity (whether or not the holder actually exercises such option).

(f) Bankruptcy. Borrower shall suspend or discontinue its business operations, or shall generally fail to pay its debts as they mature, or shall file a petition commencing a voluntary case concerning Borrower under any chapter of the United States Bankruptcy Code that results in the entry of an order for relief or any such adjudication or appointment or remains undismissed, undischarged or unbonded for a period of 60 days; or any involuntary case shall be commenced against Borrower under the United States Bankruptcy Code; or Borrower shall become insolvent (howsoever such insolvency may be evidenced).

(g) Judgments and Decrees. Borrower shall suffer a final judgment for the payment of money and shall not discharge the same within a period of thirty (30) days unless, pending further proceedings, execution has not been commenced, or, if commenced, has been effectively stayed. Any order, judgment or decree shall be entered in any proceeding against Borrower decreeing the dissolution or split up of such entity and such order shall remain vacated, discharged, satisfied, stayed or bonded pending appeal for a period in excess of thirty (30) days.

(h) Default in Covenants Under Franchise Agreement. Borrower shall default in the due performance or observance by Borrower of any material term, covenant or agreement contained in the franchise agreement between Borrower and ColorTyme, Inc., and such default shall continue beyond the expiration of all applicable grace or cure periods, if any, provided therein.

(i) Validity of Loan Documents. Any of the Loan Documents shall cease to be a legal, valid and binding agreement enforceable against any party executing the same in accordance with the respective terms thereof, or shall in any way be terminated without the consent of Lender.

3.2 Remedies. Upon the occurrence and continuance of an Event of Default, Lender shall have the immediate right, at the sole discretion of Lender and without notice, demand, presentment, notice of nonpayment or nonperformance, protest, notice of protest, notice of intent to accelerate, notice of acceleration, or any other notice or any other action (**ALL OF WHICH BORROWER HEREBY EXPRESSLY WAIVES AND RELINQUISHES**): (a) to declare the entire unpaid balance of the indebtedness evidenced by this Note (including, without limitation, the outstanding principal balance hereof, all sums advanced or accrued hereunder or under any other Loan Document, and all accrued but unpaid interest thereon) at once immediately due and payable (and upon such declaration, the same shall be at once immediately due and payable) and may be collected forthwith, whether or not there has been a prior demand for payment and regardless of the stipulated date of maturity; (b) to foreclose any Liens and security interests securing payment hereof or thereof (including, without limitation, any Liens and security interests); and (c) to exercise any of Lender's other rights, powers, recourses and remedies under the Loan Documents or at law or in equity, and the same (i) shall be cumulative and concurrent, (ii) may be pursued separately, singly, successively, or concurrently against Borrower or others obligated for the repayment of this Note or any part hereof, at the sole discretion of Lender, (iii) may be exercised as often as occasion therefor shall arise, it being agreed by Borrower that the exercise, discontinuance of the exercise of or failure to exercise any of the same shall in no event be construed as a waiver or release thereof or of any other right, remedy, or recourse, and (iv) are intended to be, and shall be, nonexclusive. All rights and remedies of Lender hereunder and under the other Loan Documents shall extend to any period after the initiation of foreclosure proceedings, judicial or otherwise.

3.3 WAIVERS. EXCEPT AS SPECIFICALLY PROVIDED IN THE LOAN DOCUMENTS TO THE CONTRARY, BORROWER AND ANY ENDORSERS OR GUARANTORS HEREOF SEVERALLY WAIVE AND RELINQUISH PRESENTMENT FOR PAYMENT, DEMAND, NOTICE OF NONPAYMENT OR NONPERFORMANCE, PROTEST, NOTICE OF PROTEST, NOTICE OF INTENT TO ACCELERATE, NOTICE OF ACCELERATION OR ANY OTHER NOTICES OR ANY OTHER ACTION. BORROWER AND ANY ENDORSERS OR GUARANTORS HEREOF SEVERALLY WAIVE AND RELINQUISH, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO THE BENEFITS OF ANY MORATORIUM, REINSTATEMENT, MARSHALING, FORBEARANCE, VALUATION, STAY, EXTENSION,

REDEMPTION, APPRAISEMENT, EXEMPTION AND HOMESTEAD NOW OR HEREAFTER PROVIDED BY THE CONSTITUTION AND LAWS OF THE UNITED STATES OF AMERICA AND OF EACH STATE THEREOF, BOTH AS TO ITSELF AND IN AND TO ALL OF ITS PROPERTY, REAL AND PERSONAL, AGAINST THE ENFORCEMENT AND COLLECTION OF THE OBLIGATIONS EVIDENCED BY THIS NOTE OR BY THE OTHER LOAN DOCUMENTS.

SECTION 4

REPRESENTATIONS AND WARRANTIES

4.1 Borrower hereby represents and warrants to Lender as follows:

(a) No Liens. Borrower has good and defensible title to all of its assets, and none of such assets are subject to any security interest, mortgage, deed of trust, pledge, lien, title retention document or encumbrance of any character except those in favor or Lender and as otherwise disclosed to Lender in writing.

(b) Good Standing. Borrower is a corporation, duly organized, validly existing and in good standing under the laws of _____ and has the power and authority to own its property and to carry on its business in _____ and in each other jurisdiction in which Borrower does business and in which the failure to be so qualified would (when considered alone or when aggregated with the effect of failure to qualify in all other jurisdictions) have a Material Adverse Effect.

(c) Authority and Compliance. Borrower has full power and authority to execute, deliver and perform the Loan Documents to which it is a party and to incur and perform the obligations provided for therein. No consent or approval of any Governmental Authority or other third party is required as a condition to the validity or performance of any Loan Document, and Borrower is in compliance with all laws and regulatory requirements to which it is subject.

(d) Litigation. There is no proceeding involving Borrower pending or, to the knowledge of Borrower, threatened before any court or Governmental Authority, agency or arbitration authority, except as disclosed to Lender in writing prior to the date of this Note.

(e) No Conflicting Agreements. There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the power or authority of Borrower and no provision of any existing material agreement, mortgage, indenture or contract binding on Borrower or affecting any property of Borrower, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Note and the other Loan Documents.

(f) Taxes. All taxes and assessments due and payable by Borrower have been paid or are being Contested in Good Faith, except for taxes, the failure of which to pay, will not have a Material Adverse Effect. Borrower has filed all tax returns which it is required to file.

(g) No Default. No Event of Default has occurred and is continuing.

(h) Adverse Circumstances. Neither the business nor any property of Borrower is presently affected by any fire, explosion, accident, strike, lockout, or other dispute, embargo, act of God, act of public enemy, or similar event or circumstance nor has any other event or circumstance relating to its business or affairs occurred which has had or would reasonably be expected to have a Material Adverse Effect.

(i) Accuracy of Information. To the best of Borrower’s knowledge, all factual information furnished to Lender in connection with this Note and the other Loan Documents is and will be accurate and complete on the date as of which such information is delivered to Lender and is not and will not be incomplete by the omission of any material fact necessary to make such information not misleading.

(j) ERISA. Borrower is in compliance in all material respects with all applicable provisions of ERISA except where failure to so comply would not result in a Material Adverse Effect. Neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; no notice of intent to terminate a Plan has been filed, nor has any Plan been terminated; neither Borrower nor any Commonly Controlled Entity has completely or partially withdrawn from a Multiemployer Plan; and Borrower and each Commonly Controlled Entity have met their minimum funding requirements under ERISA with respect to all of their Plans.

(k) Environmental. The conduct of Borrower's business operations and the condition of Borrower's property does not and will not violate any federal laws, rules or ordinances for environmental protection, or regulations of the Environmental Protection Agency, or any applicable local or state law, rule, regulation or rule of common law, or any judicial interpretation thereof relating primarily to the environment or Hazardous Materials.

(l) Franchisee Financing Agreement; Authority of Administrator. Borrower acknowledges that Borrower has received or may request a copy of the Franchisee Financing Agreement.

(m) Continuation of Representations and Warranties. All representations and warranties made under this Agreement shall be deemed to be made at and as of the date hereof and at and as of the date of any future Loan and in all instances shall be true and correct in all material respects, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

SECTION 5

COVENANTS

5.1 Affirmative Covenants. Until full payment and performance of all obligations of Borrower under the Note and Other Loan Documents and unless Lender consents otherwise in writing (and without limiting any requirement of any other Loan Document), Borrower shall:

(a) Taxes and Other Obligations. Pay all of Borrower's taxes, assessments and other obligations, including, but not limited to taxes and assessments and lawful claims which, if unpaid, might by law become a lien against the assets of Borrower, as the same become due and payable, except to the extent the same are being Contested in Good Faith or except for taxes, the failure of which to pay, would not reasonably be expected to have a Material Adverse Effect.

(b) Insurance. Keep its properties of an insurable nature insured at all times against such risks and to the extent that like properties are customarily insured by other companies engaged in the same or similar businesses similarly situated and maintain insurance of the types and in the coverage amounts and with reasonable deductibles as are usual and customary.

(c) Compliance with Laws. Comply with all applicable laws (including environmental laws), rules, regulations and orders of any Governmental Authority, a breach of which (when considered alone or when aggregated with the effect of other breaches) would reasonably be expected to have a Material Adverse Effect.

(d) Inspection of Books and Records. Allow any representative of Lender to visit and inspect its properties, to examine its books of record and account and to discuss its affairs, finances and accounts with any of its officers, directors, employees and agents, all at such reasonable times and as often as Lender may request.

(e) Existence and Qualification. Preserve and maintain its existence and good standing in _____ and in each other jurisdiction in which qualification is required and where failure so to qualify would reasonably be expected to have a Material Adverse Effect.

(f) Good Standing. Remain in good standing under Borrower's franchise agreement with ColorTyme, Inc. and maintain the ability to purchase inventory from ColorTyme, Inc. pursuant to such franchise agreement.

(g) Borrower Operating Account. Maintain a Borrower Operating Account at Lender, with an aggregate minimum average daily balance for such account as follows: (i) for each Store of Borrower that has been open for business less than two years, the Borrower Operating Account at Lender shall have an aggregate minimum average daily balance of at least $2,500; (ii) for each Store of Borrower that has been open for business between two and four years, the Borrower Operating Account at Lender shall have an aggregate minimum average daily balance of at least $5,000; and (iii) for each Store of Borrower that has been open for business more than four years, the Borrower Operating Account at Lender shall have an aggregate minimum average daily balance of at least $7,500. If at any time Borrower does not comply with foregoing, then Borrower shall pay to Lender a $100 fee for each month Borrower is not in compliance with the requirements in this ***Section 5.1(g)***. Such fee shall be assessed on a yearly basis.

(h) Borrower Cash Receipts. Within five (5) Business Days after request from Lender, a report of Borrower's cash receipts for each Store, point of sale reports, bank statements and individual deposit slips on specific dates or for specific periods as may be requested by Lender.

(i) Further Assurances. Make, execute or endorse, acknowledge and deliver or file or cause the same to be done, all such vouchers, invoices, notices, certifications and additional agreements, undertakings, conveyances, deeds of trust, mortgages, assignments, financing statements or other assurances, and take any and all such other action as Lender may from time to time deem necessary or appropriate in connection with this Note or any of the other Loan Documents (i) to cure any defects in the creation of the Loan Documents, or (ii) to evidence further or more fully describe, perfect or realize on the collateral intended as security, or (iii) to correct any omissions in the Loan Documents, or (iv) to state more fully the security for the obligations, or (v) to perfect, protect or preserve any liens pursuant to any of the Loan Documents, or (vi) for better assuring and confirming unto Lender all or any part of the security for any of the obligations.

5.2 Negative Covenants. Until full payment and performance of all obligations under note and Other Loan documents, Borrower shall not without the prior written consent of Lender (and without limiting any requirement of any other Loan Documents):

(a) Negative Pledge. Grant, suffer or permit any contractual or noncontractual lien on or security interest in its assets.

(b) Merger. Enter into any merger or consolidation.

(c) Extensions of Credit. Make any loan or advance to any individual, partnership, corporation or other entity without consent of Lender, except (a) loans and intercompany adjustments, between Borrower and its subsidiaries occurring in the ordinary course of business, and (b) advances made to employees of Borrower for the payment by them of items for which an expense report or voucher will be filed and which items will constitute ordinary and necessary business expenses of Borrower.

(d) Borrowings. Create, incur, assume or become liable in any manner for any indebtedness (for borrowed money, deferred payment for the purchase of assets, as surety or guarantor for the debt for another, or otherwise) other than to Lender, except for (a) normal trade debts incurred in the ordinary course of Borrower's business; (b) existing indebtedness disclosed to Lender in writing and acknowledged by Lender prior to the date of this Note, and (c) leases of personal property which are not "capital leases" under generally

accepted accounting principles and for which the lessor's remedy for a breach by the lessee thereunder is limited to recovery of the item leased.

(e) Transfer of Assets. Convey, assign, transfer, sell, lease or otherwise dispose of, in one transaction or a series of transactions (or agree to do any of the foregoing at any future time), all or substantially all or a substantial part of its properties or assets (whether now owned or hereafter acquired) or any part of such properties or assets which are essential to the conduct of its business substantially as now conducted.

(f) Change of Control of Borrower. Except pursuant to Lender's prior consent, which consent shall not be unreasonably withheld, permit the change of control of Borrower. "Change of Control" as used in the preceding sentence means (a) the acquisition of more than fifty percent (50%) of the outstanding voting stock of Borrower by any Person or group of Persons acting in concert, or (b) the acquisition of more than ten percent (10%) of the outstanding voting stock of Borrower by any Person or group of Persons acting in concert if at any time following such acquisition of ten percent (10%) or more of Borrower's outstanding voting stock more than fifty percent (50%) of the Persons serving on the board of directors of Borrower are Persons proposed directly or indirectly by the Persons or group of Persons acting in concert who have acquired such ten percent (10%) or more of Borrower's outstanding voting stock.

(g) Change in Nature of Business. Conduct any business other than, or make any material change in the nature of, its business as carried on as of the date hereof.

(h) Exceptions. Take any action which is permitted by any covenant contained in this Agreement if such action is in breach of any other covenant contained in this Agreement.

SECTION 6

GENERAL PROVISIONS

6.1 Appointment and Authority of Administrator. Borrower hereby irrevocably appoints Administrator to act on its behalf hereunder and under the other Loan Documents and authorizes Administrator to take such actions on its behalf and to exercise such powers as are delegated to Administrator by the terms of the Franchisee Financing Agreement, together with such actions and powers as are reasonably incidental thereto. Such powers include, without limitation, the power and authority to request Loans from Lender on behalf of Borrower, the authority to receive payment of Loans for the benefit of Borrower and the authority to provide Lender with financial and other business information concerning Borrower. Lender is entitled to rely upon any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message) from Administrator on behalf of Borrower.

6.2 No Waiver; Amendment. No failure to accelerate the indebtedness evidenced by this Note by reason of an Event of Default hereunder, acceptance of a partial or past due payment, or indulgences granted from time to time shall be construed (a) as a novation of this Note or as a reinstatement of the indebtedness evidenced by this Note or as a waiver of such right of acceleration or of the right of Lender thereafter to insist upon strict compliance with the terms of this Note, or (b) to prevent the exercise of such right of acceleration or any other right granted under this Note, under any of the other Loan Documents or by any applicable laws. Borrower hereby expressly waives and relinquishes the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. The failure to exercise any remedy available to Lender shall not be deemed to be a waiver of any rights or remedies of Lender under this Note or under any of the other Loan Documents, or at law or in equity. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note, shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part, unless Lender specifically, unequivocally and expressly agrees otherwise in writing.

6.3 Interest Provisions.

(a) Savings Clause. It is expressly stipulated and agreed to be the intent of Borrower and Lender at all times to comply strictly with the applicable Texas law governing the Maximum Rate or amount of interest payable on the indebtedness evidenced by this Note and the Related Indebtedness (or applicable United States federal law to the extent that it permits Lender to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law). If the applicable law is ever judicially interpreted so as to render usurious any amount (i) contracted for, charged, taken, reserved or received pursuant to this Note, any of the other Loan Documents or any other communication or writing by or between Borrower and Lender related to the transaction or transactions that are the subject matter of the Loan Documents, (ii) contracted for, charged, taken, reserved or received by reason of Lender's exercise of the option to accelerate the maturity of this Note and/or the Related Indebtedness, or (iii) Borrower will have paid or Lender will have received by reason of any voluntary prepayment by Borrower of this Note and/or the Related Indebtedness, then it is Borrower's and Lender's express intent that all amounts charged in excess of the Maximum Rate shall be automatically canceled, ab initio, and all amounts in excess of the Maximum Rate theretofore collected by Lender shall be credited on the principal balance of this Note and/or the Related Indebtedness (or, if this Note and all Related Indebtedness have been or would thereby be paid in full, refunded to Borrower), and the provisions of this Note and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder; provided, however, that if this Note has been paid in full before the end of the stated term of this Note, then Borrower and Lender agree that Lender shall, with reasonable promptness after Lender discovers or is advised by Borrower that interest was received in an amount in excess of the Maximum Rate, either refund such excess interest to Borrower and/or credit such excess interest against this Note and/or any Related Indebtedness then owing by Borrower to Lender. Borrower hereby agrees that as a condition precedent to any claim seeking usury penalties against Lender, Borrower will provide written notice to Lender, advising Lender in reasonable detail of the nature and amount of the violation, and Lender shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Borrower or crediting such excess interest against this Note and/or the Related Indebtedness then owing by Borrower to Lender. All sums contracted for, charged, taken, reserved or received by Lender for the use, forbearance or detention of any debt evidenced by this Note and/or the Related Indebtedness shall, to the extent permitted by applicable law, be amortized or spread, using the actuarial method, throughout the stated term of this Note and/or the Related Indebtedness (including any and all renewal and extension periods) until payment in full so that the rate or amount of interest on account of this Note and/or the Related Indebtedness does not exceed the Maximum Rate from time to time in effect and applicable to this Note and/or the Related Indebtedness for so long as debt is outstanding. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

(b) Ceiling Election. To the extent that Lender is relying on Chapter 303 of the Texas Finance Code to determine the Maximum Rate payable on the Note and/or any other portion of the Indebtedness, Lender will utilize the weekly ceiling from time to time in effect as provided in such Chapter 303, as amended. To the extent United States federal law permits Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law, Lender will rely on United States federal law instead of such Chapter 303 for the purpose of determining the Maximum Rate. Additionally, to the extent permitted by applicable law now or hereafter in effect, Lender may, at its option and from time to time, utilize any other method of establishing the Maximum Rate under such Chapter 303 or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect.

6.4 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY IRREVOCABLY AND EXPRESSLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY OR THE ACTIONS OF LENDER IN THE NEGOTIATION, ADMINISTRATION, OR ENFORCEMENT THEREOF. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO

ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS ***SECTION 6.4***.

6.5 GOVERNING LAW; VENUE; SERVICE OF PROCESS. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS; *PROVIDED THAT* LENDER SHALL RETAIN ALL RIGHTS UNDER FEDERAL LAW. THIS AGREEMENT HAS BEEN ENTERED INTO IN DALLAS COUNTY, TEXAS, AND IS PERFORMABLE FOR ALL PURPOSES IN DALLAS COUNTY, TEXAS. THE PARTIES HEREBY AGREE THAT ANY LAWSUIT, ACTION, OR PROCEEDING THAT IS BROUGHT (WHETHER IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, THE TRANSACTIONS CONTEMPLATED THEREBY, OR THE ACTIONS OF THE LENDER IN THE NEGOTIATION, ADMINISTRATION OR ENFORCEMENT OF ANY OF THE LOAN DOCUMENTS SHALL BE BROUGHT IN A STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN DALLAS COUNTY, TEXAS. BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY (A) SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, (B) WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH LAWSUIT, ACTION, OR PROCEEDING BROUGHT IN ANY SUCH COURT, AND (C) FURTHER WAIVES ANY CLAIM THAT IT MAY NOW OR HEREAFTER HAVE THAT ANY SUCH COURT IS AN INCONVENIENT FORUM. EACH OF THE PARTIES HERETO AGREE THAT SERVICE OF PROCESS UPON IT MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED AT THE ADDRESS FOR NOTICES REFERENCED IN ***SECTION 6.11***.

6.6 Relationship of the Parties. Notwithstanding any prior business or personal relationship between Borrower and Lender, or any officer, director or employee of Lender, that may exist or have existed, the relationship between Borrower and Lender is solely that of debtor and creditor, Lender has no fiduciary or other special relationship with Borrower, Borrower and Lender are not partners or joint venturers, and no term or condition of any of the Loan Documents shall be construed so as to deem the relationship between Borrower and Lender to be other than that of debtor and creditor.

6.7 Successors and Assigns. The terms and provisions hereof shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties, by operation of law or otherwise, and all other persons claiming by, through or under them. The terms “Borrower” and “Lender” as used hereunder shall be deemed to include their respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties, by operation of law or otherwise, and all other persons claiming by, through or under them. Lender may at any time assign the Loan Documents to Administrator without the consent of Borrower.

6.8 Time is of the Essence. Time is of the essence with respect to all provisions of this Note and the other Loan Documents.

6.9 Headings. The Section and Subsection titles hereof are inserted for convenience of reference only and shall in no way alter, modify, define, limit, amplify or be used in construing the text, scope or intent of such Sections or Subsections or any provisions hereof.

6.10 Controlling Agreement. In the event of any conflict between the provisions of this Note and the Franchisee Financing Agreement, it is the intent of the parties hereto that the provisions of the Franchisee Financing Agreement shall control. In the event of any conflict between the provisions of this Note and any of the other Loan Documents other than the Franchisee Financing Agreement, it is the intent of the parties hereto that the provisions of this Note shall control. The parties hereto acknowledge that they were represented by competent counsel in connection with the negotiation, drafting and execution of this Note and the other Loan Documents and that this Note and the other Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same.

6.11 Notices. All notices required or permitted to be given under the terms of this Note must be in writing (including telegraphic, telex and facsimile transmission) delivered to the other party at the addresses set forth below or to such other address as any party may designate by written notice to the other party. Each such notice, request and demand shall be deemed given or made (whether actually received or not) (a) if sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid, and (b) if sent by any other means, upon delivery.

Addresses for Notices:

If to Borrower:

_____
_____
_____
Phone: _____
Fax: _____
Attn: _____

If to Lender:

Citibank, N.A.
2001 Ross Avenue
Suite 4300
Dallas, TX 75225
Phone: (972) 419-3490
Fax: (972) 419-3589
Attn: David C. Hauglid

In either case, with a courtesy copy to Administrator:

ColorTyme Finance, Inc.
5000 Legacy Drive, Suite 210
Plano, TX 75024
Phone: (972) 403-4917
Fax: (972) 403-4923
Attn: Steve Ingham

Any notice delivered to Administrator pursuant to this ***Section 6.11*** shall not constitute formal notice hereunder nor shall the failure of Lender to give such notice to Administrator invalidate any notice given to Borrower hereunder.

6.12 Severability. If any provision of this Note or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, then neither the remainder of this Note nor the application of such provision to other persons or circumstances nor the other instruments referred to herein shall be affected thereby, but rather shall be enforced to the greatest extent permitted by applicable law.

6.13 Right of Setoff. In addition to all Liens upon and rights of setoff against the money, securities, or other property of Borrower given to Lender that may exist under applicable law, Lender shall have and Borrower hereby grants to Lender a Lien upon and a right of setoff against all money, securities, and other property of Borrower, now or hereafter in possession of or on deposit with Lender, whether held in a general or special account or deposit, for safe-keeping or otherwise but excluding payroll accounts, and every such Lien and right of setoff may be exercised without demand upon or notice to Borrower. No Lien or right of setoff shall be deemed to have been waived by any act or conduct on the part of Lender, or by any neglect to exercise such right of setoff or to enforce such Lien, or by

any delay in so doing, and every right of setoff and Lien shall continue in full force and effect until such right of setoff or Lien is specifically waived or released by an instrument in writing executed by Lender.

6.14 Costs of Collection. If any holder of this Note retains an attorney-at-law in connection with any Event of Default or at maturity or to collect, enforce, or defend this Note or any part hereof, or any other Loan Document in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if Borrower sues any holder in connection with this Note or any other Loan Document and does not prevail, then Borrower agrees to pay to each such holder, in addition to the principal balance hereof and all interest hereon, all costs and expenses of collection or incurred by such holder or in any such suit or proceeding, including, but not limited to, reasonable attorneys' fees.

6.15 Statement of Unpaid Balance. At any time and from time to time, Borrower will furnish promptly, upon the request of Lender, a written statement or affidavit, in form satisfactory to Lender, stating the unpaid balance of the indebtedness evidenced by this Note and the Related Indebtedness and that there are no offsets or defenses against full payment of the indebtedness evidenced by this Note and the Related Indebtedness and the terms hereof, or if there are any such offsets or defenses, specifying them.

6.16 FINAL AGREEMENT. THIS NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Note as of the day and year first written above.

BORROWER:

_____

By:_____
Name:_____
Title:_____

EXHIBIT A

BORROWER LOAN NOTICE

Reference is made to (i) that certain Revolving Promissory Note executed by _____ in favor of Citibank, N.A. dated as of _____, 2013 (together with all amendments and modifications, if any, from time to time made thereto, the ***"Note"***) and (ii) that certain Franchisee Financing Agreement between ColorTyme Finance, Inc. and Citibank, N.A. dated as of August 2, 2010 (together with all amendments and modifications, if any, from time to time made thereto, the ***"Agreement"***). The terms used herein shall have the same meanings as provided therefor in the Note unless the context hereof otherwise requires or provides.

A. GENERAL.

1. Date of proposed Loans. _____
2. Aggregate Amount Requested. _____

B. AVAILABILITY.

1. Enter: Amount of Note. _____
2. Enter: Outstanding principal balance of the Note as of this date. _____
3. Excess (deficit) available for Loans (subtract line B2 from line B1). _____

Borrower hereby certifies that on the date hereof the representations and warranties contained in the Note are true in all material respects as if made on the date hereof, and no Event of Default exists. Further, Borrower certifies that Administrator is authorized to request, on behalf of Borrower, that Lender provide the Loans described herein in accordance with Section 2.4 of the Note.

Dated _____, 201_.

_____

By:_____
Name:_____
Title:_____

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:October 25, 2013

/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:October 25, 2013

/s/ Robert D. Davis
Robert D. Davis
Executive 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 on Form 10-Q of Rent-A-Center, Inc. (the "***Company***") for the period ended September 30, 2013, 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: October 25, 2013

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 on Form 10-Q of Rent-A-Center, Inc. (the "***Company***") for the period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Robert D. Davis, Executive 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
Executive Vice President-Finance,
Treasurer and Chief Financial Officer

Dated: October 25, 2013

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.