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FORM 10-Q

RENT A CENTER INC DE - RCII

Filed: July 31, 2006 (period: June 30, 2006)

Quarterly report which provides a continuing view of a company's financial position

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

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.)*

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

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

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

YES ☑ NO ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

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 July 26, 2006:

Class	Outstanding
Common stock, $.01 par value per share	69,759,473

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SIGNATURES
Sixth Supplemental Indenture
2006 Long-Term Incentive Plan
Form of Stock Option Agreement
302 Certification - Speese
302 Certification - Davis
906 Certification - Speese
906 Certification - Davis

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 1. Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Three months ended June 30, 2006	Three months ended June 30, 2005
	Unaudited	
Revenues		
Store		
Rentals and fees	$ 527,076	$ 526,639
Merchandise sales	38,428	37,498
Installment sales	5,728	6,618
Other	3,254	997
Franchise		
Merchandise sales	7,892	7,443
Royalty income and fees	1,245	1,383
	583,623	580,578
Operating expenses		
Direct store expenses		
Cost of rentals and fees	114,733	114,068
Cost of merchandise sold	28,403	28,225
Cost of installment sales	2,398	2,750
Salaries and other expenses	333,113	332,939
Franchise cost of merchandise sold	7,580	7,163
	486,227	485,145
General and administrative expenses	21,253	20,290
Amortization of intangibles	950	2,155
Total operating expenses	508,430	507,590
Operating profit	75,193	72,988
Interest income	(1,399)	(1,351)
Interest expense	13,301	10,786
Earnings before income taxes	63,291	63,553
Income tax expense	23,448	21,811
NET EARNINGS	$ 39,843	$ 41,742
Basic earnings per common share	$ 0.57	$ 0.56
Diluted earnings per common share	$ 0.56	$ 0.55

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Six months ended June 30, 2006	2005
	Unaudited	
Revenues		
Store		
Rentals and fees	$ 1,047,459	$ 1,045,261
Merchandise sales	102,591	100,268
Installment sales	11,579	13,202
Other	6,540	2,075
Franchise		
Merchandise sales	19,973	18,787
Royalty income and fees	2,456	2,794
	1,190,598	1,182,387
Operating expenses		
Direct store expenses		
Cost of rentals and fees	227,500	226,536
Cost of merchandise sold	72,533	70,292
Cost of installment sales	4,821	5,613
Salaries and other expenses	671,884	666,980
Franchise cost of merchandise sold	19,136	18,029
	995,874	987,450
General and administrative expenses	42,211	39,505
Amortization of intangibles	1,836	4,452
Litigation reversion	—	(8,000)
Total operating expenses	1,039,921	1,023,407
Operating profit	150,677	158,980
Interest income	(2,859)	(2,753)
Interest expense	26,324	21,654
Earnings before income taxes	127,212	140,079
Income tax expense	47,041	50,668
NET EARNINGS	$ 80,171	$ 89,411
Basic earnings per common share	$ 1.16	$ 1.20
Diluted earnings per common share	$ 1.14	$ 1.18

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	June 30, 2006 Unaudited	December 31, 2005
ASSETS		
Cash and cash equivalents	$ 41,174	$ 57,627
Accounts receivable, net	20,161	20,403
Prepaid expenses and other assets	34,133	38,524
Rental merchandise, net		
On rent	633,749	588,978
Held for rent	178,667	161,702
Merchandise held for installment sale	1,745	2,200
Property assets, net	154,497	149,904
Goodwill, net	939,130	925,960
Intangible assets, net	3,590	3,366
	$ 2,006,846	$ 1,948,664
LIABILITIES		
Accounts payable — trade	$ 72,097	$ 88,147
Accrued liabilities	192,192	191,831
Deferred income taxes	109,652	121,204
Senior debt	417,155	424,050
Subordinated notes payable	300,000	300,000
	1,091,096	1,125,232
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 250,000,000 shares authorized; 103,689,987 and 102,988,126 shares issued in 2006 and 2005, respectively	1,037	1,030
Additional paid-in capital	647,234	630,308
Retained earnings	981,569	901,493
Treasury stock, 34,003,899 and 33,801,099 shares at cost in 2006 and 2005, respectively	(714,090)	(709,399)
	915,750	823,432
	$ 2,006,846	$ 1,948,664

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six months ended June 30, 2006	2005
	Unaudited	
Cash flows from operating activities		
Net earnings	$ 80,171	$ 89,411
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	222,542	222,839
Depreciation of property assets	26,994	26,534
Amortization of intangibles	1,836	3,733
Amortization of financing fees	798	801
Tax benefit related to stock option exercises	(2,600)	—
Deferred income taxes	(11,552)	(30,528)
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise, net	(276,739)	(233,488)
Accounts receivable, net	242	(238)
Prepaid expenses and other assets	2,699	32,855
Accounts payable — trade	(16,050)	(49,442)
Accrued liabilities	6,639	(6,307)
Net cash provided by operating activities	34,980	56,170
Cash flows from investing activities		
Purchase of property assets	(33,321)	(23,932)
Proceeds from sale of property assets	1,734	892
Acquisitions of businesses, net of cash acquired	(21,420)	(26,707)
Net cash used in investing activities	(53,007)	(49,747)
Cash flows from financing activities		
Purchase of treasury stock	(4,691)	(4,012)
Exercise of stock options	10,560	7,633
Tax benefit related to stock option exercises	2,600	—
Proceeds from debt	157,125	18,000
Repayments of debt	(164,020)	(61,750)
Net cash provided by (used in) financing activities	1,574	(40,129)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,453)	(33,706)
Cash and cash equivalents at beginning of period	57,627	58,825
Cash and cash equivalents at end of period	$ 41,174	$ 25,119

Supplemental cash flow information		
Cash paid during the period for:		
Interest	$ 25,404	$ 20,982
Income taxes	$ 50,709	$ 46,408

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Commission's rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. We suggest that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2005, and our Quarterly report on Form 10-Q for the three months ended March 31, 2006. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

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

At June 30, 2006, we operated 2,749 company-owned stores nationwide and in Canada and Puerto Rico, including 21 stores in Wisconsin operated by a subsidiary, Get It Now, LLC, under the name "Get It Now," and six stores in Canada operated by a subsidiary, Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Rent-A-Center's primary operating segment consists of leasing household durable goods to customers on a rent-to-own basis. Get It Now offers merchandise on an installment sales basis in Wisconsin.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At June 30, 2006, ColorTyme had 295 franchised stores operating in 38 states. ColorTyme's primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

New Accounting Pronouncements. On July 13, 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies Statement 109, *Accounting for Income Taxes*, to indicate the criteria that an individual tax position would have to meet for some or all of the benefit of that position to be recognized in an entity's financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the requirements under FIN 48 and the effect, if any, that the adoption of FIN 48 will have on our consolidated financial statements, statement of cash flows or earnings per share.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires employee stock-based compensation awards to be accounted for under the fair value method and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). SFAS 123R is effective for fiscal periods beginning after June 15, 2005.

We adopted SFAS 123R on a modified prospective basis beginning January 1, 2006 for stock-based compensation awards granted after that date and for unvested awards outstanding at that date. Under SFAS 123R, compensation costs are recognized net of estimated forfeitures over the award's requisite service period on a straight line basis. For the six months ended June 30, 2006, in accordance with SFAS 123R, we recorded stock-based compensation expense, net of related taxes, of approximately $2.4 million related to stock options and restricted stock units granted, and for the six months ended June 30, 2005 we reported a pro forma expense of approximately $4.4 million under FASB Statement No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). For the three months ended June 30, 2006, in accordance with SFAS 123R, we recorded stock-based compensation expense, net of related taxes, of approximately $1.1 million related to stock options and restricted stock units granted, and for the three months ended June 30, 2005 we reported a pro forma expense of approximately $1.3 million under SFAS 123.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

The Rent-A-Center Amended and Restated Long-Term Incentive Plan (the "Prior Plan") terminated on May 19, 2006, upon approval by our stockholders of the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (the "2006 Plan") as discussed below under the heading "Stock Based Compensation." No additional grants will be made under the Prior Plan. Prior to January 2006, we accounted for the Prior Plan under the recognition and measurement principles of APB 25 and related Interpretations. No stock-based employee compensation cost was reflected in net earnings, as all options granted under the Prior Plan had an exercise price equal to the market value of the underlying common stock on the date of grant. If we had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation, net earnings and earnings per share for the six and three months ended June 30, 2005 would have decreased as illustrated by the following table:

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

	Three months ended June 30, 2005	
	(In thousands, except per share data)	
Net earnings		
As reported	$	41,742
Deduct: Total stock-based employee compensation under fair value based method for all awards, net of related taxes		1,342
Pro forma	$	40,400
Basic earnings per common share		
As reported	$	0.56
Pro forma	$	0.54
Diluted earnings per common share		
As reported	$	0.55
Pro forma	$	0.53

Results for prior periods have not been restated and do not reflect the recognition of stock-based compensation.

Stock Based Compensation. On March 24, 2006, upon the recommendation of the Compensation Committee, the Board of Directors of Rent-A-Center, Inc. adopted, subject to stockholder approval, the 2006 Plan and directed that it be submitted for the approval of the stockholders. On May 19, 2006, the stockholders approved the 2006 Plan. The 2006 Plan authorizes the issuance of 7,000,000 shares of our common stock that may be issued pursuant to awards granted under the 2006 Plan, of which no more than 3,500,000 shares may be issued in the form of restricted stock, deferred stock or similar forms of stock award which have value without regard to future appreciation in value of or dividends declared on the underlying shares of common stock. In applying these limitations, the following shares will be deemed not to have been issued: (1) shares covered by the unexercised portion of an option that terminates, expires, or is canceled or settled in cash, and (2) shares that are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash. As of June 30, 2006, no shares have been issued under the 2006 Plan.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Under the Prior Plan, 14,562,865 shares of Rent-A-Center's common stock were reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to our employees under the Prior Plan generally become exercisable over a period of one to four years from the date of grant and may be exercised up to a maximum of 10 years from the date of grant. Options granted to directors were immediately exercisable. There were no grants of stock appreciation rights and all equity awards were granted with fixed prices. At June 30, 2006, there were 4,448,720 shares allocated to equity awards outstanding. The Prior Plan was terminated on May 19, 2006, upon the approval by our stockholders of the 2006 Plan. No additional grants will be made under the Prior Plan.

The fair value of unvested options that we expect to result in a compensation expense was approximately $13.5 million with a weighted average number of years to vesting of 2.39 years at June 30, 2006 as compared to $18.5 million and a weighted average number of years to vesting of 2.20 years at December 31, 2005.

The total number of unvested options was 1,498,887 and 1,612,472 at June 30, 2006 and December 31, 2005, respectively. The weighted average fair value of unvested options at June 30, 2006 was $8.98 as compared to $11.47 at December 31, 2005. The weighted average fair value on options vested during the three months ended June 30, 2006 was $10.42 and the weighted average fair value of options forfeited during the three months ended June 30, 2006 was $8.24.

The table below summarizes the transactions under the Prior Plan for the period ended June 30, 2006.

	Equity Awards Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance at December 31, 2004	5,231,538	$ 17.62	
Granted	1,001,000	$ 23.80	
Exercised	(690,608)	$ 13.78	
Forfeited	(522,953)	$ 24.13	
Balance at December 31, 2005	5,018,977	$ 18.70	6.67 years
Granted	523,590	$ 21.43	
Exercised	(701,687)	$ 14.97	
Forfeited	(392,160)	$ 23.78	
Balance outstanding at June 30, 2006	4,448,720	$ 19.16	6.67 years
Exercisable at June 30, 2006	2,949,833	$ 16.76	5.79 years

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RENT-A-CENTER, INC. AND SUBSIDIARIES

During the six months ended June 30, 2006, the weighted average fair values of the options granted under the Prior Plan were calculated using the following assumptions:

Employee options:		
Average risk free interest rate		4.36% - 4.41%
Expected dividend yield		—
Expected life		4.20 years
Expected volatility (24.14% to 52.55%)		Weighted average 33.12 %
Employee stock options granted		459,860
Weighted average grant date fair value	$	5.03
Non-employee director options:		
Average risk free interest rate		4.36% - 4.41%
Expected dividend yield		—
Expected life		6.00 years
Expected volatility (24.14% to 52.55%)		Weighted average 33.12 %
Non-employee director stock options granted		34,000
Weighted average grant date fair value	$	9.73

For all options granted prior to April 1, 2004, the fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 55.2%, risk-free interest rate of 2.9%, expected lives of four years, and no dividend yield. For options granted on or after April 1, 2004, the fair value of the options was estimated at the date of grant using the binomial method pricing model with the following weighted average assumptions: expected volatility of 46.1%, a risk-free interest rate of 3.6%, no dividend yield and an expected life of four years. For options granted in 2005, the fair value of the options was estimated at the date of grant using the binomial method pricing model with the following weighted average assumptions: expected volatility of 42.1%, a risk-free interest rate of 3.9%, no dividend yield and an expected life of four years.

Tax benefits from stock option exercises of $2.6 million for the six months ended June 30, 2006 were reflected as an outflow from operating activities and an inflow from financing activities in the Consolidated Statement of Cash Flows. For the six months ended June 30, 2005, the tax benefits from stock option exercises of $2.1 million were included as a cash inflow to cash provided by operating activities.

Change in Accounting Estimate. During the second quarter of 2006, we refined the process in which we determine the net amount accrued for losses within our self-insured retentions based on our actual loss experience. At June 30, 2006, our consolidated statements of earnings reflect a benefit of approximately $2.0 million from the normal accrual level resulting from the use of certain company specific loss development factors developed by independent actuaries, rather than the general industry loss development factors we previously used.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Reconciliation of Merchandise Inventory.

	Six months ended June 30, 2006	Six months ended June 30, 2005
	(In thousands)	
Beginning merchandise value	$ 752,880	$ 760,422
Inventory additions through acquisitions	7,084	2,832
Purchases	392,986	344,985
Depreciation of rental merchandise	(222,542)	(222,839)
Cost of goods sold	(77,354)	(75,905)
Skips and stolens	(26,169)	(28,583)
Other inventory deletions (1)	(12,724)	(7,009)
Ending merchandise value	$ 814,161	$ 773,903

	Three months ended June 30, 2006	Three months ended June 30, 2005
	(In thousands)	
Beginning merchandise value	$ 794,811	$ 793,178
Inventory additions through acquisitions	6,295	1,557
Purchases	176,840	140,127
Depreciation of rental merchandise	(112,194)	(112,104)
Cost of goods sold	(33,224)	(30,975)
Skips and stolens	(13,055)	(14,836)
Other inventory deletions (1)	(5,312)	(3,044)
Ending merchandise value	$ 814,161	$ 773,903

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

2. *Intangibles.*

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

Intangibles consist of the following (in thousands):

		June 30, 2006		December 31, 2005	
	Avg. Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets					
Franchise network	10	$ 3,000	$ 3,000	$ 3,000	$ 2,850
Non-compete agreements	3	6,194	5,030	6,040	4,423
Customer relationships	1.5	34,856	32,430	32,934	31,335
Total		44,050	40,460	41,974	38,608
Intangible assets not subject to amortization					
Goodwill		1,038,282	99,152	1,025,112	99,152
Total intangibles		$ 1,082,332	$ 139,612	$ 1,067,086	$ 137,760

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RENT-A-CENTER, INC. AND SUBSIDIARIES

2. *Intangibles* — continued

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

	Estimated Amortization Expense (In thousands)
2006	$ 2,550
2007	1,026
2008	14
2009	—
Total	$ 3,590

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

	At June 30, 2006	At December 31, 2005
	(In thousands)	
Balance as of January 1,	$ 925,960	$ 913,415
Additions from acquisitions	12,372	25,947
Goodwill write-off	—	(8,198)(1)
Post purchase price allocation adjustments	798	(5,204)(2)
Balance as of the end of the period	$ 939,130	$ 925,960

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(1) Goodwill write-off of approximately $4.5 million was included in our restructuring charges relating to our store consolidation plan and $3.7 million relating to Hurricane Katrina was included in amortization expense.

(2) The post purchase price allocation adjustments in 2005 of approximately $5.2 million are primarily attributable to the tax benefit associated with certain items recorded as goodwill that were deductible for tax purposes.

3. *Earnings Per Share.*

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

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

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

Source: RENT A CENTER INC DE, 10-Q, July 31, 2006 Powered by Morningstar® Document Research℠

RENT-A-CENTER, INC. AND SUBSIDIARIES

3. *Earnings Per Share* — continued

(In thousands, except per share data)	Three months ended June 30, 2006		
	Net earnings	Shares	Per share
Basic earnings per common share	$ 39,843	69,545	$ 0.57
Effect of dilutive stock options		1,095	
Diluted earnings per common share	$ 39,843	70,640	$ 0.56

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

For the six months ended June 30, 2006 and 2005, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of Rent-A-Center common stock, and therefore anti-dilutive, was 1,745,980 and 1,936,095, respectively.

For the three months ended June 30, 2006 and 2005, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of Rent-A-Center common stock, and therefore anti-dilutive, was 1,648,660 and 1,948,595, respectively.

4. *Subsidiary Guarantors.*

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

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

- incur additional debt;
- sell assets or its subsidiaries;
- grant liens to third parties;
- pay dividends or repurchase stock (subject to a restricted payments basket for which $120.7 million was available for use as of June 30, 2006); and
- engage in a merger or sell substantially all of its assets.

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

The 7 1/2% notes may be redeemed on or after May 1, 2006, at our option, in whole or in part, at a premium declining from 103.75%. The 7 1/2% notes also require that upon the occurrence of a change of control (as defined in the 2003 indenture), the holders of the notes have the right to require Rent-A-Center to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facility.

Rent-A-Center and the Subsidiary Guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to the 7 1/2% notes. Rent-A-Center has no independent assets or operations, and each Subsidiary Guarantor is 100% owned directly or indirectly by Rent-A-Center. The only direct or indirect subsidiaries of Rent-A-Center that are not guarantors are minor subsidiaries. There are no restrictions on the ability of any of the Subsidiary Guarantors to transfer funds to Rent-A-Center in the form of loans, advances or dividends, except as provided by applicable law.

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5. *Stock Repurchase Plan.*

Our Board of Directors has authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $400.0 million of Rent-A-Center common stock. As of June 30, 2006, we had purchased a total of 14,628,800 shares of Rent-A-Center common stock for an aggregate of $360.8 million under this common stock repurchase program. No repurchases were made in the second quarter of 2006.

6. *Guarantees.*

ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., which provides $50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. The Wells Fargo agreement expires on September 30, 2006. Although we believe we will be able to renew our existing agreement or find other financing arrangements, there can be no assurance that we will not need to fund the foregoing guarantee upon the expiration of the existing agreement. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $70.0 million, of which $31.7 million was outstanding as of June 30, 2006. Mark E. Speese, Rent-A-Center's Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

Other Guarantees. We also provide assurance to our insurance providers that if they are not able to draw funds from us for claims paid, they have the ability to draw against our letters of credit. Generally, our letters of credit are renewed automatically every year unless we notify the institution not to renew. At June 30, 2006, we had $107.5 million in outstanding letters of credit under our senior credit facilities, all of which is supported by our $250.0 million revolving facility.

7. *Store Consolidation Plan.*

On September 6, 2005, we announced our plan to close up to 162 stores by December 31, 2005. The decision to close these stores was based on management's analysis and evaluation of the markets in which we operate, including our market share, operating results, competitive positioning and growth potential for the affected stores. The 162 stores included 114 stores that we intended to close and merge with our existing stores and up to 48 additional stores that we intended to sell, merge with a potential acquisition or close by December 31, 2005. As of June 30, 2006, we had closed and merged all of the 114 stores identified and sold 37 and closed and merged one of the additional 48 stores on the plan. We intend to keep open the 10 remaining stores.

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We estimated that we would incur restructuring expenses in the range of $12.1 million to $25.1 million, to be recorded in the third and fourth quarters of the fiscal year ending December 31, 2005, based on the closing date of the stores. The following table presents the original range of estimated charges, the total store consolidation plan charges recorded through June 30, 2006, the estimated range of remaining charges to be recorded in the fiscal year ending December 31, 2006:

	Closing Plan Estimate			Expense recognized through June 30, 2006	Estimated remaining charges for 2006
	(In thousands)				
Lease obligations	$ 8,661	—	$ 13,047	$ 9,261	$ —
Fixed asset disposals	2,630	—	4,211	3,358	—
Net proceeds from stores sold			—	(3,000)	—
Other costs (1)	830	—	7,875	4,822	—
Total	$ 12,121	—	$ 25,133	$ 14,441	$ —

The following table shows the changes in the accrual balance from December 31, 2005 to June 30, 2006, relating to our store consolidation plan.

	December 31, 2005 Balance	Charges to Expense	Cash Payments	June 30, 2006 Balance
	(In thousands)			
Lease obligations	$ 5,364	$ —	$ (3,120)	$ 2,244
Other costs (1)	91	—	(91)	—
Total	$ 5,455	$ (551)	$ (2,660)	$ 2,244

(1) Goodwill write-off charges are the primary component of other costs. Additional costs include inventory disposals and the removal of signs and various assets from vacated locations.

We expect the total estimated cash outlay in connection with the store consolidation plan to be between $9.0 million to $9.3 million. The total amount of cash used in the store consolidation plan through June 30, 2006 was approximately $7.1 million. Therefore, we expect to use approximately $2.2 million of cash on hand for future payments primarily related to the satisfaction of lease obligations for closed stores.

8. *Subsequent Events.*

New Senior Credit Facilities. On July 13, 2006, we announced the completion of the refinancing of our senior secured debt. Our new $725.0 million senior credit facilities consist of a $200.0 million five-year term loan, a $125.0 million six-year term loan and a $400.0 million five-year revolving credit facility. On that day, we drew down the $325.0 million in term loans and $88.0 million of revolving facility and utilized the proceeds to repay our existing senior term debt. In connection with the refinancing, we will record a $2.2 million non-cash charge to write off the remaining unamortized balance of financing costs from our previous credit agreement in the third quarter of 2006.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

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

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

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under “Risk Factors” later in this report as well as our Annual Report on Form 10-K for our fiscal year ended December 31, 2005. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

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Our Business

We are the largest rent-to-own operator in the United States with an approximate 33% market share based on store count. At June 30, 2006, we operated 2,749 company-owned stores nationwide and in Canada and Puerto Rico, including 21 stores located in Wisconsin and operated by our subsidiary Get It Now, LLC under the name "Get It Now" and six stores located in Canada and operated by our subsidiary Rent-A-Centre Canada, Ltd., under the name "Rent-A-Centre." Another of our subsidiaries, ColorTyme, is a national franchisor of rent-to-own stores. At June 30, 2006, ColorTyme had 295 franchised stores in 38 states, 287 of which operated under the ColorTyme name and 8 stores of which operated under the Rent-A-Center name.

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

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

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

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

Furthermore, we are evaluating other growth strategies, including offering additional products and services designed to appeal to our customer demographic, both through our new and existing rent-to-own stores as well as the entry into additional lines of business. In 2005, we began offering an array of financial services in addition to traditional rent-to-own products in some of our existing rent-to-own stores. These financial services include, but are not limited to, short term secured and unsecured loans, bill paying, debit cards, check cashing and money transfer services. We believe that traditional financial services providers ineffectively market to our customer base and that an opportunity exists for us to leverage our knowledge of this demographic, as well as our operational infrastructure, into a complementary line of business offering financial services designed to appeal to our customer demographic. As of June 30, 2006, 77 locations in the western United States were offering some or all of these financial services. We intend to offer these financial services in 140 to 160 Rent-A-Center store locations by the end of 2006. There can be no assurance that we will be successful in our efforts to expand our operations to include such complementary financial services, or that such operations, should they be added, will prove to be profitable.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Recent Developments

On July 13, 2006, we announced the completion of the refinancing of our senior secured debt. Our new $725.0 million senior credit facilities consist of a $200.0 million five-year term loan, a $125.0 million six-year term loan and a $400.0 million five-year revolving credit facility. On that day, we drew down the $325.0 million in term loans and $88.0 million of revolving facility and utilized the proceeds to repay our existing senior term debt. In connection with the refinancing, we will record a $2.2 million non-cash charge to write off the remaining unamortized balance of financing costs from our previous credit agreement in the third quarter of 2006.

As of July 26, 2006, we have acquired one new store and accounts from five stores, opened one new store and closed two stores during the third quarter of 2006. Both closed stores were merged with existing locations. We intend to increase the number of rent-to-own stores we operate by an average of approximately 5% per year over the next several years. Additionally, as of July 26, 2006, we have added financial services to four additional existing rent-to-own locations during the third quarter of 2006.

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

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent 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. We believe the following are areas where the degree of judgment and complexity in determining amounts recorded in our consolidated financial statements make the accounting policies critical.

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

We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, which are prepared using methods and assumptions in accordance with standard actuarial practice, and third party claim administrator loss estimates which are based on known facts surrounding individual claims. Periodically, we reevaluate our estimate of liability within our self-insured retentions, including our assumptions related to our loss forecasts and estimates, using updated actuarial loss forecasts and currently valued third party claim administrator loss estimates. We evaluate the adequacy of our accruals by comparing amounts accrued on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third party claim administrator loss estimates, and make adjustments to our accruals as needed based upon such review. Prior to the quarter ended June 30, 2006, we used only general industry loss development factors in developing our estimate. Beginning with the quarter ended June 30, 2006, we also use company specific development factors developed by independent actuaries and based on our loss experience to determine our reserves.

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

As of June 30, 2006, the net amount accrued for losses within our self-insured retentions was $98.5 million, as compared to $92.5 million at June 30, 2005. The increase in the net amount accrued for the 2006 period is a result of an estimate for new claims expected for the current policy period, which incorporates increases in health care costs, and the net effect of prior period claims which have closed or for which additional development or changes in estimates have occurred. The net amount accrued for losses within our self-insured retentions at June 30, 2006 reflects a benefit of approximately $2.0 million from the normal accrual level resulting from the use of certain company specific loss development factors developed by independent actuaries, rather than the general industry loss development factors we previously used.

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

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Each quarter, we make estimates of our probable liabilities, if reasonably estimable, and record such amounts in our consolidated financial statements. These amounts represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to reflect current facts and circumstances. As of June 30, 2006, we had accrued $2.6 million for anticipated legal fees and expenses for our material litigation (discussed in "Legal Proceedings" later in this report), as well as provisions for losses incurred or expected to be incurred with respect to litigation arising in the ordinary course of business which we do not believe are material, as compared to $2.5 million for the quarter ended June 30, 2005.

The ultimate outcome of our litigation is uncertain, and the amount of loss we may incur, if any, cannot in our judgment be reasonably estimated. Additional developments in our litigation or other adverse or positive developments or rulings in our litigation, could affect our assumptions and thus, our accrual.

Income Tax Reserves. We are subject to federal, state, local and foreign income taxes. We estimate our liabilities for income tax exposure by evaluating our income tax reserves each quarter based on the information available to us, and establishing reserves in accordance with the criteria for accrual under SFAS No. 5. In estimating this liability, we evaluate a number of factors in ascertaining whether we may have to pay additional taxes and interest when all examinations by taxing authorities are concluded. The actual amount accrued as a liability is based on an evaluation of the underlying facts and circumstances, a thorough research of the technical merits of our tax positions taken, and an assessment of the chances of us prevailing in our tax positions. We consult with external tax advisers in researching our conclusions. At June 30, 2006, we had accrued $5.4 million relating to our contingent liabilities for income taxes, as compared to $9.3 million at June 30, 2005. The decrease in the amount accrued at June 30, 2006 primarily relates to 2005 adjustments made for the reversal of a $3.3 million state tax reserve in connection with a change in estimate as well as a $2.0 million tax audit reserve credit associated with the favorable resolution of our 1998 and 1999 federal tax returns, offset slightly by our normal tax accruals.

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

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe that our consolidated financial statements provide a meaningful and fair perspective of our company. However, we do not suggest that other general risk factors, such as those discussed later in this report and in our Annual Report on Form 10-K for our fiscal year ended December 31, 2005 as well as changes in our growth objectives or performance of new or acquired stores, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Significant Accounting Policies

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

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

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

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Depreciation of Rental Merchandise. Depreciation of rental merchandise is included in the cost of rentals and fees on our statement of earnings. We depreciate our rental merchandise using the income forecasting method. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity-based method similar to the units of production method. On computers that are 24 months old or older and which have become idle, depreciation is recognized using the straight-line method for a period of at least six months, generally not to exceed an aggregate depreciation period of 36 months. The purpose is to better reflect the depreciable life of a computer in our stores and to encourage the sale of older computers.

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

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

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

Results of Operations

Six Months Ended June 30, 2006 compared to Six Months Ended June 30, 2005

Store Revenue. Total store revenue increased by $7.4 million, or 0.6%, to $1,168.2 million for the six months ended June 30, 2006 as compared to $1,160.8 million for the six months ended June 30, 2005. The increase in total store revenue is primarily attributable to an increase in same store sales of approximately $13.6 million, offset by the revenue lost from the stores that were closed or sold during the 12 month period ending June 30, 2006.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire six month periods ending June 30, 2006 and 2005, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues increased by $13.6 million, or 1.4%, to $961.6 million for the six months ended June 30, 2006 as compared to $948.0 million in 2005. This increase in same store revenues was primarily attributable to our change in promotional activities and an increase in the number of units on rent during the first six months of 2006 as compared to 2005.

Franchise Revenue. Total franchise revenue increased by $848,000, or 3.9%, to $22.4 million for the six months ended June 30, 2006 as compared to $21.6 million in 2005. This increase was primarily attributable to an increase in the number of new franchisees purchasing merchandise in the first six months of 2006 as compared to the first six months of 2005.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs. Cost of rentals and fees increased by approximately $1.0 million, or 0.4%, to $227.5 million for the six months ended June 30, 2006 as compared to $226.5 million in 2005. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue remained constant at 21.7% for the six months ended June 30, 2006 and 2005.

Cost of Merchandise Sold. Cost of merchandise sold increased by $2.2 million, or 3.2%, to $72.5 million for the six months ended June 30, 2006 as compared to $70.3 million in 2005. This increase was primarily a result of an increase in the number of items sold during the first six months of 2006 as compared to the first six months 2005. The gross margin percent of merchandise sales decreased to 29.3% in the first six months of 2006 from 29.9% in the first six months of 2005. This decrease was primarily attributable to a decrease in the average selling price of merchandise sold during the first six months of 2006 as compared to 2005.

Salaries and Other Expenses. Salaries and other expenses increased by $4.9 million, or 0.7%, to $671.9 million for the six months ended June 30, 2006 as compared to $667.0 million in 2005. This slight increase is primarily the result of an increase in salaries and wages of approximately $3.8 million due to the recognition of stock option expense as well as higher fuel expenses relating to product deliveries and utility costs. Salaries and other expenses expressed as a percentage of total store revenue remained constant at 57.5% for the six months ended June 30, 2006 and 2005.

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Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $1.1 million, or 6.1%, to $19.1 million for the six months ended June 30, 2006 as compared to $18.0 million in 2005. This increase was primarily attributable to an increase in the number of new franchisees purchasing merchandise in the first six months of 2006 as compared to the first six months of 2005.

General and Administrative Expenses. General and administrative expenses increased by $2.7 million, or 6.8%, to $42.2 million for the six months ended June 30, 2006, as compared to $39.5 million in 2005. General and administrative expenses expressed as a percentage of total revenue increased to 3.5% for the six months ended June 30, 2006 as compared to 3.3% for the six months ended June 30, 2005. These increases are primarily attributable to additional personnel and related expansion at our corporate office to support growth, including our plans to expand into complimentary lines of business in our rent-to-own stores.

Amortization of Intangibles. Amortization of intangibles decreased by $2.6 million, or 58.8%, to $1.8 million for the six months ended June 30, 2006 as compared to $4.5 million in 2005. This decrease was primarily attributable to the completed customer relationship amortization associated with previous acquisitions, such as the acquisition of Rainbow Rentals, Inc. and Rent-Rite in 2004.

Operating Profit. Operating profit decreased by $8.3 million, or 5.2%, to $150.7 million for the six months ended June 30, 2006 as compared to $159.0 million in 2005. Operating profit as a percentage of total revenue decreased to 12.7% for the six months ended June 30, 2006 from 13.4% for the six months ended June 30, 2005. These decreases were primarily attributable to the $8.0 million litigation reversion recorded in the first quarter of 2005.

Interest expense. Interest expense increased by $4.7 million, or 21.6%, to $26.3 million for the six months ended June 30, 2006 as compared to $21.6 million in 2005. This increase was primarily attributable to increased borrowings under our revolving credit facility during the first six months of 2006 as compared to the first six months of 2005, as well as an increase in our weighted interest rate to 7.12% during the first six months of 2006 as compared to 5.40% during the first six months of 2005.

Net Earnings. Net earnings decreased by $9.2 million, or 10.3%, to $80.2 million for the six months ended June 30, 2006 as compared to $89.4 million in 2005. This decrease was primarily attributable to the $8.0 million litigation reversion recorded in the first quarter of 2005.

Three Months Ended June 30, 2006 compared to Three Months Ended June 30, 2005

Store Revenue. Total store revenue increased by $2.7 million, or 0.5%, to $574.5 million for the three months ended June 30, 2006 as compared to $571.8 million for the three months ended June 30, 2005. The increase in total store revenue is primarily attributable to an increase in same store sales of approximately $5.1 million, offset by the revenue lost from the stores that were closed or sold during the 12 month period ending June 30, 2006.

Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending June 30, 2006 and 2005, excluding store locations that received accounts through an acquisition or merger of an existing store location. Same store revenues increased by $5.1 million, or 1.1%, to $481.6 million for the three months ended June 30, 2006 as compared to $476.4 million in 2005. This increase in same store revenues was primarily attributable to our change in promotional activities and an increase in the number of units on rent during the quarter ended June 30, 2006 as compared to 2005.

Franchise Revenue. Total franchise revenue increased by $311,000, or 3.5%, to $9.1 million for the three months ended June 30, 2006 as compared to $8.8 million in 2005. This increase was primarily attributable to an increase in the number of new franchisees purchasing merchandise in the second quarter of 2006 as compared to the second quarter of 2005.

Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise and the costs associated with our membership programs. Cost of rentals and fees increased by approximately $665,000, or 0.6%, to $114.7 million for the three months ended June 30, 2006 as compared to $114.1 million in 2005. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased slightly to 21.8% for the quarter ended June 30, 2006 as compared to 21.7% for the quarter ended June 30, 2005.

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Cost of Merchandise Sold. Cost of merchandise sold increased by $178,000, or 0.6%, to $28.4 million for the three months ended June 30, 2006 as compared to $28.2 million in 2005. This increase was primarily a result of an increase in the number of items sold during the second quarter of 2006 as compared to the second quarter of 2005. The gross margin percent of merchandise sales increased to 26.1% in the second quarter of 2006 from 24.7% in the second quarter of 2005. This increase was primarily attributable to less promotional activity in the second quarter of 2006 as compared to the second quarter of 2005.

Salaries and Other Expenses. Salaries and other expenses increased by $174,000, or 0.1%, to $333.1 million for the three months ended June 30, 2006 as compared to $332.9 million in 2005. Salaries and other expenses expressed as a percentage of total store revenue decreased slightly to 58.0% for the three months ended June 30, 2006 as compared to 58.2% for the three months ended June 30, 2005.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $417,000, or 5.8%, to $7.6 million for the three months ended June 30, 2006 as compared to $7.2 million in 2005. This increase was primarily attributable to an increase in the number of new franchisees purchasing merchandise in the second quarter of 2006 as compared to the second quarter of 2005.

General and Administrative Expenses. General and administrative expenses increased by approximately $1.0 million, or 4.7%, to $21.3 million for the three months ended June 30, 2006, as compared to $20.3 million in 2005. General and administrative expenses expressed as a percentage of total revenue increased to 3.6% for the three months ended June 30, 2006 as compared to 3.5% for the three months ended June 30, 2005. These slight increases are primarily attributable to additional personnel and related expansion at our corporate office to support growth, including our plans to expand into complimentary lines of business in our rent-to-own stores.

Amortization of Intangibles. Amortization of intangibles decreased by $1.2 million, or 55.9%, to $1.0 million for the three months ended June 30, 2006 as compared to $2.2 million in 2005. This decrease was primarily attributable to the completed customer relationship amortization associated with previous acquisitions, such as the acquisition of Rainbow Rentals, Inc. and Rent-Rite in 2004.

Operating Profit. Operating profit increased by $2.2 million, or 3.0%, to $75.2 million for the three months ended June 30, 2006 as compared to $73.0 million in 2005. Operating profit as a percentage of total revenue increased to 12.9% for the three months ended June 30, 2006 as compared to 12.6% for the three months ended June 30, 2005. These increases are primarily related to the increased store revenues and a decrease in amortization of intangibles as mentioned above.

Interest expense. Interest expense increased by $2.5 million, or 23.3%, to $13.3 million for the three months ended June 30, 2006 as compared to $10.8 million in 2005. This increase was primarily attributable to increased borrowings under our revolving credit facility during the second quarter of 2006 as compared to the second quarter of 2005, as well as an increase in our weighted interest rate to 7.12% during the second quarter of 2006 as compared to 5.40% during the second quarter of 2005.

Net Earnings. Net earnings decreased by $1.9 million, or 4.5%, to $39.8 million for the three months ended June 30, 2006 as compared to $41.7 million in 2005. This decrease was primarily attributable to the $2.0 million tax audit reserve credit recorded in 2005.

Liquidity and Capital Resources

Cash provided by operating activities decreased by $21.2 million to $35.0 million for the six months ended June 30, 2006 as compared to $56.2 million in 2005. This decrease is primarily attributable to increased inventory purchases during the first six months of 2006 as compared to 2005 offset by changes in deferred income taxes resulting from the reversal of the effect that the Job Creation and Workers Assistance Act of 2002 had on our cash flow as discussed under *Deferred Taxes* below.

Cash used in investing activities increased by $3.3 million to $53.0 million during the six month period ended June 30, 2006 as compared to $49.7 million in 2005. This increase is primarily attributable to an increase in property assets purchased in the first six months of 2006 as compared to 2005, offset by a decrease in the amount spent on acquisitions.

Cash provided by financing activities increased by $41.7 million to $1.6 million during the six month period ended June 30, 2006 as compared to cash used of $40.1 million in 2005. This increase is primarily a result of the changes in our outstanding debt.

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

We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our debt service requirements, rental merchandise purchases, capital expenditures, and our store expansion programs during the next twelve months. At July 26, 2006, we had $35.8 million in cash. To the extent we have available cash that is not necessary to fund the items listed above, we intend to repurchase additional shares of our common stock, repurchase some of our outstanding subordinated notes, as well as 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.

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

Litigation. From time to time, we are party to various legal proceedings arising in the ordinary course of business. Historically, we have funded settlements or judgments with respect to such legal proceedings out of cash flow generated from operations. Settlements or judgments against us on our existing litigation could affect our liquidity. We believe that the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund any such settlement or judgment without adversely affecting our liquidity in a material way.

Deferred Taxes. On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30% of the basis of qualifying property is deductible in the year the property is placed in service, with the remaining 70% of the basis depreciated under the normal tax depreciation rules. For assets placed in service between May 6, 2003 and December 31, 2004, the Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the percent of the basis of qualifying property deductible in the year the property is placed in service from 30% to 50%. Accordingly, our cash flow benefited from the resulting lower cash tax obligations in those prior years. We estimate that our operating cash flow increased by approximately $85.3 million through 2004, on a net cumulative basis, from the accelerated depreciation deductions on rental merchandise. The associated deferred tax liabilities are expected to reverse over a three year period which began in 2005. Approximately $67.0 million, or 79%, reversed in 2005. We expect that $15.2 million, or 18%, will reverse in 2006 and the remaining $3.1 million will reverse in 2007, which will result in additional cash taxes and a corresponding decrease in our deferred tax liabilities discussed above.

Rental Merchandise Purchases. We purchased $393.0 million and $345.0 million of rental merchandise during the six month periods ended June 30, 2006 and 2005, respectively.

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent $33.3 million and $23.9 million on capital expenditures during the six month periods ended June 30, 2006 and 2005, respectively, and expect to spend approximately $50.0 million for the remainder of 2006, which includes amounts we intend to spend with respect to expanding our financial services business and our new corporate headquarters facility as discussed below.

In December 2005, we acquired approximately 15 acres of land located in Plano, Texas, on which we are building a new corporate headquarters facility. The purchase price for the land was approximately $5.2 million. Building costs are expected to be in the range of $22.5-$27.5 million, and construction began in January 2006. Building costs will be paid on a percentage of completion basis throughout the construction period, and the building is expected to be completed during the

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first quarter of 2007. We intend to finance this project from cash flow generated from operations. As of June 30, 2006, we have spent approximately $4.5 million in construction costs and expect to spend the remaining $18.0-$23.0 million by the end of 2006. Our remaining lease obligation on our existing location, as of the estimated move date, will be approximately $4.9 million. We anticipate subleasing some or all of the space at our current location to offset the remaining lease obligation. Additionally, we have adjusted the depreciable life on the assets which will be abandoned upon our move to the new facility.

Acquisitions and New Store Openings. During the first six months of 2006, we acquired 18 stores, accounts from 20 additional locations, opened 19 new stores, and closed 48 stores. Of the closed stores, 33 were merged with existing store locations and 15 stores were sold. The acquired stores and accounts were the result of 21 separate transactions with an aggregate price of approximately $21.4 million. Additionally, during the first six months of 2006, we have added financial services to 38 existing rent-to-own store locations, consolidated one store with financial services into an existing location and ended the second quarter of 2006 with a total of 77 stores providing these services.

As of July 26, 2006, we have acquired one new store and accounts from five stores, opened one new store and closed two stores during the third quarter of 2006. Both closed stores were merged with existing locations. We intend to increase the number of rent-to-own stores we operate by an average of approximately 5% per year over the next several years. Additionally, as of July 26, 2006, we have added financial services to four additional existing rent-to-own locations during the third quarter of 2006.

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

Senior Credit Facilities. As of June 30, 2006, our previous senior credit facilities consisted of a $350.0 million term loan and a $250.0 million revolving credit facility. As of June 30, 2006, $72.5 million was available under our previous revolving facility.

The table below shows the scheduled maturity dates of our senior debt outstanding at June 30, 2006.

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2006	$ 1,750
2007	3,500
2008	3,500
2009	168,000
2010	166,250
Thereafter	—
	$ 343,000

On July 13, 2006, we announced the completion of the refinancing of our new senior secured debt. Our new $725.0 million senior credit facilities consist of a $200.0 million five-year term loan, a $125.0 million six-year term loan and a $400.0 million five-year revolving credit facility. On that day, we drew down the $325.0 million in term loans and $88.0 million of revolving facility and utilized the proceeds to repay our existing senior term debt. In connection with the refinancing, we will record a $2.2 million non-cash charge to write off the remaining unamortized balance of financing costs from our previous credit agreement in the third quarter of 2006.

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The table below shows the scheduled maturity dates of our new term debt outstanding as if it was outstanding on June 30, 2006.

YEAR ENDING DECEMBER 31,	(IN THOUSANDS)
2006	$ 5,625
2007	11,250
2008	11,250
2009	16,250
2010	86,250
Thereafter	194,375
	$ 325,000

The full amount of the new revolving credit facility may be used for the issuance of letters of credit, of which $107.7 million had been utilized as of July 26, 2006. The revolving credit facility expires in July 2011 and the term loans expire in 2012.

Borrowings under our new revolving credit facility bear interest at varying rates equal to the Eurodollar rate plus 0.75% to 1.50%, or the prime rate plus up to 0.50%, at the our election. The margins on the Eurodollar rate and on the prime rate, which are initially 1.0 and 0.0 respectively, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under the senior credit facility. A commitment fee equal to 0.15% to 0.375% of the unused portion of the revolving credit facility is payable quarterly, and fluctuates dependent upon an increase or decrease in our consolidated leverage ratio. The initial commitment fee is equal to 0.20% of the unused portion of the revolving credit facility.

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

Subject to a number of exceptions, the new senior credit facility contains, without limitation, covenants that generally limit our ability to:

- incur additional debt in excess of $150 million at any one time outstanding (other than subordinated debt, which is generally permitted if the maturity date is later than July 13, 2012);
- repurchase our capital stock and 7 1/2% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x (subject to a restricted payments basket, for which approximately $120.0 million is available for use as of July 13, 2006);
- 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 it meets financial tests and other requirements;
- make capital expenditures; or
- enter into new lines of business.

Our new senior credit facilities require us to comply with several financial covenants, including a maximum consolidated leverage ratio and a minimum fixed charge coverage ratio. At June 30, 2006, we were in compliance with our previous covenants and the table below shows the required and actual ratios under our new credit facilities calculated as at June 30, 2006.

	Required ratio		Actual ratio
Maximum consolidated leverage ratio	No greater than	3.25:1	2.12:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.94:1

Events of default under the senior credit facility 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 occurred. 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 $20.0 million or more and such judgments were not satisfied or bonded pending appeal within 30 days after entry.

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We utilize our new 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 new revolving credit facility for general corporate purposes. The funds drawn on individual occasions under our previous revolving credit facility have varied in amounts of up to $50.0 million, with total amounts outstanding ranging from $10.0 million up to $88.0 million. The amounts drawn are generally outstanding for a short period of time and are generally paid down as cash is received from our operating activities.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of July 26, 2006 except with respect to operating leases, which are as of June 30, 2006:

	Payments due by period				
	Total	2006	2007 - 2008 (In thousands)	2009 - 2010	Thereafter
Contractual Cash Obligations					
Senior Credit Facilities (including current portion)	$ 395,000(1)	$ 5,625	$ 22,500	$ 102,500	$ 264,375
7 1/2% Senior Subordinated Notes(2)	390,000	11,250	45,000	333,750	0
Operating Leases	475,581	87,725	255,597	120,066	12,193
Total	$ 1,260,581	$ 104,600	$ 323,097	$ 556,316	$ 276,568

(1) Amount referenced does not include the interest on our new senior credit facilities. Our new senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus 0.75% to 1.50% or the prime rate plus up to 0.50% at our election. The weighted average Eurodollar rate on our outstanding debt at June 30, 2006 was 5.39%.

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

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

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

- incur additional debt;
- sell assets or our subsidiaries;
- grant liens to third parties;
- pay dividends or repurchase stock (subject to a restricted payments basket for which $120.7 million was available for use as of June 30, 2006); and
- engage in a merger or sell substantially all of its assets.

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

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

Real Estate Leases. We lease space for all of our stores and service center locations, as well as our corporate and regional offices under operating leases expiring at various times through 2013. 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.

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ColorTyme Guarantee. ColorTyme is a party to an agreement with Wells Fargo Foothill, Inc., which provides $50.0 million in aggregate financing to qualifying franchisees of ColorTyme generally of up to five times their average monthly revenues. Under the Wells Fargo agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Wells Fargo can assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme paying the outstanding debt to Wells Fargo and then succeeding to the rights of Wells Fargo under the debt agreements, including the right to foreclose on the collateral. The Wells Fargo agreement expires on September 30, 2006. Although we believe we will be able to renew our existing agreement or find other financing arrangements, there can be no assurance that we will not need to fund the foregoing guarantee upon the expiration of the existing agreement. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association under an agreement similar to the Wells Fargo financing. Rent-A-Center East guarantees the obligations of ColorTyme under each of these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, up to a maximum amount of $70.0 million, of which $31.7 million was outstanding as of June 30, 2006. Mark E. Speese, Rent-A-Center's Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

Repurchases of Outstanding Securities. Our Board of Directors has authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $400.0 million of Rent-A-Center common stock. As of June 30, 2006, we had purchased a total of 14,628,800 shares of Rent-A-Center common stock for an aggregate of $360.8 million under this common stock repurchase program, none of which were repurchased in the second quarter of 2006.

Store Consolidation Plan. We expect the total estimated cash outlay in connection with the store consolidation plan to be between $9.0 million to $9.3 million. The amount of cash used in the store closing plan through the first six months of 2006 was $7.1 million. Therefore, we expect to use approximately $2.2 million of cash on hand for future payments primarily related to the satisfaction of lease obligations for closed stores. Please see "Note 8. Store Consolidation Plan" in this report for more information on our store consolidation plan.

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

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity

As of June 30, 2006, we had $300.0 million in subordinated notes outstanding at a fixed interest rate of 7 1/2%, $343.0 million in term loans, $45.0 in revolving credit outstanding at interest rates indexed to the Eurodollar rate, $25.0 million outstanding on our line of credit at interest rates discounted from prime and $4.2 million outstanding on our Intrust line of credit. The fair value of the subordinated notes is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of the 7 1/2% subordinated notes at June 30, 2006 was $299.3 million. As of June 30, 2006, we have not entered into any interest rate swap agreements with respect to term loans under our senior credit facilities.

Market Risk

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

Interest Rate Risk

We hold long-term debt with variable interest rates indexed to prime or Eurodollar rate that exposes us to the risk of increased interest costs if interest rates rise. Based on our overall interest rate exposure at June 30, 2006, a hypothetical 1.0% increase or decrease in interest rates would have the effect of causing a $377,000 additional pre-tax charge or credit to our statement of earnings than would otherwise occur if interest rates remained unchanged.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective.

Changes in internal controls. For the quarter ended June 30, 2006, 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.

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PART II — Other Information

Item 1. Legal Proceedings.

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. Except as described below, we are not currently a party to any material litigation. The ultimate outcome of our litigation is uncertain and the amount of any loss we may incur, if any, cannot in our judgment be reasonably estimated. Accordingly, other than with respect to anticipated legal fees and expenses for our material litigation discussed below, as well as provisions for losses incurred or expected to be incurred with respect to litigation arising in the ordinary course of business which we do not believe are material, no provision has been made in our consolidated financial statements for any such loss. As of June 30, 2006, we had accrued $2.6 million relating to our outstanding litigation.

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

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

From June 2003 until May 2005, there was no activity in this case. On May 18, 2005, we filed a motion to dismiss the plaintiff's claim and to decertify the class, based upon the plaintiff's failure to schedule her claim in this matter in her earlier voluntary bankruptcy proceeding. The plaintiff opposed our motion to dismiss the case and asked the court to grant it an opportunity to find a substitute class representative in the event the court determined Ms. Colon was no longer adequate. On January 17, 2006, the court issued an order denying our motion to dismiss, but indicated that Ms. Colon was not a suitable class representative and noted that no motion to intervene to add additional class representatives had been filed. On March 14, 2006, plaintiffs' counsel filed a motion seeking leave to intervene Shaun Kelly as an additional class representative. In response to plaintiffs' motion, the court ordered the parties to confer regarding a possible mediation and ruled that we could depose Mr. Kelly before filing any objection to his intervention. Plaintiffs' counsel has not responded to our request to schedule Mr. Kelly's deposition. If the court ultimately allows Mr. Kelly to intervene and enters a final certification order, we intend to pursue an interlocutory appeal of such certification order.

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

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

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

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

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

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

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

California Attorney General Inquiry. During the second quarter of 2004, we received an inquiry from the California Attorney General regarding our business practices in California with respect to our cash prices and our membership program. We met with representatives of the Attorney General's office during 2005 and 2006, and have provided additional information as requested. Our discussions are continuing with the Attorney General's office regarding these issues, and include possible legislative solutions as well as possible changes in certain of our business practices in California. We do not believe that the resolution of these issues with the California Attorney General will have a material adverse impact on our financial position, cash flows or ongoing operations.

Hilda Perez v. Rent-A-Center, Inc., et al. On March 15, 2006, we were notified that the Supreme Court of New Jersey reinstated claims made by the plaintiff in a matter styled *Hilda Perez v. Rent-A-Center, Inc*. The matter is a putative class action filed in the Superior Court, Law Division, Camden County, New Jersey on March 21, 2003, arising out of several rent-to-own contracts Ms. Perez entered into with us. The requested class period is April 23, 1999 to the present.

In her amended complaint, Perez alleges on behalf of herself and a class of similarly situated individuals that the rent-to-own contracts she entered into with us violated New Jersey's Retail Installment Sales Act ("RISA") and, as a result, New Jersey's Consumer Fraud Act ("CFA") because such contracts imposed a time price differential in excess of the 30% per annum interest rate permitted under New Jersey's criminal usury statute. Perez alleges that RISA incorporates the 30% interest rate limit, limiting time price differentials to 30% per annum. Perez seeks reimbursement of the excess fees and/or interest

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contracted for, charged and collected, together with treble damages, and an injunction compelling us to cease the alleged violations. Perez also seeks pre-judgment and post-judgment interest, together with attorneys' fees and costs and disbursements.

Following the filing of her amended complaint, we filed a counterclaim to recover the merchandise retained by Perez after she ceased making rental payments. Perez answered the counterclaim, denying liability and claiming entitlement to the items she rented from us. In August 2003, Perez moved for partial summary judgment and we cross-moved for summary judgment. In January 2004, the trial court held that rent-to-own transactions are not covered by RISA nor subject to the interest rate limit in New Jersey's criminal usury statute. The court granted our cross-motion, dismissing Perez's claims under RISA and the CFA. Perez then appealed to the Superior Court of New Jersey, Appellate Division. Oral argument before the Appellate Division occurred in December 2004, and in February 2005 the Appellate Division rejected Perez's arguments and ruled in our favor on all of her claims. Perez subsequently appealed to the Supreme Court of New Jersey, who heard oral arguments in November 2005.

On March 15, 2006, the Supreme Court of New Jersey reversed the judgment of the trial court and the Appellate Division and remanded the case to the trial court for reinstatement of Perez's complaint and for further proceedings. In its decision, the Supreme Court held that rent-to-own contracts in New Jersey are "retail installment contracts" under RISA, and that RISA incorporates the 30% interest rate cap in New Jersey's criminal usury statute. The court rejected our legal arguments and reinstated Perez's claims under RISA and the CFA. We filed a motion for reconsideration with the Supreme Court of New Jersey, and in response, the court issued an order on July 10, 2006 stating that the March 15, 2006 decision is prospective, except that it applies to plaintiff and, if the trial court certifies a class, to the members of the class.

We intend to vigorously defend ourselves in this matter. No class has been certified by the trial court and no finding of liability or damages has been made by the court against us. In addition, we believe we have valid arguments precluding retroactive application of the court's decision to members of the putative class and limiting the damages sought by Perez under both RISA and the CFA. We are considering an appeal to the United States Supreme Court. Such an appeal must be filed no later than October 9, 2006.

In light of the Supreme Court of New Jersey's decision, we have addressed the impact of the decision on our operations in New Jersey and have implemented certain changes to mitigate that impact. We currently operate 43 stores in New Jersey and estimate that we entered into approximately 400,000 rent-to-own contracts in New Jersey from April 23, 1999 until the time we changed our business practices. We estimate the average amount paid on these agreements is approximately $840. Although we intend to vigorously defend ourselves in this matter, we cannot assure you that we will be found to ultimately have no liability. An adverse decision in this matter could have a material and adverse impact on our financial position and cash flow.

State Wage and Hour Class Actions

We are currently subject to various material actions pending against us in the state of California, all of which allege we violated the wage and hour laws of such state.

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

review of the trial court's decision. The California Court of Appeals heard oral arguments in this matter on August 29, 2005, and ruled against the plaintiffs, denying the requested relief. The case has been returned to the trial court as previously ordered.

On October 30, 2003, the plaintiffs' counsel in *Burdusis* and *French* filed a new non-class lawsuit in Orange County, California entitled *Kris Corso, et al. v. Rent-A-Center, Inc*. The plaintiffs' counsel later amended this complaint to add additional plaintiffs, totaling approximately 339 individuals. The claims made are substantially the same as those in *Burdusis*. On January 16, 2004, we filed a demurrer to the complaint, arguing, among other things, that the plaintiffs in *Corso* were misjoined. On February 19, 2004, the court granted our demurrer on the misjoinder argument, with leave for the plaintiffs to replead. On March 8, 2004, the plaintiffs filed an amended complaint in *Corso*, increasing the number of plaintiffs to approximately 400. The claims in the amended complaint are substantially the same as those in *Burdusis*. We filed a demurrer with respect to the amended complaint on April 12, 2004, which the court granted on May 6, 2004. However, the court allowed the plaintiffs to again replead the action on a representative basis, which they did on May 26, 2004. We subsequently filed a demurrer with respect to the newly repled action, which the court granted on August 12, 2004. The court subsequently stayed the *Corso* matter pending the outcome of the *Burdusis* matter. On March 16, 2005, the court lifted the stay and on April 12, 2005, we answered the amended complaint. Discovery is now proceeding. On January 30, 2006, the *Corso* Court heard a motion to coordinate *Corso* with the *Burdusis* and *French* actions. The *Corso* court recommended that *Corso* be coordinated with the other actions before the judge in the *Burdusis* and *French* matters. The Judicial Council subsequently ordered the *Burdusis*, *French* and *Corso* cases coordinated before a new judge in the Los Angeles County Superior Court's complex litigation panel. We subsequently filed a motion to transfer the class certification motion in *Burdusis* back to the judge in *Burdusis*, who originally heard the motion, and to stay discovery in all of the coordinated cases. Plaintiffs have moved to amend the *Burdusis* complaint to add additional causes of actions and allegations, which we intend to oppose. The court has scheduled a status conference on September 25, 2006, and stayed discovery and the remaining motions pending such status conference.

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

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

On July 15, 2005, plaintiffs filed their motion for class certification. We opposed plaintiffs' motion. The hearing on plaintiffs' motion for class certification was held on May 12, 2006. On June 23, 2006, the court granted class certification as to plaintiffs' claims for back overtime wages and accompanying waiting time penalties, and as to plaintiffs' unfair business practices claim. The court denied class certification as to plaintiffs' meal and rest period claims and as to plaintiffs' claim for civil penalties under California Labor Code Section 2699.

Plaintiffs assert that the class includes all store managers employed by us in California since September 1998, which they estimate to be 700 — 1,000 members. Equivalent hourly rates for annual salaries paid to the class members ranged from approximately $16.83 — $31.25 per hour based on a 40 hour work week. Plaintiffs assert that store managers were required to work approximately 10-20 hours of overtime per week. Overtime wages would be calculated at 1.5 times the hourly rate. In addition, California law provides for a waiting time penalty in the amount of thirty days' compensation when all compensation due to an employee is not paid upon separation.

The court's class certification ruling is procedural only and does not address the merits of plaintiffs' claims. We believe that class certification was improper and intend to continue to oppose class action treatment of these claims. In addition, we believe our store managers are properly classified as exempt from overtime and we intend to vigorously oppose each of plaintiffs' claims.

We believe the claims asserted in *Burdusis*, *French*, *Corso* and *Shafer/Johnson* are without merit and we intend to vigorously oppose each of these cases. We cannot assure you, however, that we will be found to have no liability in these matters. As of June 30, 2006, we operated 149 stores in California.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Kevin Rose, et al. v. Rent-A-Center, Inc. et al. This matter previously pending in Clark County, Washington was filed on June 26, 2001, and alleged similar violations of the wage and hour laws of Washington as those in *Burdusis*. In November 2005, we reached an agreement in principle to settle for $1.25 million all of the pending lawsuits and related matters bought by the plaintiffs' counsel in Washington on an agreed state-wide class basis. The final approval hearing before the court occurred on April 21, 2006, and the court approved the settlement and dismissed the case with prejudice. We funded the settlement in full during May 2006.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 1A. Risk Factors.

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

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

As part of our growth strategy, we intend to increase our total number of rent-to-own stores in both existing markets and new markets through a combination of new store openings and store acquisitions. This growth strategy is subject to various risks, including uncertainties regarding our ability to open new rent-to-own stores and our ability to acquire additional rent-to-own stores on favorable terms. We increased our store base by 241 stores in 2003, and 227 stores in 2004. In 2005, however, we decreased our store base by 115 stores, as part of our critical evaluation of all stores and in anticipation of continued store growth. As of June 30, 2006, our store base has decreased another 11 stores during 2006. We may not be able to continue to identify profitable new store locations or underperforming competitors as we currently anticipate.

Our continued growth also depends on our ability to increase sales in our existing rent-to-own stores. Our same store sales increased by 3.0% for 2003 and decreased by 3.6% and 2.3% in 2004 and 2005, respectively. For the six months ended June 30, 2006, our same store sales increased by 1.4% compared to the six months ended June 30, 2005. As a result of new store openings in existing markets and because mature stores will represent an increasing proportion of our store base over time, our same store revenues in future periods may be lower than historical levels.

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

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

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

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

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

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

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

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

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

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

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

Under our new senior credit facilities, an event of default would result if a third party became the beneficial owner of 35.0% or more of our voting stock or upon certain changes in the constitution of our Board of Directors. As of July 26, 2006, we will be required to make principal payments under our new senior credit facilities of $5.6 million in 2006, $11.3 million in 2007, $11.3 million in 2008, $16.3 million in 2009 and $280.6 million after 2009. These payments reduce our cash flow.

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

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

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

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

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

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

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

Our business depends on a limited number of key personnel, with whom we do not have employment agreements. The loss of any one of these individuals could disrupt our business.

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

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

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

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

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

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

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

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

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

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

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

We have completed documenting and testing our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing these assessments. For the year ended December 31, 2005, our management has determined that our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Please refer to management's annual report on internal control over financial reporting, and the report by Grant Thornton LLP, which appear in our Annual report on Form 10-K for our fiscal year ended December 31, 2005. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Our Annual Meeting of Stockholders was held on May 19, 2006. At the meeting, our stockholders voted on two matters: (1) election of two Class III Directors, and (2) approval of the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan.

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

Nominee	Votes For	Votes Withheld
J.V. Lentell	64,570,356	1,963,539
Michael J. Gade	66,009,171	524,724

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

Mark E. Speese
Mitchell E. Fadel
Richard K. Armey
Laurence M. Berg
Mary Elizabeth Burton
Peter P. Copses

The Rent-A-Center, Inc. 2006 Long-Term Incentive Plan was approved and adopted with voting on the proposal as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
45,150,160	17,096,035	122,166	4,165,534

Item 6. Exhibits.

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

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RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

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

Date: July 31, 2006

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RENT-A-CENTER, INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Rent-A-Center, Inc., as amended (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002.)
3.2	Certificate of Amendment to the Certificate of Incorporation of Rent-A-Center, Inc., dated May 19, 2004 (Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
3.3	Amended and Restated Bylaws of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.(ii) to the registrant's Current Report on Form 8-K dated as of September 20, 2005.)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-4/A filed on January 13, 1999.)
4.2	Certificate of Designations, Preferences and relative Rights and Limitations of Series C Preferred Stock of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
4.3	Certificate of Elimination of Series C Preferred Stock (Incorporated herein by reference to Exhibit 3.(i) to the registrant's Current Report on Form 8-K dated as of September 20, 2005.)
4.4	Indenture, dated as of May 6, 2003, by and among Rent-A-Center, Inc., as Issuer, Rent-A-Center East, Inc., ColorTyme, Inc., Rent-A-Center West, Inc., Get It Now, LLC, Rent-A-Center Texas, L.P. and Rent-A-Center Texas, L.L.C., as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.)
4.5	First Supplemental Indenture, dated as of December 4, 2003, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.6 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
4.6	Second Supplemental Indenture, dated as of April 26, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
4.7	Third Supplemental Indenture, dated as of May 7, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.8 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.8	Fourth Supplemental Indenture, dated as of May 14, 2004, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.9	Fifth Supplemental Indenture, dated as of June 30, 2005, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee (Incorporated herein by reference to Exhibit 4.10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.10*	Sixth Supplemental Indenture, dated as of April 17, 2006, between Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York, as Trustee.
4.11	Form of 2003 Exchange Note (Incorporated herein by reference to Exhibit 4.11 to the registrant's Registration Statement on Form S-4 filed July 11, 2003.)
10.1+	Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
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

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	Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated July 15, 2004.)
10.3	Fifth Amended and Restated Stockholders Agreement, dated as of August 13, 2004, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., Mark E. Speese, Rent-A-Center, Inc., and certain other persons (Incorporated herein by reference to Exhibit 10.3 to the registrant's Registration Statement on Form S-3/A filed on September 21, 2004.)

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit No.	Description
10.4	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.)
10.5	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.)
10.6	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.)
10.7	Amended and Restated Franchise Financing Agreement, dated October 1, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
10.8	First Amendment to Amended and Restated Franchisee Financing Agreement, dated December 15, 2003, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003.)
10.9	Second Amendment to Amended and Restated Franchisee Financing Agreement, dated as of March 1, 2004, by and among Wells Fargo Foothill, Inc., ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.24 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.)
10.10+	Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.11+	Form of Stock Option Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.12+	Summary of Director Compensation (Incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.13+	Summary of Named Executive Officer Compensation (Incorporated herein by reference to Exhibit 10.23 to the registrant's Current Report on Form 8-K dated December 21, 2005.)
10.14+	Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.15 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.15+	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.16 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.16+	Form of Loyalty and Confidentiality Agreement entered into with management (Incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.17+*	Rent-A-Center, Inc. 2006 Long-Term Incentive Plan
10.18+*	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan
10.19	Second Amended and Restated Credit Agreement, among Rent-A-Center, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Union Bank of California, N.A., as

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	documentation agent, Lehman Commercial Paper Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated July 13, 2006.)
21.1	Subsidiaries of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 21.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
31.1*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Exhibit No.	Description
31.2*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
32.2*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

+ Management contract or compensatory plan or arrangement

* Filed herewith.

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Exhibit 4.10

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

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

and

THE BANK OF NEW YORK,
as Trustee

SIXTH SUPPLEMENTAL INDENTURE

Dated as of May 1, 2006

to

INDENTURE

Dated as of May 6, 2003

by and among

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

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

and

THE BANK OF NEW YORK, as Trustee

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

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This **SIXTH SUPPLEMENTAL INDENTURE**, dated as of May 1, 2006, is entered into by and among Rent-A-Center, Inc., a Delaware corporation (the "***Company***"), Rent-A-Center East, Inc., a Delaware corporation ("***RAC East***"), ColorTyme, Inc., a Texas corporation ("***ColorTyme***"), Rent-A-Center West, Inc., a Delaware corporation ("***RAC West***"), Get It Now, LLC, a Delaware limited liability company ("***Get It Now***"), Rent-A-Center Texas, L.P., a Texas limited partnership ("***RAC Texas, LP***"), Rent-A-Center Texas, L.L.C., a Nevada limited liability company ("***RAC Texas, LLC***"), Rent-A-Center International, Inc., a Delaware corporation ("***RAC International***"), Rent-A-Center Addison, L.L.C., a Delaware limited liability company ("***RAC Addison***"), RAC National Product Service, LLC, a Delaware limited liability company ("***RAC National***"), RAC RR, Inc., a Delaware corporation ("***RAC RR***"), Rainbow Rentals, Inc., an Ohio corporation and successor in interest to Eagle Acquisition Sub, Inc., an Ohio corporation ("***Rainbow***"), RAC West Acquisition Sub, Inc., a Delaware corporation ("***RAC West Acquisition Sub***"), (***"RAC Military Product Service"***), RAC Military Rentals East, LLC, a Delaware limited liability company (***"RAC Military East"***), and The Bank of New York, a New York banking corporation, as Trustee (the "***Trustee***").

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of May 6, 2003, as supplemented by the First Supplemental Indenture, dated December 4, 2003, the Second Supplemental Indenture, dated April 26, 2004, the Third Supplemental Indenture, dated May 7, 2004, the Fourth Supplemental Indenture, dated as of May 14, 2004, and the Fifth Supplemental Indenture, dated as of June 30, 2005, by and among the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, Rainbow, RAC West Acquisition Sub, AAA Rent to Own, Inc., an Idaho corporation ("***AAA Rent to Own***"), AAA Rent to Own – Pasco, Inc., a Washington corporation ("***AAA Pasco***"), AAA Rent to Own – Boise, Inc., an Idaho corporation ("***AAA Boise***"), AAA Rent to Own, Elko, Inc., a Nevada corporation ("***AAA Elko***"), AAA Rent to Own, Reno, Inc., a Nevada corporation ("***AAA Reno***"), Rentals, Inc., a Montana corporation ("***Rentals***"), AAA Rent to Own – Oregon , Inc., an Oregon corporation ("***AAA Oregon***"), AAA Rent to Own – Utah, Inc., a Utah corporation ("***AAA Utah***" and together with AAA Rent to Own, AAA Pasco, AAA Boise, AAA Elko, AAA Reno, Rentals and AAA Oregon, the "***GCH Entities***"), RAC Military Product Service, LLC, a Delaware limited liability company and the Trustee (collectively, the "***Indenture***"), providing for the issuance of its 7 $^{1}/_{2}$% Series B Senior Subordinated Notes due 2010 (the "***Notes***"); and

WHEREAS, as permitted by Section 1406 of the Indenture, the GCH Entities merged with and into RAC West Acquisition Sub, with RAC West Acquisition Sub continuing as the surviving entity; and

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

WHEREAS, RAC National has formed RAC Product Service as a direct wholly-owned subsidiary of RAC National; and

WHEREAS, RAC East has formed RAC Military East as a direct wholly-owned subsidiary of RAC East; and

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WHEREAS, the Company has designated RAC Military Product Service and RAC Military East as Restricted Subsidiaries under the Indenture to be effective immediately upon the formation of RAC Military Product Service and RAC Military East; and

WHEREAS, pursuant to Section 1020 of the Indenture, the addition of RAC Military Product Service and RAC Military East as Guarantors is required under the Indenture; and

WHEREAS, RAC Military Product Service and RAC East have agreed to become Guarantors by guaranteeing the obligations of the Company under the Indenture in accordance with the terms thereof; and

WHEREAS, RAC Military Product Service and RAC Military East have been duly authorized to enter into, execute, and deliver this Sixth Supplemental Indenture.

NOW, THEREFORE, for and in consideration of the premises and covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, Rainbow, RAC West Acquisition Sub, RAC Military Product Service, RAC Military East and the Trustee agree as follows:

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

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

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

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

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

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

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

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

SECTION 9. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Sixth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company, RAC East, ColorTyme, RAC West, Get It Now, RAC Texas, LP, RAC Texas, LLC, RAC International, RAC Addison, RAC National, RAC RR, Rainbow, RAC West Acquisition Sub, RAC Military Product Service and RAC Military East.

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

THE BANK OF NEW YORK,
as Trustee

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

RENT-A-CENTER, INC.

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

RENT-A-CENTER EAST, INC.

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

COLORTYME, INC.

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

RENT-A-CENTER WEST, INC.

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

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GET IT NOW, LLC

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

RENT-A-CENTER TEXAS, L.P.

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

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

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

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

RENT-A-CENTER INTERNATIONAL, INC.

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

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

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

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RAC NATIONAL PRODUCT SERVICE, LLC

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

RAC RR, INC.

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

RAINBOW RENTALS, INC.

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

RAC WEST ACQUISITION SUB, INC.

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

RAC MILITARY PRODUCT SERVICE, LLC

By: /s/ Mark E. Speese
Mark E. Speese
President

RAC MILITARY RENTALS EAST, LLC

By: /s/ Mark E. Speese
Mark E. Speese
President

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Exhibit 10.17

RENT-A-CENTER, INC.
2006 LONG-TERM INCENTIVE PLAN

1. Purpose. The purpose of the plan is to foster the ability of Rent-A-Center, Inc. (the "Company") and its subsidiaries to attract, motivate and retain key personnel and enhance stockholder value through the use of certain equity and cash incentive compensation opportunities. The Company's existing equity compensation plan, known as the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan, as previously amended and restated through August 29, 2003, shall terminate subject to and upon the approval of this plan by the Company's stockholders.

2. Administration.

(a) Committee. The plan will be administered by the compensation committee of the Company's board of directors (the "Committee").

(b) Responsibility and Authority of Committee. Subject to the provisions of the plan, the Committee, acting in its discretion, will have responsibility and full power and authority to (1) select the persons to whom awards will be made, (2) prescribe the terms and conditions of each award and make amendments thereto, (3) construe, interpret and apply the provisions of the plan and of any agreement or other document governing the terms of an award made under the plan, and (4) make any and all determinations and take any and all other actions as it deems necessary or desirable in order to carry out the terms of the plan. Notwithstanding the foregoing, the Company's board of directors will have sole responsibility and authority for matters relating to the grant and administration of awards to non-employee directors, and reference herein to the Committee with respect to any such matters will be deemed to refer to the board of directors. In exercising its responsibilities under the plan, the Committee may obtain at the Company's expense such advice, guidance and other assistance from outside compensation consultants and other professional advisers as it deems appropriate.

(c) Delegation of Authority. Subject to the requirements of applicable law, the Committee may delegate to any person or group or subcommittee of persons (who may, but need not be, members of the Committee) such plan-related functions within the scope of its responsibility, power and authority on such terms and conditions as it deems appropriate; *provided, however*, that the Committee may not delegate authority to grant or administer awards granted to the Company's senior executive officers.

(d) Committee Actions. A majority of the members of the Committee shall constitute a quorum. The Committee may act by the vote of a majority of its members present at a meeting at which there is a quorum or by unanimous written consent. The decision of the Committee as to any disputed question, including questions of construction, interpretation and administration, shall be final and conclusive on all persons. The Committee shall keep a record of its proceedings and acts and shall keep or cause to be kept such books and records as may be necessary in connection with the proper administration of the plan.

(e) Indemnification. The Company shall indemnify and hold harmless each member of the Committee or subcommittee appointed by the Committee and any employee or

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director of the Company or of a subsidiary to whom any duty or power relating to the administration or interpretation of the plan is delegated from and against any loss, cost, liability (including any sum paid in settlement of a claim with the approval of the board of directors), damage and expense, including legal and other expenses incident thereto, arising out of or incurred in connection with the such person's services under the plan, unless and except to the extent attributable to such person's fraud or willful misconduct.

3. Eligibility. Plan awards may be made to any present or future directors, officers, employees, consultants and other personnel of the Company or a subsidiary.

4. Limitations on Plan Awards.

(a) Aggregate Share Limitations. The Company may issue a total of 7,000,000 shares of its common stock, par value $.01 per share (the "Common Stock") under the plan, of which no more than 3,500,000 shares may be issued in the form of restricted stock, deferred stock or similar forms of stock award which have value without regard to future appreciation in value of or dividends declared on the underlying shares of stock. In applying these limitations, the following shares will be deemed not to have been issued: (1) shares covered by the unexercised portion of an option that terminates, expires, or is canceled or settled in cash, and (2) shares that are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash.

(b) Individual Employee Limitations. In any calendar year, (1) no employee may receive options and stock appreciation rights for more than 600,000 shares of Common Stock; (2) no employee may earn more than 600,000 shares of Common Stock pursuant to performance-based equity incentive awards (other than options and stock appreciation rights) described in Section 9, increased by the unused limit, if any, from prior calendar years; and (3) no employee may earn more than $3,000,000 pursuant to performance-based cash awards described in Section 9, increased by the unused limit, if any, from prior calendar years. For these purposes, an award is "earned" upon satisfaction of the applicable performance conditions, even if settlement is deferred or subject to a continuing service and/or other non-performance conditions; and an employee's annual limit is deemed to be used in a calendar year to the extent a share or cash award could be earned in that year, regardless of the extent to which such award is earned.

5. Stock Option Awards. Subject to the plan, the Committee may grant stock options to such persons, at such times and upon such vesting and other conditions as the Committee, acting in its discretion, may determine.

(a) Minimum Exercise Price. The purchase price per share of Common Stock covered by an option granted under the plan may not be less than the fair market value per share on the date the option is granted. If the Common Stock is listed on an established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the fair market value per share shall be the closing sales price (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee

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deems reliable. The exercise price under an option which is intended to qualify as an "incentive stock option" (within the meaning of Section 422 of the Internal Revenue Code of 1986) granted to an employee who is a 10% stockholder within the meaning of Section 422(b)(6) of the Code, may not be less than 110% of the fair market value per share on the date the option is granted.

(b) No Repricing of Options. Unless approved by the Company's stockholders, the Committee may not reduce the exercise price for shares covered by an outstanding option granted under the plan, whether directly or in any other manner which constitutes a "repricing" under applicable stock exchange rules or financial accounting principles.

(c) Maximum Duration. Unless sooner terminated in accordance with its terms, an option will automatically expire on the tenth anniversary of the date it is granted (the fifth anniversary of the date it is granted in the case of an option which is intended to qualify as an "incentive stock option" granted to an employee who is a 10% stockholder).

(d) Nontransferability. No option shall be assignable or transferable except upon the optionee's death to a beneficiary designated by the optionee in a manner prescribed or approved for this purpose by the Committee or, if no designated beneficiary shall survive the optionee, pursuant to the optionee's will or by the laws of descent and distribution. During an optionee's lifetime, options may be exercised only by the optionee or the optionee's guardian or legal representative. Notwithstanding the foregoing, the Committee may permit the inter vivos transfer of an optionee's options (other than options designated as "incentive stock options") by gift to any "family member" (within the meaning of Item A.1.(5) of the General Instructions to Form S-8 or any successor provision), on such terms and conditions as the Committee deems appropriate.

(e) Manner of Exercise. An option may be exercised by transmitting to the Secretary of the Company (or such other person designated by the Committee) a written notice identifying the option being exercised and specifying the number of shares being purchased, together with payment of the exercise price and the amount of the applicable tax withholding obligations (unless other arrangements are made for the payment of such exercise and/or the satisfaction of such withholding obligations). The Committee, acting in its discretion, may permit the exercise price and withholding obligation to be paid in whole or in part in cash or by check, by means of a cashless exercise procedure to the extent permitted by law, by the surrender of previously-owned shares of Common Stock (to the extent of the fair market value thereof) or, subject to applicable law, by any other form of consideration deemed appropriate.

(f) Rights as a Stockholder. No shares of stock will be issued in respect of the exercise of an option until payment of the exercise price and the applicable tax withholding obligations are been made or arranged to the satisfaction of the Company. The holder of an option shall have no rights as a stockholder with respect to any shares covered by the option until the shares are issued pursuant to the exercise of the option.

(g) Maximum Number of Incentive Stock Options. The maximum number of shares of Common Stock which may be issued under the plan covering an option granted as an

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“incentive stock option” (within the meaning of Section 422 of the Internal Revenue Code of 1986) is 500,000.

6. Stock Awards. Subject to the plan, the Committee may grant restricted stock, deferred stock, stock units, stock bonus and other stock awards to such persons, at such times and upon such vesting and other conditions and restrictions as the Committee, acting in its discretion, may determine.

(a) Minimum Purchase Price. The consideration payable for shares transferred pursuant to a stock award must be no less than the minimum consideration (if any) required by applicable law.

(b) Stock Certificates for Restricted Stock. Shares of restricted stock issued pursuant to a stock award may be evidenced by book entry on the Company’s stock transfer records or by a stock certificate issued in the recipient’s name and bearing an appropriate legend regarding the conditions and restrictions applicable to the shares. The Company may require that stock certificates for restricted shares be held in custody by the Company or a designee pending the lapse of applicable forfeiture conditions and transfer restrictions. The Committee may condition the issuance of shares of restricted stock on the recipient’s delivery to the Company of a stock power, endorsed in blank, for such shares.

(c) Stock Certificates for Vested Stock. The recipient of a stock award which is vested at the time of grant or which thereafter becomes vested will be entitled to receive a certificate, free and clear of conditions and restrictions (except as may be imposed in order to comply with applicable law) for the shares covered by such vested award, subject to the payment or satisfaction of applicable tax withholding obligations and, in the case of shares covered by a vested stock unit award, subject to applicable deferral conditions permitted by Section 409A of the Code.

(d) Rights as a Stockholder. Unless otherwise determined by the Committee, (1) the holder of a stock award will not be entitled to receive dividend payments (or, in the case of an award of stock units, dividend equivalent payments) with respect to the shares covered by the award and (2) the holder of shares of restricted stock may exercise voting rights pertaining to such shares. The Committee may impose vesting and deferral conditions on the payment of dividends, corresponding to the vesting and deferral conditions applicable to the corresponding stock award.

(e) Nontransferability. Except as may be specifically permitted by the Committee in connection with transfers at death or pursuant to inter vivos gifts, no outstanding stock award and no shares of stock covered by an outstanding stock award may be sold, assigned, transferred, disposed of, pledged or otherwise hypothecated other than to the Company in accordance with the terms of the award or the plan. Any attempt to do any of the foregoing shall be null and void and, unless the Committee determines otherwise, shall result in the immediate forfeiture of the award and/or the shares.

7. Other Equity-Based Awards. The Committee may grant stock appreciation rights, dividend equivalent payment rights, phantom shares, phantom stock units, bonus shares and

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other forms of equity-based awards to eligible persons, subject to such terms and conditions as it may establish; *provided, however* that no dividend or dividend equivalent payment rights shall be attributable to awards of stock appreciation rights or stock options. The base price for a stock appreciation right granted under the plan may not be less than the fair market value per share of stock covered by the award at the time it is granted. Unless sooner termination in accordance with its terms, a stock appreciation right will automatically expire on the tenth anniversary of the date it is granted. Awards made pursuant to this section may entail the transfer of shares of Common Stock to a participant or the payment in cash or other property determined with reference to shares of Common Stock.

8. Cash Awards. The Committee may grant awards in cash with the amount of the eventual payment subject to future service and such other restrictions and conditions as may be established by the Committee and set forth in the underlying agreement, including, but not limited to, continuous service with the Company and its subsidiaries, achievement of specific business objectives, increases in specified indices, attaining specified growth rates and other measurements of performance.

9. Performance-Based Equity and Cash Awards.

(a) General. The Committee may condition the grant, exercise, vesting or settlement of equity-based awards on the achievement of specified performance goals in accordance with this section. The Committee may also condition the grant, vesting or payment of annual and long-term cash incentive awards on the achievement of specified performance goals in accordance with this section. The applicable performance period for measuring achievement of specified performance goals may be any period designated by the Committee.

(b) Objective Performance Goals. A performance goal established in connection with an award covered by this section must be (1) objective, so that a third party having knowledge of the relevant facts could determine whether the goal is met, (2) prescribed in writing by the Committee before the beginning of the applicable performance period or at such later date when fulfillment is substantially uncertain not later than 90 days after the commencement of the performance period and in any event before completion of 25% of the performance period, and (3) based on any one or more of the following business criteria (which may be applied to an individual, a subsidiary, a business unit or division, or the Company and any one or more of its subsidiaries as a whole, as determined by the Committee):

(i) total revenue or any key component thereof;

(ii) operating income, pre-tax or after-tax income from continuing operations; earnings before interest, taxes and amortization (i.e. EBITA); earnings before interest, taxes, depreciation and amortization (i.e. EBITDA); or net income;

(iii) cash flow (including, without limitation, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations or cash flow in excess of cost of capital);

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(iv) earnings per share or earnings per share from continuing operations (basic or diluted);

(v) return on capital employed, return on invested capital, return on assets or net assets;

(vi) after-tax return on stockholders' equity;

(vii) economic value created;

(viii) operating margins or operating expenses;

(ix) value of the Common Stock or total return to stockholders;

(x) value of an investment in the Common Stock assuming the reinvestment of dividends;

(xi) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration goals, geographic business expansion goals, cost targets, management of employment practices and employee benefits, or supervision of litigation or information technology goals, or goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures; and/or

(xii) a combination of any or all of the foregoing criteria.

The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies. If and to the extent permitted for awards intended to qualify as "performance-based" under Section 162(m) of the Code and regulations thereunder, the Committee may provide for the adjustment of such performance goals to reflect changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar types of events or circumstances occurring during the applicable performance period.

(c) Calculation of Performance-Based Award. At the expiration of the applicable performance period, the Committee shall determine the extent to which the performance goals established pursuant to this Section are achieved and the extent to which each performance-based award has been earned. The Committee may not exercise its discretion to increase the amount or value of an award that would otherwise be payable in accordance with the terms of a performance-based award made in accordance with this section.

10. Capital Changes, Reorganization, Sale.

(a) Adjustments Upon Changes in Capitalization. The aggregate number and class of shares issuable under the plan, the maximum number of shares with respect to which

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options, stock appreciation rights and other equity awards may be granted to or earned by any employee in any calendar year, the number and class of shares and the exercise price or base price per share covered by each outstanding option and stock appreciation right, and the number and class of shares covered by each outstanding deferred stock unit or other-equity-based award, and any per-share base or purchase price or target market price included in the terms of any such award, and related terms shall be adjusted to reflect any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any like capital adjustment, or the payment of any stock dividend, and/or to reflect a change in the character or class of shares covered by the plan arising from a readjustment or recapitalization of the Company's capital stock.

(b) Cash, Stock or Other Property for Stock. Except as otherwise provided in this section, in the event of an "exchange transaction" (as defined below), all optionees shall be permitted to exercise their outstanding options in whole or in part (whether or not otherwise exercisable) immediately prior to such exchange transaction, and any outstanding options which are not exercised before the exchange transaction shall thereupon terminate. Notwithstanding the preceding sentence, if, as part of an exchange transaction, the stockholders of the Company receive capital stock of another corporation ("exchange stock") in exchange for their shares of Common Stock (whether or not such exchange stock is the sole consideration), and if the Company's board of directors, acting in its discretion, so directs, then all outstanding options shall be converted in whole or in part into options to purchase shares of exchange stock. The amount and price of such converted options shall be determined by adjusting the amount and price of the options granted hereunder on the same basis as the determination of the number of shares of exchange stock the holders of outstanding Common Stock are entitled to receive in the exchange transaction and, unless the Company's board of directors determines otherwise, the vesting conditions with respect to the converted options shall be substantially the same as the vesting conditions set forth in the original option agreement. The board of directors, acting in its discretion, may accelerate vesting of non-vested stock awards and other awards, provide for cash settlement of and/or make such other adjustments to the terms of any outstanding award (including, without limitation, outstanding options) as it deems appropriate in the context of an exchange transaction, taking into account, as applicable, the manner in which outstanding options are being treated.

(c) Definition of Exchange Transaction. For purposes hereof, the term "exchange transaction" means a merger (other than a merger of the Company in which the holders of the Common Stock immediately prior to the merger have the same proportionate ownership of common stock in the surviving corporation immediately after the merger), consolidation, acquisition or disposition of property or stock, separation, reorganization (other than a mere reincorporation or the creation of a holding company), liquidation of the Company or any other similar transaction or event so designated by the Company's board of directors, acting in its discretion, as a result of which the stockholders of the Company receive cash, stock or other property in exchange for or in connection with their shares of Common Stock.

(d) Fractional Shares. In the event of any adjustment in the number of shares covered by any award pursuant to the provisions hereof, any fractional shares resulting from such adjustment shall be disregarded, and each such award shall cover only the number of full shares resulting from the adjustment.

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(e) Determination of Board to be Final. All adjustments under this Section shall be made by the Company's board of directors, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

11. Tax Withholding. As a condition to the exercise or settlement of any award, or in connection with any other event that gives rise to a tax withholding obligation on the part of the Company or a subsidiary relating to an award, the Company and/or the subsidiary may (a) deduct or withhold (or cause to be deducted or withheld) from any payment or distribution to the recipient of an award, whether or not made pursuant to the plan or (b) require the recipient to remit cash (through payroll deduction or otherwise), in each case in an amount sufficient in the opinion of the Company to satisfy such withholding obligation. If the event giving rise to the withholding obligation involves a transfer of shares of stock, then, at the sole discretion of the Committee, the recipient may satisfy the applicable tax withholding obligation by electing to have the Company withhold shares of stock or by tendering previously-owned shares, in each case having a fair market value equal to the amount of tax to be withheld (or by any other mechanism as may be required or appropriate to conform with local tax and other rules).

12. Amendment and Termination. The Company's board of directors may amend or terminate the plan; *provided, however*, that no such action may adversely affect a holder's rights under an outstanding award without his or her written consent. Any amendment that would increase the aggregate number of shares of Common Stock issuable under the plan, the maximum number of shares with respect to which options, stock appreciation rights or other equity swards may be granted to any employee in any calendar year, or that would modify the class of persons eligible to receive awards shall be subject to the approval of the Company's stockholders. The Committee may amend the terms of any agreement or award made hereunder at any time and from time to time, provided, however, that any amendment which would adversely affect a holder's rights under an outstanding award may not be made without his consent.

13. General Provisions.

(a) Shares Issued Under Plan. Shares of Common Stock available for issuance under the plan may be authorized and unissued, held by the Company in its treasury or otherwise acquired for purposes of the plan. No fractional shares will be issued under the plan.

(b) Compliance with Law. The Company will not be obligated to issue or deliver shares of stock pursuant to the plan unless the issuance and delivery of such shares complies with applicable law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the requirements of any stock exchange or market upon which the Company's stock may then be listed. The Company may prevent or delay the exercise of an option or stock appreciation right, or the settlement of an award and/or the termination of restrictions applicable to an award if and to the extent the Company deems necessary or advisable in order to avoid a violation of applicable laws or its own policies regarding the purchase and sale of its stock. If, during the period of any such ban or delay, the term of an affected stock option, stock appreciation right or other award would expire, then the term of such option, stock appreciation right or other award will be extended for thirty days after the Company's removes the restriction against exercise.

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(c) Transfer Orders; Placement of Legends. All certificates for shares of Common Stock delivered under the plan shall be subject to such stock-transfer orders and other restrictions as the Company may deem advisable, including pursuant to the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange or market upon which the Company's stock may then be listed, and any applicable federal or state securities law. The Company may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

(d) No Employment or other Rights. Nothing contained in the plan or in any award agreement shall confer upon any recipient of an award any right with respect to the continuation of his or her employment or other service with the Company or a subsidiary or interfere in any way with the right of the Company and its subsidiaries at any time to terminate such employment or other service or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other service.

(e) Decisions and Determinations Final. All decisions and determinations made by the Company's board of directors pursuant to the provisions hereof and, except to the extent rights or powers under the Plan are reserved specifically to the discretion of the board of directors, all decisions and determinations of the Committee, shall be final, binding and conclusive on all persons.

14. Governing Law. All rights and obligations under the plan and each award agreement or instrument shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its principles of conflict of laws.

15. Term of the Plan. The plan, as amended and restated, shall become effective on the restatement date (which is date of adoption by the board of directors), subject to approval by the Company's stockholders within twelve months thereafter. Unless terminated sooner by the board of directors, the plan shall terminate on the tenth anniversary of the restatement date. The rights of any person with respect to an award made under the plan that is outstanding at the time of the termination of the plan shall not be affected solely by reason of the termination of the plan and shall continue in accordance with the terms of the award and of the plan, as each is then in effect or is thereafter amended.

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Exhibit 10.18

NON-QUALIFIED
STOCK OPTION AGREEMENT
UNDER THE RENT-A-CENTER, INC.
2006 LONG-TERM INCENTIVE PLAN

THIS STOCK OPTION AGREEMENT (the "Agreement") is made and entered into as of the ___day of __________, 20___(the "Grant Date"), by and between RENT-A-CENTER, INC., a Delaware corporation (the "Company"), and __________(the "Optionee").

W I T N E S S E T H:

WHEREAS, pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (the "Plan"), the Company desires to grant to the Optionee, and the Optionee desires to accept, an option to purchase shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), upon the terms and conditions set forth in this Agreement and the Plan.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. Grant & Tax Status. The Company hereby grants to the Optionee an option to purchase up to __________ shares of Common Stock, at a purchase price of $__________ per share pursuant to the Plan. This option is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Term. Unless sooner terminated in accordance herewith or the Plan, this option will automatically expire on the tenth anniversary of the date hereof.

3. Vesting Schedule. Except as otherwise provided herein, this option shall become vested and exercisable in accordance with the following schedule, provided that the Optionee remains in continuous employment or other service with the Company or its subsidiaries through each applicable vesting date:

Vesting Date	Percentage of Option that is Vested On or After Such Vesting Date
Grant Date	0%
First Anniversary of Date of Grant	25%
Second Anniversary of Date of Grant	50%
Third Anniversary of Date of Grant	75%
Fourth Anniversary of Date of Grant	100%

In no event may this option be exercised for a fraction of a share.

4. Non-Transferability. This option may not be assigned or transferred except upon the Optionee's death to a beneficiary designated by the Optionee in a manner prescribed or approved for this purpose by the compensation committee of the Company's board of directors (the "Committee") or, if no designated beneficiary shall survive the Optionee, pursuant to the Optionee's will or by the laws of descent and distribution. During the Optionee's lifetime, this

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option may be exercised only by the Optionee or the Optionee's guardian or legal representative. Notwithstanding the foregoing, the Committee, in its sole discretion, may permit the *inter vivos* transfer of this option by gift to any "family member" (within the meaning of Item A.1.(5) of the General Instructions to Form S-8 or any successor provision), on such terms and conditions as the Committee deems appropriate.

5. Termination of Employment or other Service.

(a) If the Optionee's employment or other service with the Company or its subsidiaries is terminated due to the Optionee's death or Disability (as defined below), then: (i) that portion of this option, if any, that is vested and exercisable on the date of termination shall remain exercisable by the Optionee (or, in the event of death, the Optionee's designated beneficiary or, if no designated beneficiary survives the Optionee, by the person or persons to whom the Optionee's rights under this option shall pass pursuant to the Optionee's will or by the laws of descent and distribution, whichever is applicable) during the twelve (12) month period following the date of termination but in no event after expiration of the stated term hereof and, to the extent not exercised during such period, shall thereupon terminate, and (ii) that portion of this option, if any, that is not exercisable on the date of termination shall thereupon terminate. As used herein, the term "Disability" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. The determination of whether or not the Optionee's employment or other service is terminated by reason of Disability shall be in the sole and absolute discretion of the Committee.

(b) If the Optionee's employment or other service is terminated by the Company or its subsidiaries for cause, then this option (whether or not then vested and exercisable) shall immediately terminate and cease to be exercisable.

(c) If the Optionee' s employment or other service with the Company or its affiliates is terminated for any reason other than those set forth in Section 5(a) or (b) above, then: (i) that portion of this option, if any, that is vested and exercisable on the date of termination shall remain exercisable by the Optionee during the three (3) month period following the date of termination but in no event after expiration of the stated term hereof and, to the extent not exercised during such period, shall thereupon terminate, and (ii) that portion of this option, if any, that is not vested and exercisable on the date of termination shall thereupon terminate.

6. Method of Exercise. This option may be exercised by transmitting to the Secretary of the Company (or such other person designated by the Committee) a written notice identifying the option being exercised and specifying the number of shares being purchased, together with payment of the exercise price and the amount of the applicable tax withholding obligations (unless other arrangements are made for the payment of such exercise price and/or the satisfaction of such withholding obligations). The exercise price and withholding obligation may be paid in whole or in part (a) in cash or by check, (b) by means of a cashless exercise procedure to the extent permitted by law, (c) if permitted by the Committee, by the surrender of previously-owned shares of Common Stock (to the extent of the fair market value thereof), and/

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or (d) subject to applicable law, by any other form of consideration deemed appropriate by the Committee.

7. Stockholder Rights. No shares of Common Stock will be issued in respect of the exercise of this option until payment of the exercise price and the applicable tax withholding obligations have been made or arranged to the satisfaction of the Company. The holder of this option shall have no rights as a stockholder with respect to any shares of Common Stock covered by this option until the shares of Common Stock are issued pursuant to the exercise of this option.

8. Compliance with Law. The Company will not be obligated to issue or deliver shares of Common Stock pursuant to this option unless the issuance and delivery of such shares complies with applicable law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the requirements of any stock exchange or market upon which the Common Stock may then be listed. The Company may prevent or delay the exercise of this option if and to the extent the Company deems necessary or advisable in order to avoid a violation of applicable law or its own policies regarding the purchase and sale of Common Stock. If, during the period of any such ban or delay, the term of this option would expire, then the term of this option will be extended for thirty (30) days after the Company removes the restriction against exercise.

9. Transfer Orders; Legends. All certificates for shares of Common Stock delivered under this option shall be subject to such stock-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange or market upon which the Common Stock may then be listed, and any applicable federal or state securities law. The Company may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

10. No Rights Conferred. Nothing contained in the Plan or this Agreement shall confer upon the Optionee any right with respect to the continuation of his or her employment or other service with the Company or its subsidiaries or interfere in any way with the right of the Company and its subsidiaries at any time to terminate such employment or other service or to increase or decrease, or otherwise adjust, the other terms and conditions of the Optionee's employment or other service.

11. Obligation to Execute and Return Agreement. This Agreement shall be null and void and no option shall be granted hereby in the event the Optionee shall fail to execute and return a counterpart hereof to the Company, at the address set forth in Section 13 hereof, within sixty (60) days from the Grant Date.

12. Full Satisfaction/Release of Rights. Any payment or issuance or transfer of shares of Common Stock to the Optionee or his legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Committee may require the Optionee, legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance or transfer, to execute a release and receipt therefor in such form as it shall determine.

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13. Notices. Any notice to the Company relating to this Agreement shall be in writing and delivered in person or by registered mail to the Company at the Company's main office, 5700 Tennyson Parkway, Suite 100, Plano, TX 75024, or to such other address as may be hereafter specified by the Company, to the attention of its Secretary. All notices to the Optionee or other person or persons then entitled to exercise this option shall be delivered to the Optionee or such other person or persons at the Optionee's store location (if employed by the Company or any of its subsidiaries) or the Optionee's address set forth in the records of the Company.

14. Provisions of the Plan. The provisions of the Plan, the terms of which are hereby incorporated by reference, shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Optionee acknowledges receipt of a copy of the Plan prior to the execution of this Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan.

15. Miscellaneous. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and, except as otherwise provided in the Plan, may not be modified other than by written instrument executed by the parties.

[Remainder of Page Intentionally Left Blank.]

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IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

RENT-A-CENTER, INC.

By: ______________________

____
Optionee Name

____
Optionee Signature

____
Street Address (No P.O. Box please)

____
City, State and Zip Code

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Exhibit 31.1

I, Mark E. Speese, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 31, 2006

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

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Exhibit 31.2

I, Robert D. Davis, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 31, 2006

/s/ Robert D. Davis

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

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Exhibit 32.1

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "***Company***") on Form 10-Q for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Mark E. Speese, Chairman of the Board and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

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

Dated: July 31, 2006

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.

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Exhibit 32.2

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

In connection with the Quarterly Report of Rent-A-Center, Inc. (the "***Company***") on Form 10-Q for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), I, Robert D. Davis, Senior Vice President — Finance, Treasurer and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

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

Dated: July 31, 2006

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.

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