SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2002

Commission File Number 0-25370
RENT-A-CENTER, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	48-1024367
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5700 Tennyson Parkway, Third Floor
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 X NO
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 9, 2002:

Class	Outstanding
- Common stock, $.01 par value per share	35,134,796

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS, EXCEPT SHARE DATA)	JUNE 30, 2002	DECEMBER 31, 2001
	UNAUDITED	
ASSETS		
Cash and cash equivalents	$ 93,824	$ 107,958
Accounts receivable - trade	1,889	1,664
Prepaid expenses and other assets	31,335	29,846
Rental merchandise, net		
On rent	517,500	531,627
Held for rent	131,705	122,074
Property assets, net	104,253	106,883
Deferred income tax assets	--	8,772
Intangible assets, net	724,091	711,096
	$ 1,604,597	$ 1,619,920
LIABILITIES		
Accounts payable - trade	$ 47,959	$ 49,930
Accrued liabilities	201,453	170,196
Deferred income tax liabilities	6,387	--
Senior debt	300,000	428,000
Subordinated notes payable, net of discount	274,543	274,506
	830,342	922,632
COMMITMENTS AND CONTINGENCIES		
PREFERRED STOCK		
Redeemable convertible voting preferred stock, net of placement costs, $.01 par value; 5,000,000 shares authorized; 200,762 and 292,434 shares issued and outstanding in 2002 and 2001, respectively	200,702	291,910
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 125,000,000 shares authorized; 31,957,902 and 27,726,092 shares issued in 2002 and 2001, respectively	320	277
Additional paid-in capital	316,437	191,438
Accumulated comprehensive loss	(5,655)	(6,319)
Retained earnings	347,175	269,982
Treasury stock, 3,938,265 and 2,224,179 shares at cost in 2002 and 2001, respectively	(84,724)	(50,000)
	573,553	405,378
	$ 1,604,597	$ 1,619,920

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(IN THOUSANDS, EXCEPT PER SHARE DATA) SIX MONTHS ENDED JUNE 30,	2002	2001
UNAUDITED Revenues		
Store Rentals and fees	$ 899,854	$ 802,146
Merchandise sales	63,599	50,871
Other		
Franchise Merchandise sales	1,181	2,238
Royalty income and fees	25,739	24,259
	2,897	2,947
	993,270	882,461
Operating expenses		
Direct store expenses		
Depreciation of rental merchandise	186,577	165,088
Cost of merchandise sold	44,479	37,000
Salaries and other expenses	527,097	486,584
Franchise cost of merchandise sold	24,537	23,197
	782,690	711,869
General and administrative expenses	32,402	26,803
Amortization of intangibles	1,642	14,664
Total operating expenses	816,734	753,336
Operating profit	176,536	129,125
Non-recurring finance charge	2,909	--
Interest expense	31,355	32,378
Interest income	(1,428)	(588)
Earnings before income taxes	143,700	97,335
Income tax expense	58,194	44,792
NET EARNINGS	85,506	52,543
Preferred dividends	8,890	9,378
Net earnings allocable to common stockholders	$ 76,616	$ 43,165
Basic earnings per common share	$ 3.05	$ 1.71
Diluted earnings per common share	$ 2.34	$ 1.43

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(IN THOUSANDS, EXCEPT PER SHARE DATA) THREE MONTHS ENDED JUNE 30,			
	2002	2001	
UNAUDITED Revenues Store Rentals and fees	$ 456,149	$ 409,023	Merchandise sales
	23,994	20,112	Other
	567	908	Franchise Merchandise sales
	12,486	11,232	Royalty income and fees
	1,464	1,484	
	494,660	442,759	Operating expenses Direct store expenses Depreciation of rental merchandise
	94,354	84,276	Cost of merchandise sold
	17,497	15,445	Salaries and other expenses
	264,478	244,365	Franchise cost of merchandise sold
	11,884	10,703	
	388,213	354,789	General and administrative expenses
	17,285	13,934	Amortization of intangibles
	922	7,396	
	406,420	376,119	Total operating expenses
	88,240	66,640	Operating profit
	2,909	--	Non-recurring finance charge
	15,557	15,868	Interest expense
	(705)	(227)	Interest income
	70,479	50,999	Earnings before income taxes
	28,536	23,454	Income tax expense
	41,943	27,545	NET EARNINGS
	3,898	5,053	Preferred dividends
	$ 38,045	$ 22,492	Net earnings allocable to common stockholders
	$ 1.48	$ 0.88	Basic earnings per common share
	$ 1.14	$ 0.74	Diluted earnings per common share

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, (IN THOUSANDS OF DOLLARS)	2002	2001
	UNAUDITED	
Cash flows from operating activities Net earnings	$ 85,506	$ 52,543
Adjustments to reconcile net earnings to net cash provided by operating activities Depreciation of rental merchandise	186,577	165,088
Depreciation of property assets	18,878	18,312
Amortization of intangibles	1,642	14,664
Amortization of financing fees	4,289	1,380
Changes in operating assets and liabilities, net of effects of Acquisitions Rental merchandise	(174,455)	(205,454)
Accounts receivable - trade	(225)	1,795
Prepaid expenses and other assets	(900)	(2,389)
Deferred income taxes	15,159	20,717
Accounts payable - trade	(1,971)	(18,218)
Accrued liabilities	38,381	15,140
Net cash provided by operating activities	172,881	63,578
Cash flows from investing activities Purchase of property assets	(16,791)	(29,685)
Proceeds from sale of property assets	581	356
Acquisitions of businesses, net of cash acquired	(27,179)	(34,534)
Net cash used in investing activities	(43,389)	(63,863)
Cash flows from financing activities Purchase of treasury stock	(34,724)	--
Exercise of stock options	19,098	21,562
Proceeds from issuance of common stock	--	45,677
Repayments of debt	(128,000)	(76,051)
Net cash used in financing activities	(143,626)	(8,812)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,134)	(9,097)
Cash and cash equivalents at beginning of period	107,958	36,495
Cash and cash equivalents at end of period	$ 93,824	$ 27,398
Supplemental cash flow information Cash paid during the year for: Interest	$ 26,345	$ 31,337
Income taxes	$ 17,609	$ 6,798
Supplemental schedule of non-cash investing and financing activities Fair value of assets acquired	$ 27,179	$ 34,534
Cash paid	$ 27,179	$ 34,534
Liabilities assumed	$ --	$ --

During the second quarter of 2002 and 2001, we paid dividends on our Series A preferred stock of approximately $2.7 million and $2.6 million by issuing 2,730 and 2,630 shares of Series A preferred stock, respectively.

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. 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, 2001 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2002. 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.

2. Intangibles. In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Intangible Assets. These statements established new accounting and reporting standards for business combinations and associated goodwill and intangible assets and require, among other things, the elimination of the pooling of interests method of accounting, amortization of acquired goodwill as well as periodic assessment for impairment of all goodwill and intangible assets acquired in a business combination. SFAS No. 142 is effective for our fiscal year beginning January 1, 2002. We conducted the transitional test of the fair value of our goodwill outstanding as of December 31, 2001 as required and determined there was no impairment as of that date. Accordingly, the implementation of SFAS No. 142 had no effect on our financial statements or operating results. Under SFAS No. 142, goodwill is subject to an annual assessment for impairment using a prescribed fair-value based test.

Intangibles consist of the following (in thousands):

	JUNE 30, 2002			DECEMBER 31, 2001	
	AVG. (YEARS)	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
Amortizable intangible assets					
Franchise network	10	$ 3,000	$ 1,800	$ 3,000	$ 1,650
Non-compete agreements	5	1,500	1,367	1,677	1,405
Customer contracts	1.5	6,684	3,189	3,994	1,882
Intangible assets not subject to amortization					
Goodwill		$818,425	$ 99,162	$806,524	$ 99,162
Total intangibles		$829,609	$ 105,518	$815,195	$ 104,099

AGGREGATE AMORTIZATION EXPENSE

Three months ended June 30, 2002	$ 922

Three months ended June 30, 2001.....	$ 7,396
Six months ended June 30, 2002.....	$ 1,642
Six months ended June 30, 2001.....	$14,664

RENT-A-CENTER, INC. AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION REGARDING INTANGIBLE ASSETS AND AMORTIZATION.

Estimated amortization expense for each of the years ending December 31, is as follows:

ESTIMATED AMORTIZATION EXPENSE --- ---------- ------ (IN THOUSANDS)
2002.....
$ 3,572
2003.....
2,149
2004.....
300
2005.....
300
2006.....
149 -------

TOTAL.....
$ 6,470
==========

Changes in the carrying amount of goodwill for the six months ended June 30, 2002 are as follows (in thousands):

Balance as of January 1, 2002	$ 707,362
Acquisitions through June 30, 2002	11,901
Balance as of June 30, 2002	$ 719,263

Goodwill and intangible assets recognized prior to July 1, 2001 were amortized through December 31, 2001. At June 30, 2002, quarterly and annual goodwill amortization of approximately $7.3 million and $29.0 million will not be recognized in accordance with SFAS No. 142.

Below is a schedule showing the pro forma effect of SFAS No. 142 for the six and three months ended June 30, 2002 in comparison to the six and three months ended June 30, 2001.

(IN THOUSANDS, EXCEPT PER SHARE DATA) SIX MONTHS ENDED JUNE 30, ---------- ------ 2002 2001 ---------- ---------- UNAUDITED Net earnings .....
$ 85,506 $ 52,543 Goodwill amortization, net of tax ..... -- 12,359 --
-------- ---------- Adjusted net earnings ..... $
85,506 $ 64,902 ========== ==========
Diluted weighted average shares outstanding ..... 36,518 36,785 ==========
========== Diluted earnings per common share before goodwill amortization .....
$ 2.34 $ 1.76 ========== ==========

(IN THOUSANDS, EXCEPT PER SHARE DATA) THREE MONTHS ENDED JUNE 30, ---------- --- 2002 2001 ---------- ---------- UNAUDITED Net earnings .....
$ 41,943 $ 27,545 Goodwill amortization, net of tax ..... -- 6,197 ------

---- ---------- Adjusted net earnings.....
$ 41,943 $ 33,742 ========== ========== Diluted weighted average shares outstanding..... 36,715 37,195 ========== ========== Diluted earnings per common share before goodwill amortization ..... $ 1.14 $ 0.91 ========== ==========

3. EARNINGS PER SHARE

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

(IN THOUSANDS, EXCEPT PER SHARE DATA) THREE MONTHS ENDED JUNE 30, 2002	NET EARNINGS	SHARES	PER SHARE
Basic earnings per common share	$ 38,045	25,708	$ 1.48
Effect of dilutive stock options	--	1,641	
Assumed conversion of convertible preferred stock		3,898	
Diluted earnings per common share	$ 41,943	36,715	$ 1.14

(IN THOUSANDS, EXCEPT PER SHARE DATA) THREE MONTHS ENDED JUNE 30, 2001	NET EARNINGS	SHARES	PER SHARE
Basic earnings per common share	$ 22,492	25,672	$ 0.88
Effect of dilutive stock options	--	1,248	
Assumed conversion of convertible preferred stock		5,053	
Diluted earnings per common share	$ 27,545	37,195	$ 0.74

SIX MONTHS ENDED JUNE 30, 2002	NET EARNINGS	SHARES	PER SHARE
Basic earnings per common share	$ 76,616	25,111	$ 3.05
Effect of dilutive stock options	--	1,443	
Assumed conversion of convertible preferred stock		8,890	
Diluted earnings per common share	$ 85,506	36,518	$ 2.34

SIX MONTHS ENDED JUNE 30, 2001	NET EARNINGS	SHARES	PER SHARE
Basic earnings per common share	$ 43,165	25,303	$ 1.71
Effect of dilutive stock options	--	1,253	
Assumed conversion of convertible preferred stock		9,378	
Diluted earnings per common share	$ 52,543	36,785	$ 1.43

For the three months ended June 30, 2002 and 2001, the number of stock options that were outstanding but not included in the computation of diluted earnings

per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 5,000 and 273,000, respectively. For the six months ended June 30, 2002 and 2001, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of our common stock, and therefore anti-dilutive, was 276,500 and 273,000, respectively.

Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date.

4. SUBSIDIARY GUARANTORS

Rent-A-Center has $275.0 million of subordinated notes outstanding, maturing on August 15, 2008, including $100.0 million which were issued in December 2001 at 99.5% of par. The notes require semi-annual interest-only payments at 11%, and are guaranteed by Rent-A-Center's two principal subsidiaries. The notes are redeemable at Rent-A-Center's option, at any time on or after August 15, 2003, at a set redemption price that varies depending upon the proximity of the redemption date to final maturity. Upon a change of control, the holders of the subordinated notes have the right to require Rent-A-Center to redeem the notes.

The notes contain restrictive covenants, as defined therein, including a consolidated interest coverage ratio and limitations on incurring additional indebtedness, selling assets of Rent-A-Center's subsidiaries, granting liens to third parties, making restricted payments and engaging in a merger or selling substantially all of Rent-A-Center's assets.

Rent-A-Center's direct and wholly-owned subsidiaries, consisting of ColorTyme, Inc. and Advantage Companies, Inc. (collectively, the "Guarantors"), have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to the subordinated notes. The only direct or indirect subsidiaries of Rent-A-Center that are not Guarantors are inconsequential subsidiaries. There are no restrictions on the ability of any of the Guarantors to transfer funds to Rent-A-Center in the form of loans, advances or dividends, except as provided by applicable law.

Set forth below is certain condensed consolidating financial information as of June 30, 2002 and December 31, 2001, and for the six months ended June 30, 2002 and 2001. The financial information includes the Guarantors from the dates they were acquired or formed by Rent-A-Center and is presented using the push-down basis of accounting.

CONDENSED CONSOLIDATING BALANCE SHEETS

PARENT COMPANY | SUBSIDIARY GUARANTORS | CONSOLIDATING ADJUSTMENTS | TOTALS

(IN THOUSANDS)

AT JUNE 30, 2002 (UNAUDITED)			
Rental merchandise, net	$ 649,205	$ --	$ 649,205
Intangible assets, net	380,416	343,675	724,091
Other assets	552,053	20,990	(341,742)
Total assets	$ 1,581,674	$ 364,665	$ (341,742)
Senior debt	$ 300,000	$ --	$ --
Other liabilities	524,515	5,827	--
Preferred stock	200,702	--	--
Stockholders' equity	556,457	358,838	(341,742)
Total liabilities and equity	$ 1,581,674	$ 364,665	$ (341,742)
AT DECEMBER 31, 2001			
Rental merchandise, net	$ 653,701	$ --	$ 653,701
Intangible			

assets, net
..... 367,271
343,825 -- 711,096 Other assets
.....
578,077 18,788 (341,742) 255,123 ----
------- ---------- ------------ ---
-------- Total assets
..... $
1,599,049 $ 362,613 $ (341,742) $
1,619,920 ========== ==========
========== ========== Senior debt
.....
$ 428,000 $ -- $ -- $ 428,000 Other
liabilities
.....
489,174 5,458 -- 494,632 Preferred
stock
.....
291,910 -- -- 291,910 Stockholders'
equity .....
389,965 357,155 (341,742) 405,378 ---
-------- ---------- ------------ --
--------- Total liabilities and
equity ..... $ 1,599,049 $
362,613 $ (341,742) $ 1,619,920
========== ========== ==========
==========

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

PARENT	SUBSIDIARY	COMPANY	GUARANTORS	TOTAL
(IN THOUSANDS) SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)				
Total revenues	$ 964,634	$ 28,636		$ 993,270
Direct store expenses	758,153			
Other expenses	758,153	--		758,153
Net earnings	125,074	24,537		149,611
SIX MONTHS ENDED JUNE 30, 2001 (UNAUDITED)				
Total revenues	$ 855,255	$ 27,206		$ 882,461
Direct store expenses	688,672			
Other expenses	688,672	--		688,672
Net earnings (loss)	111,721	29,525		141,246

PARENT	SUBSIDIARY	COMPANY	GUARANTORS	TOTAL
(IN THOUSANDS) THREE MONTHS ENDED JUNE 30, 2002 (UNAUDITED)				
Total revenues	$ 480,710	$ 13,950		$ 494,660
Direct store expenses	376,329			
Other expenses	376,329	--		376,329
Net earnings	64,504	11,884		76,388
THREE MONTHS ENDED JUNE 30, 2001 (UNAUDITED)				
Total revenues	$ 430,043	$ 12,716		$ 442,759
Direct store expenses	344,086			
Other expenses	344,086	--		344,086
Net earnings (loss)	57,261	13,867		71,128

RENT-A-CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	PARENT	SUBSIDIARY COMPANY GUARANTORS	TOTAL
(IN THOUSANDS) SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)			
Net cash provided by operating activities	$ 171,519	$ 1,362	$ 172,881
Cash flows from investing activities			
Purchase of property assets	(17,502)	711	(16,791)
Acquisitions of businesses, net of cash acquired	(27,179)	--	(27,179)
Other	581	--	581
Net cash used in investing activities	(44,100)	711	(43,389)
Cash flows from financing activities			
Purchase of treasury stock	(34,724)	--	(34,724)
Exercise of stock options	19,098	--	19,098
Repayments of debt	(128,000)	--	(128,000)
Intercompany advances	2,073	(2,073)	--
Net cash used in financing activities	(141,553)	(2,073)	(143,626)
Net decrease in cash and cash equivalents	(14,134)	--	(14,134)
Cash and cash equivalents at beginning of period	107,958	--	107,958
Cash and cash equivalents at end of period	$ 93,824	$ --	$ 93,824
SIX MONTHS ENDED JUNE 30, 2001 (UNAUDITED)			
Net cash provided by operating activities	$ 61,655	$ 1,923	$ 63,578
Cash flows from investing activities			
Purchase of property assets	(29,652)	(33)	(29,685)
Acquisitions of businesses, net of cash acquired	(34,534)	--	(34,534)
Other	356	--	356
Net cash used in investing activities	(63,830)	(33)	(63,863)
Cash flows from financing activities			
Exercise of stock options	21,562	--	21,562
Repayments of debt	(76,051)	--	(76,051)
Proceeds from the issuance of common stock	45,677	--	45,677
Intercompany advances	1,890	(1,890)	--
Net cash used in financing activities	(6,922)	(1,890)	(8,812)
Net decrease in cash and cash equivalents	(9,097)	--	(9,097)
Cash and cash equivalents at beginning of period	36,495	--	36,495
Cash and cash equivalents at end of period	$ 27,398	$ --	$ 27,398

5. COMPREHENSIVE INCOME

Comprehensive income includes net earnings and items of other comprehensive income or loss. The following table provides information regarding comprehensive income, net of tax:

SIX MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
(IN THOUSANDS)		(IN THOUSANDS)	
2002	2001	2002	2001
Net earnings			
$ 85,506	$ 52,543	$ 41,943	$ 27,545
Other comprehensive (loss) income:			
Unrealized gain on derivatives held as cash flow hedges:			
Cumulative effect of adoption of SFAS 133			
--	1,378	--	--
Change in unrealized (loss) gain during period			
5,216	(4,193)	1,206	(658)
Reclassification adjustment for (loss) gain included in net earnings			
(4,552)	286	(2,322)	1,017
Other comprehensive (loss) income			
664	(2,529)	(1,116)	359
Comprehensive income			
$ 86,170	$ 50,014	$ 40,827	$ 27,904

6. COMMON AND PREFERRED STOCK TRANSACTIONS

Purchase of Treasury Stock. In connection with the retirement of our former Chief Executive Officer and Chairman of the Board, Mr. J. Ernest Talley, we entered into an agreement to repurchase $25.0 million worth of shares of our common stock held by Mr. Talley at a purchase price equal to the average closing price of our common stock over the 10 trading days beginning October 9, 2001, subject to a maximum of $27.00 per share and a minimum of $20.00 per share. Under this formula, the purchase price for the repurchase was calculated at $20.258 per share. Accordingly, on October 23, 2001 we repurchased 493,632 shares of our common stock from Mr. Talley at $20.258 per share for a total purchase price of $10.0 million and on November 30, 2001, repurchased an additional 740,448 shares of our common stock from Mr. Talley at $20.258 per share, for a total purchase price of an additional $15.0 million. On January 25, 2002, we exercised the option to repurchase all of the remaining 1,714,086 shares of its common stock held by Mr. Talley at $20.258 per share, for $34.7 million. We repurchased those remaining shares on January 30, 2002.

In April 2000, we announced that our board of directors had authorized a program to repurchase in the open market up to an aggregate of $25 million of our common stock. During the quarter ended June 30, 2002, we did not repurchase any of our shares pursuant to this Board authorization. Since June 30, 2002, we have repurchased approximately 241,404 shares of our common stock under this program for approximately $11.9 million.

Secondary Equity Offering. In connection with the issuance of our Series A preferred stock in August 1998, we entered into a registration rights agreement with Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (Apollo) which, among other things, granted them two rights to request that their shares be registered, and a registration rights agreement with an affiliate of Bear, Stearns & Co., Inc. (Bear Stearns), which granted them the right to participate in any company-initiated registration of shares, subject to certain exceptions. In May 2002, Apollo exercised one of their two rights to request that their shares be registered and Bear Stearns elected to participate in such registration. In connection therewith, Apollo and an affiliate of Bear Stearns converted 97,197 shares of our Series A preferred stock held by them into 3,500,000 shares of our common stock, which they sold in the May 2002 public offering. We did not receive any of the proceeds from this offering.

Conversion of Series A Preferred Stock. On August 5, 2002, the first date on which the Series A preferred stock could be optionally redeemed by us,

the holders of our Series A preferred stock converted all but two shares of our Series A preferred stock held by them into approximately 7,281,548 shares of our common stock. As a result of the conversion, the dividend on our Series A preferred stock has been substantially eliminated for future periods.

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 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 and implement our margin enhancement initiatives;
- our ability to realize benefits from our margin enhancement initiatives;
- the results of our litigation;
- the passage of legislation adversely affecting the rent-to-own industry;
- interest rates;
- our ability to collect on our rental purchase agreements;
- our ability to effectively hedge interest rates on our outstanding debt;
- changes in our effective tax rate; and
- the other risks detailed from time to time in our SEC reports.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under Risk Factors in our Annual Report on Form 10-K for our fiscal year ended December 31, 2001. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

OUR BUSINESS

We are the largest rent-to-own operator in the United States with an approximate 28% market share based on store count. At June 30, 2002, we operated 2,335 company-owned stores in 50 states, the District of Columbia and Puerto Rico. Our subsidiary, ColorTyme, is a national franchisor of rent-to-own stores. At June 30, 2002, ColorTyme had 329 franchised stores in 41 states, 317 of which operated under the ColorTyme name and 12 stores of which operated under the Rent-A-Center name. Our stores offer high quality durable products such as home electronics, appliances, computers, and furniture and accessories under flexible rental purchase agreements that typically 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.

We have pursued an aggressive growth strategy since 1989. We have sought to acquire underperforming stores to which we could apply our operating model as well as open new stores. As a result, the acquired stores have generally experienced more significant revenue growth during the initial periods following their acquisition than in subsequent periods. Because of significant growth since our formation, particularly due to the Thorn Americas acquisition, 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, with an emphasis on new store development. Typically, a newly opened 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 $450,000, with roughly 70% 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. There can be no assurance that we will open any new stores in the future, or as to the number, location or profitability thereof.

In addition, 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 will 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 additional financing will be available, or if available, will be on terms acceptable to us.

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 limits our ability to repurchase our 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 could then be accelerated by our lenders, and would require us to offer to redeem our Series A preferred stock. In the event a change in control occurs, we cannot be sure that we would have enough funds to immediately pay our accelerated senior credit facility obligations, all of our subordinated notes and for the redemption of our Series A preferred stock, or that we would be able to obtain financing to do so on favorable terms, if at all.

CRITICAL ACCOUNTING POLICIES INVOLVING CRITICAL ESTIMATES, UNCERTAINTIES OR ASSESSMENTS IN OUR FINANCIAL STATEMENTS

The preparation of our financial statements in conformity with generally accepted accounting principles in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In applying our accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. As you might expect, the actual results or outcomes are generally different than the estimated or assumed amounts. These differences are usually minor and are included in our consolidated financial statements as soon as they are known. 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.

Actual results related to the estimates and assumptions made by us in preparing our consolidated financial statements will emerge over periods of time, such as estimates and assumptions underlying the determination of our self-insurance liabilities. These estimates and assumptions are monitored by us and periodically adjusted as circumstances warrant. For instance, our liability for self-insurance related to our workers compensation, general liability, medical and auto liability may be adjusted based on higher or lower actual loss experience. Although there is greater risk with respect to the accuracy of these estimates and assumptions because of the period over which actual results may emerge, such risk is mitigated by our ability to make changes to these estimates and assumptions over the same period.

In preparing our financial statements at any point in time, we are also periodically faced with uncertainties, the outcomes of which are not within our control and will not be known for prolonged periods of time. As discussed in the section entitled "Legal Proceedings" and the notes to our consolidated financial statements, we are involved in actions relating to claims that our rental purchase agreements constitute installment sales contracts, violate state usury laws or violate other state laws enacted to protect consumers, claims asserting gender discrimination in our employment practices, as well as claims we violated

the federal securities laws. We, together with our counsel, make estimates, if determinable, of our probable liabilities and record such amounts in our consolidated financial statements. These estimates represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. Disclosure is made, when determinable, of the additional possible amount of loss on these claims, or if such estimate cannot be made, that fact is disclosed. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to liabilities to reflect current facts and circumstances.

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

OTHER 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. We collect non-refundable rental payments and fees in advance, generally on a weekly or monthly basis. This revenue is recognized over the term of the agreement. Rental purchase agreements generally include a discounted early purchase option. Upon exercise of this option, and upon sale of used merchandise, revenue is recognized as these payments are received.

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

Depreciation of Rental Merchandise. We depreciate our rental merchandise using the income forecasting method. The income forecasting method of depreciation we use does not consider salvage value and does not allow the depreciation of rental merchandise during periods when it is not generating rental revenue. The objective of this method of depreciation is to provide for consistent depreciation expense while the merchandise is on rent. On July 1, 2002, we began accelerating the depreciation on computers that are 21 months old or older and which have become idle using the straight-line method for a period of at least six months. The purpose for this change is to better reflect the depreciable life of a computer in our stores. Though this method will accelerate the depreciation expense on the effected computers, we do not expect it to have a material effect on our financial position, results of operations or cash flows in future periods.

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, 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, as well as regional directors' salaries, travel and office expenses.

Amortization of Intangibles. Amortization of intangibles consists primarily of the amortization of the excess of purchase price over the fair market value of acquired assets and liabilities. Effective January 1, 2002, under SFAS 142 all goodwill and intangible assets with indefinite lives are no longer subject to amortization. SFAS 142 requires that an impairment test be conducted annually and in the event of an impairment indicator.

Preferred Dividends. Dividends on Series A preferred stock are payable at an annual rate of 3.75%. Shares of Series A preferred stock distributed as dividends in-kind are accounted for at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. As discussed below, on August 5, 2002, the holders of our Series A preferred stock converted substantially all of the shares of Series A preferred stock held by them. Accordingly, dividends on our Series A preferred stock have been substantially eliminated for future periods.

RECENT DEVELOPMENTS

Store Growth. In the second half of 2000, we resumed our strategy of increasing our store base and annual revenues and profits through opportunistic acquisitions and new store openings. During the second quarter of 2002, we acquired a total of 38 stores and accounts from 40 locations for approximately $23.6 million in 16 separate transactions, opened 16 new stores, and closed three stores. All three closed stores were merged with existing stores. For the six months ended June 30, 2002, we acquired a total of 41 stores and accounts from 59 locations for approximately $27.2 million in 32 separate transactions, opened 22 new stores and closed nine stores. Of the closed stores, six were merged with existing stores and three were sold. As of August 12, 2002 we have acquired 22 additional stores, accounts from 21 locations, opened nine new stores and merged two stores with existing locations during the third quarter of 2002.

Senior Credit Facilities. On May 3, 2002, we amended and restated our senior credit facility to provide for a new Tranche D LC Facility in an aggregate amount at closing equal to $80.0 million to support our outstanding letters of credit. Under this new LC Facility, in the event that a letter of credit is drawn upon, we have the right to either repay the LC lenders the amount withdrawn or request a loan in that amount. Interest on any requested LC loan accrues at an adjusted prime rate plus 1.75% or, at our option, at the Eurodollar base rate plus 2.80%, with the entire amount of the LC Facility due on December 31, 2007. As a result of this amendment, our letters of credit are issued under the new LC Facility, which increased the amount available to us under our revolving credit facility, thereby enabling us to achieve more flexibility and liquidity within our capital structure.

As of August 5, 2002, our outstanding letters of credit currently amount to $85.7 million, of which $80.0 million is supported by our Tranche D LC Facility and the remaining $5.7 million is supported by our $120.0 million revolving credit facility.

Secondary Equity Offering. In connection with the issuance of our Series A preferred stock in August 1998, we entered into a registration rights agreement with Apollo which, among other things, granted them two rights to request that their shares be registered, and a registration rights agreement with an affiliate of Bear Stearns, which granted them the right to participate in any company-initiated registration of shares, subject to certain exceptions. In May 2002, Apollo exercised one of their two rights to request that their shares be registered and Bear Stearns elected to participate in such registration. In connection therewith, Apollo and an affiliate of Bear Stearns converted 97,197 shares of our Series A preferred stock held by them into 3,500,000 shares of our common stock, which they sold in the May 2002 public offering that was the subject of Apollo's request. We did not receive any of the proceeds from this offering.

Appointment of Mary Elizabeth Burton to the Board of Directors. On May 31, 2002, we announced that Mary Elizabeth Burton was appointed to our Board of Directors. Ms. Burton also serves as a member of our Audit Committee.

Conversion of Series A Preferred Stock. On August 5, 2002, the first date on which the Series A preferred stock could be optionally redeemed by us, the holders of our Series A preferred stock converted all but two shares of our Series A preferred stock held by them into approximately 7,281,548 shares of our common stock. As a result of the conversion, the dividend on our Series A preferred stock has been substantially eliminated for future periods. In connection with Apollo's conversion of all but two of the shares of Series A preferred stock held by them on August 5, 2002, we granted Apollo an additional right to effect a demand registration under the existing registration rights agreement we entered into with them in 1998.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001

Store Revenue. Total store revenue increased by $109.3 million, or 12.8%, to $964.6 million for the six months ended June 30, 2002 from $855.3 million for the six months ended June 30, 2001. The increase in total store revenue is primarily attributable to growth in same store revenues and incremental revenues in new and acquired stores, as well as an increase in the amount of merchandise sales over the same period in 2001.

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, 2002 and 2001. Same store revenues increased by $53.5 million, or 6.9%, to $829.4 million for the six months ended June 30, 2002 from $775.9 million in 2001. The increase in same store revenues was primarily attributable to an increase in the number of customers served (approximately 397 per store for 2002 vs. approximately 391 per store for 2001 in same stores open), the number of agreements on rent (approximately 610 per store for 2002 vs. approximately 604 per store for 2001 in same stores open), as well as revenue earned per agreement on rent (approximately $98 per month per agreement for 2002 vs. approximately $96 per agreement for 2001). Merchandise sales increased $12.7 million, or 25.0%, to $63.6 million for 2002 from $50.9 million in 2001. The increase in merchandise sales was primarily attributable to an increase in the number of items sold in the first six months of 2002 (approximately 463,000) from the number of items sold

in 2001 (approximately 373,000). This increase in the number of items sold in 2002 versus the same period in 2001 was primarily the result of an increase in the amount of customers exercising early purchase options.

Franchise Revenue. Total franchise revenue increased by $1.4 million, or 5.3%, to $28.6 million for the six months ended June 30, 2002 from $27.2 million in 2001. This increase was primarily attributable to an increase in merchandise sales to franchise locations, partially offset by a decrease in the number of franchised locations in the first six months of 2002 as compared to the first six months of 2001, which caused a slight decrease in royalty income.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $21.5 million, or 13.0%, to $186.6 million for the six months ended June 30, 2002 from $165.1 million in 2001. This increase was primarily attributable to an increase in rental and fee revenue. Depreciation of rental merchandise expressed as a percent of store rentals and fees revenue increased to 20.7% in 2002 from 20.6% for the same period in 2001. This slight increase is primarily a result of in-store promotions made during the third quarter of 2001, which included a reduction in the rates and terms on certain rental agreements. These in-store promotions caused depreciation to be a greater percentage of store rentals and fees revenue on those promotional items rented.

Cost of Merchandise Sold. Cost of merchandise sold increased by $7.5 million, or 20.2%, to $44.5 million for the six months ended June 30, 2002 from $37.0 million in 2001. This increase was primarily a result of an increase in the number of items sold during the first six months of 2002 as compared to the first six months of 2001.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue decreased to 54.6% for the six months ended June 30, 2002 from 56.9% for the six months ended June 30, 2001. This decrease was primarily attributable to an increase in store revenues in the first six months of 2002 as compared to 2001 coupled with the realization of our margin enhancement initiatives and reductions in store level costs.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $1.3 million, or 5.8%, to $24.5 million for the six months ended June 30, 2002 from $23.2 million in 2001. This increase was primarily attributable to an increase in merchandise sales to franchise locations, partially offset by a decrease in the number of franchised locations in the first six months of 2002 as compared to the first six months of 2001.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue increased to 3.3% for the six months ending June 30, 2002 as compared to 3.0% for the six months ending June 30, 2001. This increase is primarily attributable to additional litigation settlement costs of $2.0 million in connection with the settlement of our class action gender discrimination litigation incurred during the second quarter of 2002.

Amortization of Intangibles. Amortization of intangibles decreased by $13.1 million, or 88.8%, to $1.6 million for the six months ended June 30, 2002 from $14.7 million for the six months ended June 30, 2001. This decrease was directly attributable to the implementation of SFAS 142, which requires that goodwill no longer be amortized.

Operating Profit. Operating profit increased by $47.4 million, or 36.7%, to $176.5 million for the six months ended June 30, 2002 from $129.1 million in 2001. Operating profit as a percentage of total revenue increased to 17.8% for the six months ended June 30, 2002, from 14.6% in 2001. This increase was primarily attributable to an increase in store revenues in the first six months of 2002 as compared to 2001 coupled with the realization of our margin enhancement initiatives, reduction of store level costs and the reduction of intangible amortization expense as discussed above. After adjusting reported results for the first six months of 2001 to exclude the effects of goodwill amortization, operating profit increased by $24.5 million, or 16.1% on a comparable basis.

Net Earnings. Net earnings increased by $33.0 million, or 62.7%, to $85.5 million for the six months ended June 30, 2002 from $52.5 million in 2001. This increase is primarily attributable to growth in operating profit as discussed above. After adjusting reported results for the first six months of 2001 to exclude the effects of goodwill amortization, net earnings increased by $20.6 million, or 31.8% on a comparable basis.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. Preferred dividends decreased by $488,000, or 5.2%, to $8.9 million for the six months ended June 30, 2002 as compared to $9.4 million in 2001. This decrease is a direct result of the conversion of 97,197 shares of preferred stock into 3,500,000 million common shares in May 2002, resulting in less shares outstanding in 2002 as compared to 2001. On August 5, 2002, the holders of our Series A preferred stock converted all but two shares of our Series A preferred stock into approximately 7,281,548 shares of our common stock. Accordingly, the dividend on our Series A preferred stock has been substantially eliminated for future periods.

THREE MONTHS ENDED JUNE 30, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

Store Revenue. Total store revenue increased by $50.7 million, or 11.8%, to $480.7 million for the three months ended June 30, 2002 from $430.0 million for the three months ended June 30, 2001. The increase in total store revenue is primarily attributable to growth in same store revenues and incremental revenues in new and acquired stores, as well as an increase in the amount of merchandise sales over the same period in 2001.

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, 2002 and 2001. Same store revenues increased by $25.9 million, or 6.6%, to $420.2 million for the three months ended June 30, 2002 from $394.3 million in 2001. The increase in same store revenues was primarily attributable to an increase in the number of customers served (approximately 397 per store for 2002 vs. approximately 390 per store for 2001 in same stores open), the number of agreements on rent (approximately 609 per store for 2002 vs. approximately 602 per store for 2001 in same stores open), as well as revenue earned per agreement on rent (approximately $99 per month per agreement for 2002 vs. approximately $96 per agreement for 2001). Merchandise sales increased $3.9 million, or 19.3%, to $24.0 million for 2002 from $20.1 million in 2001. The increase in merchandise sales was primarily attributable to an increase in the number of items sold in the second quarter of 2002 (approximately 205,000) from the number of items sold in 2001 (approximately 163,000). This increase in the number of items sold in 2002 versus the same period in 2001 was primarily the result of an increase in the amount of customers exercising early purchase options.

Franchise Revenue. Total franchise revenue increased by $1.2 million, or 9.7%, to $13.9 million for the three months ended June 30, 2002 from $12.7 million in 2001. This increase was primarily attributable to an increase in merchandise sales to franchise locations, partially offset by a decrease in the number of franchised locations in the second quarter of 2002 as compared to the second quarter of 2001, which caused a slight decrease in royalty income.

Depreciation of Rental Merchandise. Depreciation of rental merchandise increased by $10.1 million, or 12.0%, to $94.4 million for the three months ended June 30, 2002 from $84.3 million in 2001. This increase was primarily attributable to an increase in rental and fee revenue. Depreciation of rental merchandise expressed as a percent of store rentals and fees revenue increased to 20.7% in 2002 from 20.6% for the same period in 2001. This slight increase is primarily a result of in-store promotions made during the third quarter of 2001, which included a reduction in the rates and terms on certain rental agreements. These in-store promotions caused depreciation to be a greater percentage of store rentals and fees revenue on those promotional items rented.

Cost of Merchandise Sold. Cost of merchandise sold increased by $2.1 million, or 13.3%, to $17.5 million for the three months ended June 30, 2002 from $15.4 million in 2001. This increase was primarily a result of an increase in the number of items sold during the second quarter of 2002 as compared to the second quarter of 2001.

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue decreased to 55.0% for the three months ended June 30, 2002 from 56.8% for the three months ended June 30, 2001. This decrease was primarily attributable to an increase in store revenues in the second quarter of 2002 as compared to 2001 coupled with the realization of our margin enhancement initiatives and reductions in store level costs.

Franchise Cost of Merchandise Sold. Franchise cost of merchandise sold increased by $1.2, or 11.0%, to $11.9 million for the three months ended June 30, 2002 from $10.7 million in 2001. This increase was primarily attributable to an increase in merchandise sales to franchise locations, partially offset by a decrease in the number of franchised locations in the second quarter of 2002 as compared to the second quarter of 2001.

General and Administrative Expenses. General and administrative expenses expressed as a percent of total revenue increased to 3.5% for the three months ending June 30, 2002 as compared to 3.2% for the three months ending June 30, 2001. This increase is primarily attributable to additional litigation settlement costs of $2.0 million in connection with the settlement of our class action gender discrimination litigation.

Amortization of Intangibles. Amortization of intangibles decreased by $6.5 million, or 87.5%, to $922,000 for the three months ended June 30, 2002 from $7.4 million for the three months ended June 30, 2001. This decrease was

directly attributable to the implementation of SFAS 142, which requires that goodwill no longer be amortized.

Operating Profit. Operating profit increased by $21.6 million, or 32.4%, to $88.2 million for the three months ended June 30, 2002 from $66.6 million in 2001. Operating profit as a percentage of total revenue increased to 17.8% for the three

months ended June 30, 2002, from 15.1% in 2001. This increase was primarily attributable to an increase in store revenues in 2002 as compared to 2001 coupled with the realization of our margin enhancement initiatives, reduction of store level costs and the reduction of intangible amortization expense as discussed above. After adjusting reported results for the second quarter of 2001 to exclude the effects of goodwill amortization, operating profit increased by $10.1 million, or 13.0% on a comparable basis.

Net Earnings. Net earnings increased by $14.4 million, or 52.3%, to $41.9 million for the three months ended June 30, 2002 from $27.5 million in 2001. This increase is primarily attributable to growth in operating profit as discussed above. After adjusting reported results for the first quarter of 2001 to exclude the effects of goodwill amortization, net earnings increased by $8.2 million, or 24.3% on a comparable basis.

Preferred Dividends. Dividends on our Series A preferred stock are payable quarterly at an annual rate of 3.75%. We account for shares of preferred stock distributed as dividends in-kind at the greater of the stated value or the value of the common stock obtainable upon conversion on the payment date. Preferred dividends decreased by $1.2 million or 22.9%, to $3.9 million for the three months ended June 30, 2002 as compared to $5.1 million in 2001. This decrease is a direct result of the conversion of 97,197 shares of preferred stock into 3,500,000 million common shares in May 2002, resulting in less shares outstanding in 2002 as compared to 2001. On August 5, 2002, the holders of our Series A preferred stock converted all but two shares of our Series A preferred stock into approximately 7,281,548 shares of our common stock. Accordingly, the dividend on our Series A preferred stock has been substantially eliminated for future periods.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities increased by $109.3 million to $172.9 million for the six months ending June 30, 2002 from $63.6 million in 2001. This increase resulted primarily from an increase in net earnings and depreciation of rental merchandise, as well as a decrease in the amount of rental merchandise purchased during the first six months of 2002 compared to 2001.

Cash used in investing activities decreased by $20.5 million to $43.4 million during the six month period ending June 30, 2002 from $63.9 million in 2001. This decrease is primarily attributable to the acquisition and opening of fewer new stores during the first six months of 2002 as compared to 2001 as well as a decrease in capital expenditures.

Cash used in financing activities increased by $134.8 million to $143.6 million during the six month period ending June 30, 2002 from $8.8 million in 2001. This increase is a result of our purchase of $34.7 million in treasury stock in the first quarter of 2002 and debt repayments of $128.0 million during the first six months of 2002, offset by no proceeds from the issuance of common stock in 2002 as compared proceeds of approximately $45.7 million in 2001.

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

We believe that 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, litigation and our store expansion intentions during 2002. At August 9, 2002, we had $102.4 million in cash. 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.

On March 9, 2002, President Bush signed into law the Job Creation and Worker Assistance Act of 2002, which provides for accelerated tax depreciation deductions for qualifying assets placed in service between September 11, 2001 and September 10, 2004. Under these provisions, 30 percent of the basis of qualifying property is deductible in the year the property is placed in service,

with the remaining 70 percent of the basis depreciated under the normal tax depreciation rules. Accordingly, our cash flow will benefit from having a lower current cash tax obligation, which in turn will provide additional cash flows from operations until the deferred tax liabilities begin to reverse. We estimate that our operating cash flow will increase by approximately $60.0 million through 2004 before the deferred tax liabilities begin to reverse over a three year period beginning in 2005.

Rental Merchandise Purchases. We purchased $252.3 million and $270.5 million of rental merchandise during the six month periods ending June 30, 2002 and 2001, 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 $16.8 million and $29.7 million on capital expenditures during the six month periods ending June 30, 2002 and 2001, respectively, and expect to spend approximately $20.0 million for the remainder of 2002.

Acquisitions and New Store Openings. For the first six months of 2002, we spent approximately $27.2 million on acquiring stores and accounts. For the entire year ending December 31, 2002, we intend to add approximately 5% to 10% to our store base by opening between 60 and 80 new store locations as well as continuing to pursue opportunistic acquisitions.

The profitability of our stores tends to grow at a slower rate approximately five years from the time we open or acquire them. As a result, in order for us to show improvements in our profitability, it is important for us to continue to open stores in new locations or acquire underperforming 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 you that the stores we do acquire or open will be profitable at the same levels that our current stores are, or at all.

Borrowings. The table below shows the scheduled maturity dates of our senior debt outstanding at June 30, 2002.

PERIOD (YEAR) ENDING DECEMBER 31, (IN THOUSANDS)	
2002.....	$ 1,273
2003.....	1,273
2004.....	15,612
2005.....	58,777
2006.....	136,615
Thereafter.....	86,450
	$ 300,000

For the six months ended June 30, 2002, we have prepaid $128.0 million of our senior debt. Since June 30, 2002, we have prepaid approximately $11.0 million of our senior debt during the third quarter of 2002.

Under our senior credit facilities, we are required to use 25% of the net proceeds from any equity offering to repay our term loans. We intend to continue to make prepayments of debt under our senior credit facilities, repurchase some of our senior subordinated notes or repurchase our common stock to the extent we have available cash that is not necessary for store openings or acquisitions. However, we cannot assure you that we will have excess cash for these purposes. Our senior credit facilities currently limit our ability to repurchase in excess of $54.0 million of our senior subordinated notes. In addition, our senior credit facilities currently limit our ability to repurchase our common stock in excess of 25% of our consolidated net income for the period from January 1, 2002 through our latest quarterly financial reports and require us to make a matching pre-payment on our term loans with any such repurchase.

Senior Credit Facilities. The senior credit facilities are provided by a syndicate of banks and other financial institutions led by JP Morgan Chase Bank, as administrative agent. On May 3, 2002, we amended and restated our senior credit facility to provide for a new Tranche D LC Facility in an aggregate amount at closing equal to $80.0 million to support our outstanding letters of credit. Under this new LC Facility, in the event that a letter of credit is drawn upon, we have the right to either repay the LC lenders the amount withdrawn or request a loan in that amount. Interest on any requested LC loan accrues at an adjusted prime rate plus 1.75% or, at our option, at the Eurodollar base rate plus 2.80%, with the entire amount of the LC Facility due on December 31, 2007. As a result of this amendment, our letters of credit are issued under the new LC Facility, which increases the amount available to us under our revolving credit facility, thereby enabling us to achieve more flexibility and liquidity within our capital structure. At June 30, 2002, we had

a total of $300.0 million outstanding under our senior credit facilities, all of which was under our term loans. At June 30, 2002, we had $120.0 million of availability under this revolving credit facility.

As of August 5, 2002, our outstanding letters of credit currently amount to $85.7 million, $80.0 million is supported by our Tranche D LC Facility and the remaining $5.7 million is supported by our $120.0 million revolving credit facility.

Borrowings under the senior credit facilities bear interest at varying rates equal to 1.50% to 3.0% over LIBOR, which was 1.84% at June 30, 2002. We also have a prime rate option under the facilities, but have not exercised it to date. At June 30, 2002,

the average rate on outstanding senior debt borrowings was 9.72%. Including the non-recurring finance fees of $2.9 million incurred in connection with our prepayment of debt, the average rate on outstanding senior debt borrowings was 11.54%.

During 1998, we entered into interest rate protection agreements with two banks, one of which expired in 2001. Under the terms of the current interest rate protection agreements, the LIBOR rate used to calculate the interest rate charged on $250.0 million of the outstanding senior term debt has been fixed at an average rate of 5.60%. The protection on the $250.0 million expires in 2003.

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

The senior credit facilities contain covenants that limit our ability to:

- incur additional debt (including subordinated debt) in excess of $25 million;
- repurchase our capital stock and senior subordinated notes;
- incur liens or other encumbrances;
- merge, consolidate or sell substantially all our property or business;
- sell assets, other than inventory;
- make investments or acquisitions unless we meet financial tests and other requirements;
- make capital expenditures; or
- enter into a new line of business.

The senior credit facilities require us to comply with several financial covenants, including a maximum leverage ratio, a minimum interest coverage ratio and a minimum fixed charge coverage ratio. At June 30, 2002, the maximum leverage ratio was 3.75:1, the minimum interest coverage ratio was 3.00:1, and the minimum fixed charge coverage ratio was 1.30:1. On that date, our actual ratios were 1.64:1, 5.62:1 and 2.34:1.

Events of default under the senior credit facilities include customary events, such as a cross-acceleration provision in the event that we default on other debt. In addition, an event of default under the senior credit facilities would occur if we undergo a change of control. This is defined to include the case where Apollo ceases to own at least 4,474,673 shares of our common stock on an as converted basis, or a third party becomes the beneficial owner of 33.33% or more of our voting stock at a time when certain permitted investors own less than the third party or Apollo entities own less than 35% of the voting stock owned by the permitted investors. We do not have the ability to prevent Apollo from selling its stock, and therefore would be subject to an event of default if Apollo did so and its sales were not agreed to by the lenders under the senior credit facilities. This could result in the acceleration of the maturity of our debt under the senior credit facilities, as well as under the subordinated notes through their cross-acceleration provision.

Senior Subordinated Notes. In August 1998, we issued $175.0 million of senior subordinated notes, maturing on August 15, 2008, under an indenture dated as of August 18, 1998 among us, our subsidiary guarantors and the trustee, which is now The Bank of New York, as successor to IBJ Schroder Bank & Trust Company. In December 2001, we issued an additional $100.0 million of 11% senior subordinated notes, maturing on August 15, 2008, under a separate indenture dated as of December 19, 2001 among us, our subsidiary guarantors and The Bank of New York, as trustee. On May 2, 2002, we closed an exchange offer for, among other things, all of the notes issued by us under the 1998 indenture, such that all of our senior subordinated notes are now governed by the terms of the 2001 indenture.

The 2001 indenture contains covenants that limit our ability to:

- incur additional debt;
- sell assets or our subsidiaries;

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

Events of default under the 2001 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 $25 million.

We may redeem the notes after August 15, 2003, at our option, in whole or in part, at a premium declining from 105.5%. The subordinated notes also require that upon the occurrence of a change of control (as defined in the 2001 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. If we did not comply with this repurchase obligation, this would trigger an event of default under our senior credit facilities.

Store Leases. We lease space for all of our stores as well as our corporate and regional offices under operating leases expiring at various times through 2010.

ColorTyme Guarantee. ColorTyme is a party to an agreement with Textron Financial Corporation, who provides financing to qualifying franchisees of ColorTyme of up to five times their average monthly revenues. Under this agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Textron may assign the loans and the collateral securing such loans to ColorTyme, with ColorTyme then succeeding to the rights of Textron under the debt agreements, including the rights to foreclose on the collateral. Approximately $10.0 million of the Textron financing was recently refinanced by Texas Capital Bank, National Association upon terms and conditions similar to the Textron financing. We guarantee the obligations of ColorTyme under these agreements up to a maximum amount of $50.0 million, of which $34.3 million was outstanding as of June 30, 2002. Mark E. Speese, our Chairman of the Board and Chief Executive Officer, is a passive investor in Texas Capital Bank, owning less than 1% of its outstanding equity.

Litigation. In 1998, we recorded an accrual of approximately $125.0 million for estimated probable losses on litigation assumed in connection with the Thorn Americas acquisition. As of June 30, 2002, we have paid approximately $124.1 million of this accrual in settlement of most of these matters and legal fees. These settlements were funded primarily from amounts available under our senior credit facilities, including the revolving credit facility and the multidraw facility, as well as from cash flow from operations.

In November 2001, we announced that we had reached an agreement in principle for the settlement of the Bunch matter. Under the terms of the Bunch settlement, while not admitting any liability, we agreed to pay an aggregate of $12.25 million to the agreed upon class, plus plaintiffs' attorneys fees as determined by the court and costs to administer the settlement subject to an aggregate cap of $3.15 million. Accordingly, to account for the aforementioned costs, we recorded a non-recurring charge of $16.0 million in the third quarter of 2001.

In early March 2002, we reached an agreement in principle with the plaintiffs attorneys in Wilfong and the EEOC to resolve the Wilfong suit and the Tennessee EEOC action. The definitive settlement agreement documents were filed with the Wilfong court in June 2002, and the court granted preliminary approval of the settlement on July 19, 2002.

Under the terms of the Wilfong settlement, while not admitting any liability, we agreed to pay an aggregate of $47.0 million to approximately 6,000 female employees and a yet to be determined number of female applicants who were employed by or applied for employment with us during the period commencing on April 19, 1998 and ending on June 19, 2002, plus up to $375,000 in settlement administrative costs. The $47.0 million payment includes the $12.25 million payment discussed in connection with the Bunch settlement. Attorney fees for class counsel in Wilfong will be paid out of the $47.0 million settlement fund in an amount to be determined by the court.

The settlement agreement contemplates the settlement would be subject to a four-year consent decree, which could be extended by the court for an additional one year upon a showing of good cause. Also, under the settlement agreement, we agreed to augment our human resources department and our internal employee complaint procedures; enhance our gender anti-discrimination training for all employees; hire a consultant mutually acceptable to the parties for two years to advise us on employment matters; provide certain reports to the EEOC during the period of the consent decree; seek qualified female representation on our board of directors; publicize our desire to recruit, hire and promote qualified women; offer to fill job vacancies within our regional markets with qualified class members who reside in those markets and express an interest in employment by us

to the extent of 10% of our job vacancies in such markets over a fifteen month period; and to take certain other steps to improve opportunities for women. We initiated many of the above programs prior to entering into the settlement agreement.

Under the settlement agreement, we have the right to terminate the settlement under certain circumstances, including in the event that more than 60 class members elect to opt out of the settlement.

The Wilfong settlement contemplates that the Bunch case will be dismissed with prejudice once such settlement becomes final. At the parties' request, the court in the Bunch case stayed the proceedings in that case, including postponing the fairness hearing previously scheduled for March 6, 2002. Similarly, the court in the Tennessee EEOC action has stayed the proceeding in that case and the EEOC has agreed to having the case dismissed once the Wilfong settlement is finalized.

In June 2002, we separately agreed to contribute an additional $2.0 million to a dispute resolution fund in which approximately 100 class members in Bunch will participate. This dispute resolution fund has been approved by the Bunch court and counsel to the plaintiffs in Bunch support the dispute resolution fund and the Wilfong settlement preliminarily approved by the Wilfong court.

To account for the aforementioned costs, as well as our own attorney's fees, we recorded an additional non-recurring charge of $36.0 million in the fourth quarter of 2001 in connection with the Wilfong matter and a non-recurrring charge of $2.0 million in the second quarter of 2002 for a total non-recurring charge of $54.0 million.

Additional settlements or judgments against us on our existing litigation could affect our liquidity. Please refer to Note J of our consolidated financial statements included in our Annual Report on Form 10-K.

Sales of Equity Securities. On May 31, 2001, we completed an offering of 3,680,000 shares of our common stock at an offering price of $42.50 per share. In that offering, 1,150,000 shares were offered by us and 2,530,000 shares were offered by some of our stockholders. Net proceeds to us were approximately $45.6 million.

During 1998, we issued 260,000 shares of our Series A preferred stock at $1,000 per share, resulting in aggregate proceeds of $260.0 million. Dividends on our Series A preferred stock accrue on a quarterly basis at the rate of $37.50 per annum. To date, we have these dividends in additional shares of Series A preferred stock because of restrictive provisions in our senior credit facilities. Beginning in August 2003, we will be required to pay the dividends in cash and may do so under our senior credit facilities so long as we are not in default.

On August 5, 2002, the first date in which we had the right to optionally redeem the shares of Series A preferred stock, the holders of our Series A preferred stock converted all but two shares of our Series A preferred stock held by them into approximately 7,281,548 shares of our common stock. As a result, the dividend on our Series A preferred stock has been substantially eliminated for future periods. In connection with Apollo's conversion of all but two of the shares of Series A preferred stock held by them on August 5, 2002, we granted Apollo an additional right to effect a demand registration under the existing registration rights agreement we entered into with them in 1998.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of June 30, 2002:

PAYMENTS DUE BY YEAR END: Contractual Cash Obligations(1)	TOTAL	2002	2003	2004	2005	AND THEREAFTER
(IN THOUSANDS)						
Senior Credit Facilities (including current portion)	$300,000	$ 1,273	$ 1,273	$ 15,612	$281,842	
11% Senior Subordinated Notes (2)	471,625	15,125	30,250	30,250	396,000	
Series A Preferred Stock (3)	52,556	--	1,210	8,012	43,334	
Operating Leases						

377,167 89,431 104,207
86,647 96,882

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(1) Excludes obligations under the ColorTyme guarantee, the change in control and acceleration provisions under the senior credit facilities, and the optional redemption, change in control and acceleration provisions under the indenture governing our subordinated notes.

(2) Includes interest payments of $15.13 million on each of February 15 and August 15 of each year.

(3) Represents cash dividends required to be paid on the Series A preferred stock from August 5, 2003 through August 5, 2009 but excludes the obligations related to change in control and redemption, and assumes that the internal rate of return threshold allowing us to cease paying dividends of the Series A preferred stock is not met. On August 5, 2002, the first date in which we had the right to optionally redeem the shares of Series A preferred stock, the holders of our Series A preferred stock converted all but two of the outstanding shares of Series A preferred stock into shares of our common stock. Accordingly, cash dividends of approximately $52.6 million that would have otherwise been paid beginning August 5, 2003 through August 5, 2009 have been substantially eliminated.

Repurchases of Outstanding Securities. In connection with the retirement of J. Ernest Talley, our former Chairman of the Board and Chief Executive Officer, we entered into an agreement to repurchase $25.0 million worth of shares of our common

stock held by Mr. Talley at a purchase price equal to the average closing price of our common stock over the 10 trading days beginning October 9, 2001, subject to a maximum of $27.00 per share and a minimum of $20.00 per share. Under this formula, the purchase price for the repurchase was calculated at $20.258 per share. Accordingly, on October 23, 2001 we repurchased 493,632 shares of our common stock from Mr. Talley at $20.258 per share for a total purchase price of $10.0 million, and on November 30, 2001, we repurchased an additional 740,448 shares of our common stock from Mr. Talley at $20.258 per share, for a total purchase price of an additional $15.0 million. On January 25, 2002, we exercised the option to repurchase all of the remaining 1,714,086 shares of common stock held by Mr. Talley at $20.258 per share. We repurchased those remaining shares on January 30, 2002.

In April 2000, we announced that our board of directors had authorized a program to repurchase in the open market up to an aggregate of $25 million of our common stock. During the quarter ended June 30, 2002, we did not repurchase any of our shares pursuant to this Board authorization. Since June 30, 2002, we have repurchased approximately 241,404 shares of our common stock under this program for approximately $11.9 million.

Our senior credit facilities currently limit our ability to repurchase our common stock in excess of 25% of our consolidated net income for the period from January 1, 2002 through our latest quarterly financial reports and require us to make a matching pre-payment on our term loans with any such repurchase. In addition, the indenture governing our subordinated notes contain covenants limiting our ability to repurchase our capital stock. Accordingly, our ability to make further repurchases of our common stock, including pursuant to our common stock repurchase program, is limited.

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.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

INTEREST RATE SENSITIVITY

As of June 30, 2002, we had $275.0 million in subordinated notes outstanding at a fixed interest rate of 11.0% and $300.0 million in term loans outstanding at interest rates indexed to the LIBOR rate. The subordinated notes mature on August 15, 2008. 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 subordinated notes at June 30, 2002 was $290.1 million, which is $15.1 million above their carrying value. Unlike the subordinated notes, the $300.0 million in term loans have variable interest rates indexed to current LIBOR rates. Because the variable rate structure exposes us to the risk of increased interest cost if interest rates rise, in 1998 we entered into $500.0 million in interest rate swap agreements that lock in a LIBOR rate of 5.59%, thus hedging this risk. Of the $500.0 million in agreements, $250.0 million expired in September 2001 and the remaining $250.0 million will expire in 2003. Given our current capital structure, including our interest rate swap agreements, we have $50.0 million, or 16.7% of our total debt, in variable rate debt. A hypothetical 1.0% change in the LIBOR rate would affect pre-tax earnings by approximately $50,000. The swap agreements had an aggregate negative fair value of $9.1 million and $4.7 million at June 30, 2002 and 2001, respectively. A hypothetical 1.0% change in the LIBOR rate would have increased the negative fair value of the swaps by approximately $3.9 million.

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 the 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 LIBOR that exposes us to the risk of increased interest costs if interest rates rise. To reduce the risk related to unfavorable interest rate movements, we have entered into certain interest rate swap contracts on $250.0 million of debt to pay a fixed rate of 5.60%.

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.

Colon v. Thorn Americas, Inc. The plaintiffs filed this class action in November 1997 in New York state court. This matter was assumed by us in connection with the Thorn Americas acquisition, and appropriate purchase accounting adjustments were made for such contingent liabilities. The plaintiffs acknowledge that rent-to-own transactions in New York are subject to the provisions of New York's Rental Purchase Statute but contend the Rental Purchase Statute does not provide Thorn Americas immunity from suit for other statutory violations. Plaintiffs allege Thorn Americas has a duty to disclose effective interest under New York consumer protection laws, and seek damages and injunctive relief for Thorn Americas' failure to do so. This suit also alleges violations relating to excessive and unconscionable pricing, late fees, harassment, undisclosed charges, and the ease of use and accuracy of its payment records. In their prayers for relief, the plaintiffs have requested the following:

- class certification;
- injunctive relief requiring Thorn Americas to (A) cease certain marketing practices, (B) price their rental purchase contracts in certain ways, and (C) disclose effective interest;
- unspecified compensatory and punitive damages;
- rescission of the class members contracts;
- an order placing in trust all moneys received by Thorn Americas in connection with the rental of merchandise during the class period;
- treble damages, attorney's fees, filing fees and costs of suit;
- pre- and post-judgment interest; and
- any further relief granted by the court.

The plaintiffs have not alleged a specific monetary amount with respect to their request for damages.

The proposed class originally included all New York residents who were party to Thorn Americas' rent-to-own contracts from November 26, 1991 through November 26, 1997. In her class certification briefing, Plaintiff acknowledged her claims under the General Business Law in New York are subject to a three year statute of limitations, and is now requesting a class of all persons in New York who paid for rental merchandise from us since November 26, 1994. In November 2000, following interlocutory appeal by both parties from the denial of cross-motions for summary judgement, we obtained a favorable ruling from the Appellate Division of the State of New York, dismissing Plaintiff's claims based on the alleged failure to disclose an effective interest rate. Plaintiff's other claims were not dismissed. Plaintiff moved to certify a state-wide class in December 2000. Plaintiff's class certification motion was heard by the court on November 7, 2001, at which time the court took the motion under advisement. We are vigorously defending this action and opposing class certification. Although there can be no assurance that our position will prevail, or that we will be found not to have any liability, we believe the decision by the Appellate Division regarding interest rate disclosure to be a significant and favorable development in this matter.

Wisconsin Attorney General Proceeding. On August 4, 1999, the Wisconsin Attorney General filed suit against us and our subsidiary ColorTyme in the Circuit Court of Milwaukee County, Wisconsin, alleging that our rent-to-rent transaction, coupled with the opportunity afforded our rental customers to purchase the rented merchandise under what we believe is a separate transaction, is a disguised credit sale subject to the Wisconsin Consumer Act. Accordingly, the Attorney General alleges that we have failed to disclose credit terms, misrepresented the terms of the transaction and engaged in unconscionable practices. We currently operate 26 stores in Wisconsin.

The Attorney General seeks injunctive relief, restoration of any losses suffered by any Wisconsin consumer harmed and civil forfeitures and penalties in amounts ranging from $50 to $10,000 per violation. If the Attorney General's theory on damages prevails, the Attorney General's claim for monetary penalties would apply to at least 18,772 transactions through March 31, 2002. On October 31, 2001, the Attorney General filed a motion for summary judgment on several counts in the complaint, including the principal claim that our rent-to-rent transaction is governed by the Wisconsin Consumer Act. Our response was filed on December 17, 2001. A pre-trial conference and hearing on the motion for summary judgment took place on January 22, 2002, at which time the court ruled in favor of the Attorney General's motion for summary judgment on the liability issues and set the case for trial on damages for February 2003.

Since the filing of this suit, we have attempted to negotiate a mutually satisfactory resolution of these claims with the Wisconsin Attorney General's office, including the consideration of possible changes in our business practices in Wisconsin. To date, we have not been successful, but our efforts are ongoing. If we are unable to negotiate a settlement with the Attorney General, we intend to litigate the suit. We cannot assure you, however, that the outcome of this matter will not have a material adverse impact on our financial position, results of operations or cash flows.

Gender Discrimination Actions. We are subject to three class action lawsuits claiming gender discrimination. As described below, we have settled in principle all of the claims covered by these three actions.

In September 1999, an action was filed against us in federal court in the Western District of Tennessee by the U.S. Equal Employment Opportunity Commission, alleging that we engaged in gender discrimination with respect to four named females and other unnamed female employees and applicants within our Tennessee and Arkansas region. The allegations underlying this EEOC action involve charges of wrongful termination and denial of promotion, disparate impact and failure to hire. The group of individuals on whose behalf EEOC seeks relief is approximately seventy individuals.

In August 2000, a putative nationwide class action was filed against us in federal court in East St. Louis, Illinois by Claudine Wilfong and eighteen other plaintiffs, alleging that we engaged in class-wide gender discrimination following our acquisition of Thorn Americas. The allegations underlying Wilfong involve charges of wrongful termination, constructive discharge, disparate treatment and disparate impact. In addition, the EEOC filed a motion to intervene on behalf of the plaintiffs, which the court granted on May 14, 2001. On December 27, 2001, the court granted the plaintiff's motion for class certification.

In December 2000, similar suits filed by Margaret Bunch and Tracy Levings in federal court in the Western District of Missouri were amended to allege class action claims similar to those in Wilfong. In November 2001, we announced that we had reached an agreement in principle for the settlement of the Bunch matter. Under the terms of the Bunch settlement, while not admitting any liability, we agreed to pay an aggregate of $12.25 million to the agreed upon class, plus plaintiffs' attorneys fees as determined by the court and costs to administer the settlement subject to an aggregate cap of $3.15 million. On November 29, 2001, the court in Bunch granted preliminary approval of the settlement and set a fairness hearing on such settlement for March 6, 2002.

In early March 2002, we reached an agreement in principle with the plaintiffs attorneys in Wilfong and the EEOC to resolve the Wilfong suit and the Tennessee EEOC action. The definitive settlement agreement documents were filed with the Wilfong court in June 2002, and the court granted preliminary approval of the settlement on July 19, 2002.

Under the terms of the Wilfong settlement, while not admitting any liability, we agreed to pay an aggregate of $47.0 million to approximately 6,000 female employees and a yet to be determined number of female applicants who were employed by or applied for employment with us during the period commencing on April 19, 1998 and ending on June 19, 2002, plus up to $375,000 in settlement administrative costs. The $47.0 million payment includes the $12.25 million payment discussed in connection with the Bunch settlement. Attorney fees for class counsel in Wilfong will be paid out of the $47.0 million settlement fund in an amount to be determined by the court.

The settlement agreement contemplates the settlement would be subject to a four-year consent decree, which could be extended by the court for an additional one year upon a showing of good cause. Also, under the settlement agreement, we agreed to augment our human resources department and our internal employee

complaint procedures; enhance our gender anti-discrimination training for all employees; hire a consultant mutually acceptable to the parties for two years to advise us on employment matters; provide certain reports to the EEOC during the period of the consent decree; seek qualified female representation on our board of directors; publicize our desire to recruit, hire and promote qualified women; offer to fill job vacancies within our regional markets with qualified class members who reside in those markets and express an interest in employment by us to the extent of 10% of our job vacancies in such markets over a fifteen month period; and to take certain other steps to improve opportunities for women. We initiated many of the above programs prior to entering into the settlement agreement.

Under the settlement agreement, we have the right to terminate the settlement under certain circumstances, including in the event that more than 60 class members elect to opt out of the settlement.

The Wilfong settlement contemplates that the Bunch case will be dismissed with prejudice once such settlement becomes final. At the parties' request, the court in the Bunch case stayed the proceedings in that case, including postponing the fairness hearing previously scheduled for March 6, 2002. Similarly, the court in the Tennessee EEOC action has stayed the proceeding in that case and the EEOC has agreed to having the case dismissed once the Wilfong settlement is finalized.

In June 2002, we separately agreed to contribute an additional $2.0 million to a dispute resolution fund in which approximately 100 class members in Bunch will participate. This dispute resolution fund has been approved by the Bunch court and counsel to the plaintiffs in Bunch support the dispute resolution fund and the Wilfong settlement preliminarily approved by the Wilfong court.

Notices have been mailed to the Wilfong class members. Members of the class who do not wish to participate in the settlement have been given the opportunity to opt out of the settlement. A fairness hearing has been scheduled for October 4, 2002. While we believe the proposed settlement is fair, we cannot assure you that the settlement will be approved by the court in its present form.

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 alleges that the defendants violated Sections 10(b) and/or Section 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements and omitting material facts regarding our financial performance and prospects for the third and fourth quarters of 2001. The complaint purports to be brought on behalf of all purchasers of our common stock from April 25, 2001 through October 8, 2001 and seeks damages in unspecified amounts. We anticipate that similar complaints will be consolidated by the court with the Walker matter. We believe that these claims are without merit and intend to vigorously defend ourselves. However, we cannot assure you that we will be found to have no liability in this matter.

Gregory Griffin, et. al. v. Rent-A-Center, Inc. On June 25, 2002, a suit originally filed by Gregory Griffin in state court in Philadelphia, Pennsylvania was amended to seek relief both individually and on behalf of a class of customers in Pennsylvania, alleging that we violated the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. The amended complaint asserts that our rental purchase transactions are, in fact, retail installment sales transactions, and as such, are not governed by the Pennsylvania Rental-Purchase Agreement Act, which was enacted after the adoption of the Pennsylvania Goods and Services Installment Sales Act and the Pennsylvania Unfair Trade Practices Act. Griffin's suit seeks class-wide remedies, including injunctive relief, unspecified statutory, actual and treble damages, as well as attorney's fees and costs. Discovery in the case is in its early stages. Although we believe that these claims are without merit, a recent trial court decision in a similar case to which we were not a party held that rental purchase transactions in Pennsylvania are in fact retail installment sales transactions not governed by the Pennsylvania Rental-Purchase Agreement Act. We strongly disagree with this decision. However, we cannot assure you that we will be found to have no liability in this matter and we intend to vigorously defend ourselves in this case.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At our Annual Meeting of Stockholders held on May 21, 2002, the nominees for our Class II directors were elected. One Class II director was elected by all of our stockholders and one Class II director was elected by the holders of our Series A preferred stock.

The voting was as follows for the director elected by all of our stockholders:

NOMINEE	FOR	WITHHELD
Mark E. Speese	18,470,727	3,140,961

The voting was as follows for the director elected by the holders of our Series A preferred stock:

NOMINEE	FOR	WITHHELD
Lawrence M. Berg	292,434	0

In addition to the directors elected at our Annual Meeting of Stockholders, the following directors' terms of office as a director continued after the Annual Meeting of Stockholders:

J.V. Lentell
Andrew S. Jhawar
Mitchell E. Fadel
Peter P. Copses

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

CURRENT REPORTS ON FORM 8-K

None.

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.

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 and
Chief Financial Officer

Date: August 12, 2002

RENT-A-CENTER, INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1(1)	Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.2(2)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Renters Choice, Inc.
3.3(3)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Rent-A-Center, Inc.
3.4(4)	Amended and Restated Bylaws of Rent-A-Center, Inc.
4.1(5)	Form of Certificate evidencing Common Stock
4.2(6)	Certificate of Designations, Preferences and Relative Rights and Limitations of Series A Preferred Stock of Renters Choice, Inc.
4.3(7)	Certificate of Designations, Preferences and Relative Rights and Limitations of Series B Preferred Stock of Renters Choice, Inc.
4.4(8)	Indenture, dated as of

August 18, 1998, by and among Renters Choice, Inc., as Issuer, ColorTyme, Inc. and Rent-A-Center, Inc., as Subsidiary Guarantors, and IBJ Schroder Bank & Trust Company, as Trustee

4.5(9) -- Form of Certificate evidencing Series A Preferred Stock

4.6(10) -- Form of 1998 Exchange Note

4.7(11) -- First Supplemental Indenture, dated as of December 31, 1998, by and among Renters Choice Inc., Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc. and IBJ Schroder Bank & Trust Company, as Trustee.

4.8(12) -- Indenture, dated as of December 19, 2001, by and among Rent-A-Center, Inc., as Issuer, ColorTyme, Inc., and Advantage Companies, Inc., as Subsidiary Guarantors, and The Bank of New York, as Trustee

4.9(13) -- First Supplemental Indenture, dated as of May 1, 2002, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies, Inc. and The Bank of New York, as Trustee.

4.10(14) --

Form of 2001 Exchange Note 10.1(15)+ -- Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan 10.2(16) -- Amended and Restated Credit Agreement, dated as of August 5, 1998 as amended and restated as of June 29, 2000, among Rent-A-Center, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent, and The Chase Manhattan Bank, as Administrative Agent. 10.3(17) -- First Amendment to the Credit Agreement, dated August 5, 1998, as amended and restated as of June 29, 2000, among Rent-A-Center, Inc., the Lenders party to the Credit Agreement, the Documentation Agent, and Syndication Agent named therein and the Chase Manhattan Bank, as Administrative Agent 10.4(18) -- Second Amendment, dated as of November 26, 2001, to the Credit Agreement, dated as of August 5, 1998, as amended and restated as of June 29, 2000, among Rent-A-Center, Inc.,

the lenders party to the Credit Agreement, the Documentation Agent and Syndication Agent named therein and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent

10.5(19) -- Amended and Restated Credit Agreement, dated as of August 5, 1998 as amended and restated as of May 3, 2002, among Rent-A-Center, Inc., Comerica Bank, as Documentation Agent, Bank of America NA, as Syndication Agent and JP Morgan Chase Bank, as Administrative Agent.

10.6(20) -- Guarantee and Collateral Agreement, dated August 5, 1998, made by Renters Choice, Inc., and certain of its Subsidiaries in favor of the Chase Manhattan Bank, as Administrative Agent

10.7(21) -- Amended and Restated Stockholders Agreement by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., J. Ernest Talley, Mark E. Speese, Rent-A-Center, Inc., and certain

other persons

10.8* -- Amended and Restated Stockholders Agreement, dated as of August 5, 2002, 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

EXHIBIT NUMBER	DESCRIPTION
10.9(22)	Registration Rights Agreement, dated August 5, 1998, by and between Renters Choice, Inc., Apollo Investment Fund IV, L.P., and Apollo Overseas Partners IV, L.P., related to the Series A Convertible Preferred Stock
10.10*	Second Amendment to Registration Rights Agreement, dated as of August 5, 2002, by and among Rent-A-Center, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
10.11(23)	Common Stock Purchase Agreement, dated as of October 8, 2001, by and among J. Ernest Talley, Mary Ann Talley, the Talley 1999 Trust and Rent-A-Center, Inc.
10.12(24)	Exchange and Registration Rights Agreement, dated December 19, 2001, by and among Rent-A-Center, Inc., ColorTyme, Inc., Advantage Companies,

Inc., J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., and Lehman Brothers, Inc. 10.13* -- Amended and Restated Franchisee Financing Agreement, dated March 27, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc. 10.14* -- Franchise 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. 10.15* -- First Amendment to Franchisee Financing Agreement, dated July 23, 2002, by and between Textron Financial Corporation, ColorTyme, Inc. and Rent-A-Center, Inc. 21.1(25) -- Subsidiaries of Rent-A-Center, Inc

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* Filed herewith.
+ Management contract or company plan or arrangement

(1) Incorporated herein by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994

(2) Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996

(3) Incorporated herein by reference to Exhibit 3.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001

(4) Incorporated herein by reference to Exhibit 3.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002

(5) Incorporated herein by reference to Exhibit 4.1 to the registrant's Form S-4 filed on January 19, 1999.

(6) Incorporated herein by reference to Exhibit 4.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(7) Incorporated herein by reference to Exhibit 4.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(8) Incorporated herein by reference to Exhibit 4.4 to the registrant's Registration Statement Form S-4 filed on January 19, 1999

(9) Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement Form S-4 filed on January 19, 1999

(10) Incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement Form S-4 filed on January 19, 1999

(11) Incorporated herein by reference to Exhibit 4.7 to the registrant's Registration Statement Form S-4 filed on January 19, 1999

(12) Incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(13) Incorporated herein by reference to Exhibit 4.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002

(14) Incorporated herein by reference to Exhibit 4.7 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(15) Incorporated herein by reference to Exhibit 10.1 to the registrant's Registration Statement of Form S-4 filed on January 22, 2002

(16) Incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000

(17) Incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001

(18) Incorporated herein by reference to Exhibit 10.4 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(19) Incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002

(20) Incorporated herein by reference to Exhibit 10.19 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(21) Incorporated herein by reference to Exhibit 10.21 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(22) Incorporated herein by reference to Exhibit 10.22 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998

(23) Incorporated herein by reference to Exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001

(24) Incorporated herein by reference to Exhibit 10.9 to the registrant's Registration Statement on Form S-4 filed on January 22, 2002

(25) Incorporated herein by reference to Exhibit 21.1 to the registrant's Registration Statement on Form S-4 filed on January 19, 1999

EXHIBIT 10.8

SECOND AMENDED AND RESTATED STOCKHOLDERS AGREEMENT OF RENT-A-CENTER, INC.

THIS SECOND AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (the "AGREEMENT"), is effective as of the close of business on the 5th day of August, 2002, and is entered into by and among (i) each of Apollo Investment Fund IV, L.P., a Delaware limited partnership, and Apollo Overseas Partners IV, L.P., an exempted limited partnership registered in the Cayman Islands acting through its general partner (individually and collectively with their Permitted Transferees (defined below), "APOLLO"), (ii) Mark E. Speese, an individual ("SPEESE"), (iii) Rent-A-Center, Inc., a Delaware corporation (the "COMPANY"), (iv) each Person (defined below) named in Exhibit A attached hereto (the "SPEESE OTHER PARTIES" and together with Speese, the "SPEESE GROUP"), and (v) each other Person who becomes a party to the Agreement in accordance with the terms hereof (all of the foregoing, collectively, the "PARTIES"). Terms with initial capital letters used but not otherwise defined herein shall have the meanings given in Section 1.1.

WITNESSETH

WHEREAS, the Parties are parties to that certain Amended and Restated Stockholders Agreement, dated as of October 8, 2001 (the "2001 AGREEMENT") that amended and restated that certain Stockholders Agreement dated as of August 5, 1998 (the "ORIGINAL AGREEMENT");

WHEREAS, the Parties desire to amend and restate the 2001 Agreement to reflect the agreement of the Parties to, among other things: (a) reflect the removal of the Talley Group (as defined in the 2001 Agreement) as a party pursuant to the terms of the 2001 Agreement, and (b) reflect the current capital structure of the Company and beneficial ownership of the Company's capital stock by the Parties;

WHEREAS, the authorized capital stock of the Company consists of 125,000,000 shares of common stock, $.01 par value (the "COMMON STOCK") and 5,000,000 shares of preferred stock, $.01 par value (the "PREFERRED Stock"), of which 400,000 shares are designated Series A Preferred Stock, $.01 par value (the "SERIES A PREFERRED STOCK"), and 400,000 shares are designated Series B Preferred Stock, $.01 par value, and (ii) as of the close of business on August 5, 2002, the issued and outstanding capital stock of the Company consists of approximately 35,130,609 shares of Common Stock, two shares of Series A Preferred Stock and no shares of Series B Preferred Stock, with approximately 10,735,693 shares of Common Stock reserved for issuance upon the exercise of certain stock options and upon conversion of the Series A Preferred Stock;

WHEREAS, as of the close of business on August 5, 2002 (i) Apollo beneficially owns two shares of Series A Preferred Stock and 7,001,903 shares of Common Stock, and (ii) the Speese Group collectively owns 1,176,832 shares of Common Stock;

WHEREAS, the Parties desire to restrict the Transfer of the Shares, including both issued and outstanding Shares as well as Shares that may be issued or otherwise acquired hereafter, to provide for certain rights and obligations in respect to the Shares and the Company as hereinafter provided; and

WHEREAS, the Parties desire that this Agreement become effective immediately.

NOW THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"AFFILIATE" as applied to any specified Person, shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and, in the case of a Person who is an individual, shall include (i) members of such specified Person's immediate family (as defined in Instruction 2 of Item 404(a) of Regulation S-K under the Securities Act) and (ii) trusts, the trustee and all beneficiaries of which are such specified Person or members of such Person's immediate family as determined in accordance with the foregoing clause (i). For the purposes of this definition, control when used with respect to any Person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing. Notwithstanding the foregoing, Apollo and its Affiliates shall not be deemed Affiliates of the Company for purposes of this Agreement.

"APOLLO NOMINEES" shall have the meaning set forth in Section 4.1(a).

"BENEFICIAL OWNER" of a security shall mean any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has (i) the power to vote, or to direct the voting of, such security or (ii) the power to dispose, or to direct the disposition of, such security.

"BOARD OF DIRECTORS" shall mean the Board of Directors of the Company.

"BUSINESS DAY" shall mean each day other than Saturdays, Sundays and days when commercial banks are authorized to be closed for business in New York, New York.

"CERTIFICATE OF DESIGNATION" shall mean the Certificate of Designation of the Series A Preferred Stock in the form attached as an exhibit to the Stock Purchase Agreement.

"CHARTER DOCUMENTS" shall mean the Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws of the Company, each as amended to date, as included as exhibits (or incorporated therein) to the Company's periodic reports filed with the Commission under the Exchange Act.

"COMMISSION" shall mean the United States Securities and Exchange Commission.

"COMMON STOCK" shall have the meaning set forth in the recitals.

"COMPANY" shall have the meaning set forth in the preamble.

"EFFECTIVE DATE" shall mean as of the close of business on August 5, 2002.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GROUP MEMBER" shall mean a member of the Speese Group.

"INDEBTEDNESS" shall mean with respect to any person, without duplication, all liabilities of such person (a) for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), (b) evidenced by bonds, notes, debentures or similar instruments or representing the balance deferred and unpaid of the purchase price of any property (other than any such balance that represents an account payable or any other monetary obligation to a trade creditor (whether or not an Affiliate)), or (c) for the payment of money relating to a capitalized lease obligation.

"IRR" shall have the meaning set forth in Section 4.2(b).

"MD&A" shall mean a management's discussion and analysis of the Company's financial condition and results of operation comparable to the discussion that is required to be included in periodic reports filed under the Exchange Act.

"NOTICES" shall have the meaning set forth in Section 6.5.

"ORIGINAL AGREEMENT" shall have the meaning set forth in the recitals.

"PIK SHARES" means any Shares issued in lieu of cash dividends pursuant to the Certificate of Designation.

"PECUNIARY INTEREST" in any security shall mean the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in such security, and shall include securities owned by an individual's spouse or issue or any trust solely for the benefit of such individual, spouse or issue.

"PERMITTED TRANSFEREE" shall mean:

(a) in the case of Apollo (i) any officer, director or partner of, or Person controlling, Apollo, (ii) any other Person that is (x) an Affiliate of the general partners, investment managers or investment advisors of Apollo, (y) an Affiliate of Apollo or a Permitted Transferee of an Affiliate or (z) an investment fund, investment account or investment entity whose investment manager, investment advisor or general partner thereof is Apollo or a Permitted Transferee of Apollo or (iii) if a Permitted Transferee of a Person set forth in the foregoing clauses (i) and (ii) is an individual, (x) any spouse or issue of such individual, or any trust solely for the benefit of such individual, spouse or issue, and (y) upon such individual's death, any Person to whom Shares are transferred in accordance with the laws of descent and/or testamentary distribution, in each case in a

bona fide distribution or other transaction not intended to avoid the provisions of this Agreement;

(b) in the case of a Group Member, (i) any Person that is solely controlled by such Group Member, (ii) upon a bona fide liquidation of, or a bona fide withdrawal from, such Group Member, in each case, not intended to avoid the provisions of this Agreement, the shareholders, partners or principals, as the case may be, of such Group Member, or (iii) if such Group Member is an individual, (x) any spouse or issue of such individual, or any trust or limited partnership solely for the benefit of such individual, spouse or issue, and (y) upon such individual's death, any Person to whom Shares are transferred in accordance with the laws of descent and/or testamentary distribution; and

(c) any Person who is a party to this Agreement.

"PERSON" shall mean an individual or a corporation, limited liability company, partnership, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PREFERRED STOCK" shall have the meaning set forth in the recitals.

"REGISTRATION RIGHTS AGREEMENT" shall mean the Series A Registration Rights Agreement, dated as of August 5, 1998, by and between the Company and Apollo, as amended from time to time.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"SERIES A PREFERRED STOCK" shall have the meaning set forth in the recitals.

"SHARES" shall mean, collectively, the Common Stock and the Preferred Stock, whether now owned or acquired after the date hereof. Whenever this Agreement refers to a number or percentage of Shares, such number or percentage shall be calculated as if each of the Shares (including, in the case of Apollo, any PIK Shares) had been exchanged or converted into shares of Common Stock immediately prior to such calculation regardless of the existence of any restrictions on such exchange or conversion.

"SPEESE GROUP" shall have the meaning set forth in the preamble.

"SPEESE INCLUDED SHARES" shall mean those 1,176,832 shares of Common Stock owned by the Speese Group as of October 8, 2001.

"SPEESE OTHER PARTIES" shall have the meaning set forth in the preamble.

"STOCK PURCHASE AGREEMENT" shall mean the Stock Purchase Agreement, dated as of August 5, 1998, between the Company and Apollo.

"SUBSIDIARY" shall mean, with respect to any Person, (a) a corporation a majority of whose capital stock with voting power, under ordinary circumstances, to elect directors is at

the time, directly or indirectly, owned by such Person, by a Subsidiary of such Person, or by such Person and one or more Subsidiaries of such Person, (b) a partnership in which such Person or a Subsidiary of such Person is, at the date of determination, a general partner of such partnership, or (c) any other Person (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of the directors or other governing body of such Person.

"2001 AGREEMENT" shall have the meaning set forth in the recitals.

"TRANSFER" shall mean (i) when used as a noun: any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition and (ii) when used as a verb: to directly or indirectly transfer, sell, assign, pledge, hypothecate, encumber, or otherwise dispose of; provided, however, Transfer shall not include a pledge in connection with a recourse, bona fide loan transaction that is not intended to avoid the provisions of this Agreement.

"TRANSFEREE" shall mean any Person to whom Shares have been Transferred in compliance with the terms of this Agreement.

ARTICLE II

RESTRICTIONS ON TRANSFERS

Section 2.1 Transfers in Accordance with this Agreement. Any attempt to Transfer, or purported Transfer of, any of the Speese Included Shares in violation of the terms of this Agreement shall be null and void and the Company shall not register upon its books, and shall direct its transfer agent not to register on its books any such Transfer. A copy of this Agreement shall be filed with the Secretary of the Company and the Company's transfer agent and kept with the records of the Company.

Section 2.2 Agreement to be Bound.

(a) No party hereto (other than the Company, Apollo and their Permitted Transferees) shall Transfer any Shares except (i) to a Permitted Transferee, or (ii) as specifically provided herein.

(b) No member of the Speese Group or its Permitted Transferees shall Transfer its respective pecuniary interests in any of the Speese Included Shares to any party other than a Permitted Transferee of the Speese Group, except that during any twelve-month period the Speese Group and its Permitted Transferees shall be entitled to Transfer up to 300,000 Shares in aggregate through sales pursuant to Rule 144 under the Securities Act, or otherwise. Notwithstanding the foregoing, in no case shall the Speese Group or its Permitted Transferees (i) Transfer more than 50% of the Speese Included Shares during the one year period commencing on August 5, 2002, or (ii) Transfer any Shares if such Transfer would trigger default or change-in-control provisions under any material debt instrument of the Company.

(c) No Transfer to a Permitted Transferee of Apollo or of any party as provided in the foregoing clauses (a) and (b) of this Section 2.2 shall be permitted unless (i) the certificates representing such Shares issued to the Transferee bear the legend provided in Section 2.3, and (ii) the Transferee (if not already a party hereto) has executed and delivered to each other party hereto, as a condition precedent to such Transfer, an instrument or instruments, reasonably satisfactory to the Company, confirming that the Transferee agrees to be bound by the terms of this Agreement in the same manner as such Transferee's transferor, except as otherwise specifically provided in this Agreement.

Section 2.3 Legend. Apollo and each Group Member hereby agree that each outstanding certificate representing Shares issued to any of them (i) on or after the date of the Original Agreement and prior to the date of the 2001 Agreement shall bear the legend as set forth in Section 2.3 of the Original Agreement, (ii) on or after the date of the 2001 Agreement and prior to the Effective Date shall bear the legend as set forth in Section 2.3 therein, and (iii) on or after the Effective Date, or any certificate issued after the Effective Date in exchange for or upon conversion of any similarly legended certificate, shall bear a legend reading substantially as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS, AND MAY BE OFFERED AND SOLD ONLY IF SO REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THE HOLDER OF THESE SHARES MAY BE REQUIRED TO DELIVER TO THE COMPANY, IF THE COMPANY SO REQUESTS, AN OPINION OF COUNSEL (REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY) TO THE EFFECT THAT AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (OR FROM REGISTRATION OR QUALIFICATION UNDER STATE SECURITIES LAWS) IS AVAILABLE WITH RESPECT TO ANY TRANSFER OF THESE SHARES THAT HAS NOT BEEN SO REGISTERED (OR QUALIFIED).

THE SHARES REPRESENTED BY THIS CERTIFICATE ALSO ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AND OBLIGATIONS, TO WHICH ANY TRANSFEREE AGREES BY HIS ACCEPTANCE HEREOF, AS SET FORTH IN THE SECOND AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, AS AMENDED FROM TIME TO TIME, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. NO TRANSFER OF SUCH SHARES WILL BE MADE ON THE BOOKS OF THE COMPANY UNLESS ACCOMPANIED BY EVIDENCE OF COMPLIANCE WITH THE TERMS OF SUCH AGREEMENT AND BY AN AGREEMENT OF THE TRANSFEREE TO BE BOUND BY THE RESTRICTIONS SET FORTH IN THE SECOND AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, AS AMENDED FROM TIME TO TIME.

ARTICLE III

ADDITIONAL RIGHTS AND OBLIGATIONS OF APOLLO AND THE COMPANY

Section 3.1 Access to Information; Confidentiality. Upon the request of Apollo, the Company shall afford Apollo and its accountants, counsel and other representatives reasonable access to all of the properties, books, contracts, commitments and records (including, but not limited to, tax returns) of the Company and its Subsidiaries that are reasonably requested. Apollo will, and will cause its agents to, conduct any such investigations on reasonable advance notice, during normal business hours, with reasonable numbers of persons and in such a manner as not to interfere unreasonably with the normal operations of the Company and its Subsidiaries.

Except as otherwise required by applicable law, neither the Company nor any of its Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of any customer or other Person, would jeopardize the attorney-client privilege of the Person in possession or control of such information, or would contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date hereof. The Parties will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

Apollo shall, and shall use its best efforts to cause their representatives to, keep confidential all such information to the same extent such information is treated as confidential by the Company, and shall not directly or indirectly use such information for any competitive or other commercial purpose. The obligation to keep such information confidential shall not apply to (i) any information that (x) was already in Apollo's possession prior to the disclosure thereof by the Company (other than through disclosure by any other Person known by Apollo to be subject to a duty of confidentiality), (y) was then generally known to the public, or (z) was disclosed to Apollo by a third party not known by Apollo to be bound by an obligation of confidentiality or (ii) disclosures made as required by law or legal process or to any person exercising regulatory authority over such Apollo or its Affiliates. If in the absence of a protective order or the receipt of a waiver hereunder, Apollo is nonetheless, in the opinion of their counsel, compelled to disclose information concerning the Company to any tribunal or governmental body or agency or else stand liable for contempt or suffer other censure or penalty, Apollo may disclose such information to such tribunal or governmental body or agency without liability hereunder. In addition, in the event that any information disclosed by the Company to Apollo is material nonpublic information, Apollo agrees to comply with its obligations under the applicable Federal and state securities laws with respect thereto, including but not limited to, the laws pertaining to the possession, dissemination and utilization of such material nonpublic information.

Section 3.2 Furnishing of Information. (a) The Company shall deliver to Apollo, as long as Apollo shall own any Shares:

(i) As promptly as practical, but in no event later than 30 days after the end of each calendar month, a copy of the monthly financial reporting package for such month customarily prepared for the Company's Chief Executive Officer.

(ii) As promptly as practical, but in no event later than 60 days after the close of each of its first three quarterly accounting periods during any fiscal year of the Company, the consolidated balance sheet of the Company as at the end of such quarterly period, and the related consolidated statements of operations, stockholders' equity and cash flows for such quarterly period, and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and in each case setting forth comparative figures for the related periods in the prior fiscal year (if such comparative figures are available without unreasonable expense), all of which shall be certified by the chief financial officer of the Company, to have been prepared in accordance with generally accepted accounting principles, subject to year-end audit adjustments, together with an MD&A;

(iii) As promptly as practical, but in no event later than 105 days after the close of each fiscal year of the Company, the consolidated balance sheet of the Company as of the end of such fiscal year and the related consolidated statements of operations, stockholders' equity and cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, and certified by independent certified public accountants of recognized national standing, together with an MD&A; and

(iv) All reports, if any, filed by the Company or any Subsidiary of the Company with the Commission under the Exchange Act, as promptly as practical, but in no event later than 15 days after filing any such reports with the Commission.

(b) The provisions of Sections 3.2(a)(ii) and (iii) above shall be deemed to have been satisfied if the Company delivers the reports timely filed by the Company with the Commission on Form 10-Q or 10-K, as applicable, for such periods promptly, but in no event later than 15 days after filing any such Form with the Commission.

ARTICLE IV

CORPORATE GOVERNANCE AND VOTING

Section 4.1 Board of Directors of the Company.

(a) As of the Effective Date, the number of directors constituting the entire Board of Directors of the Company is seven, but the Board of Directors may increase its size to eight (8). Apollo (or any representative thereof designated by Apollo) shall be entitled, but not required, to nominate up to three (3) members to the Board of Directors (collectively, the "APOLLO NOMINEES") and the Company shall be entitled, but not required, to nominate the remaining members to the Board of Directors. One Apollo Nominee shall be classified as a Class I Director of the Company, one Apollo Nominee

shall be classified as a Class II Director of the Company, and one Apollo Nominee shall be classified as a Class III Director of the Company.

(b) The Speese Group shall vote all of the Shares owned or held of record by them at all regular and special meetings of the stockholders of the Company called or held for the purpose of filling positions on the Board of Directors, and in each written consent executed in lieu of such a meeting of stockholders, and, to the extent entitled to vote thereon, each party hereto shall take all actions otherwise necessary to ensure (to the extent within the Parties' collective control) that the Apollo Nominees are elected to the Board of Directors.

(c) The Company and the Speese Group shall use their respective best efforts to call, or cause the appropriate officers and directors of the Company to call, a special meeting of stockholders of the Company, as applicable, and the Speese Group shall vote all of the Shares owned or held of record by them for, or to take all actions by written consent in lieu of any such meeting necessary to cause, the removal (with or without cause) of any Apollo Nominee if Apollo requests such director's removal in writing for any reason. Apollo shall have the right to designate a new nominee in the event any Apollo Nominee shall be so removed under this Section 4.1(c) or shall vacate his directorship for any reason.

Except as provided in this Section 4.1(c), each Group Member hereto agrees that, at any time that it is then entitled to vote for the election or removal of directors, it will not vote in favor of the removal of Apollo Nominee unless (i) such removal shall be at the request of Apollo or (ii) the right of Apollo to designate such director has terminated in accordance with clause (e) below.

(d) The Company shall not, and shall not permit any of its Subsidiaries to, without the consent of holders of a majority of the Shares held by Apollo, take any action under Section 4.2(b) of this Agreement that requires the approval of the Apollo Nominees, if any of the Apollo Nominees are Persons whose removal from the Board of Directors has been requested at or prior to the time of such action by Apollo. Each party hereto shall use reasonable efforts to prevent any action from being taken by the Board of Directors, during the pendency of any vacancy due to death, resignation or removal of a director, unless the Person entitled to have a person nominated by it elected to fill such vacancy shall have failed, for a period of ten (10) days after notice of such vacancy, to nominate a replacement.

(e) At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in the aggregate 4,474,673 Shares, Apollo shall be entitled, but not required, to nominate only two Apollo Nominees in accordance with this Article IV. At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in the aggregate 2,982,817 Shares, Apollo shall be entitled, but not required, to nominate only one Apollo Nominees in accordance with this Article IV. At such time as Apollo, together with any and all of its Permitted Transferees, cease to hold in the aggregate 894,934 Shares, Apollo shall no longer be entitled to nominate any Apollo Nominees in accordance with this Article IV.

(f) In the event the Company establishes an Executive Committee of the Board of Directors, it shall be comprised of such persons as a majority of the Board of Directors shall approve, provided, however, such committee shall also include at least one Apollo Nominee. The Executive Committee shall have authority, subject to applicable law, to take all actions that (A) are ancillary to or arise in the normal course of the businesses of the Company, or (B) implement and are consistent with resolutions of the Board of Directors provided, however, that such Executive Committee shall not be authorized to take any action which, if proposed to be taken by the full Board of Directors would require the affirmative vote of the Apollo Nominees in accordance with Section 4.2.

(g) Unless otherwise approved in advance in writing by all the Apollo Nominees, each and every committee of the Board of Directors shall be comprised of three directors, one of whom shall be an Apollo Nominee and at least one of whom is selected by the Board of Directors but who is not also a member of management of the Company.

(h) Each committee of the Board of Directors, to which authority has been delegated, shall keep complete and accurate minutes and records of all actions taken by such committee, prepare such minutes and records in a timely fashion and promptly distribute such minutes and records to each member of the Board of Directors.

(i) The Parties agree that upon the request of Apollo, the Company shall cause the Board of Directors of any wholly-owned subsidiary of the Company to include such number of individuals designated by Apollo (or any representative thereof designated by Apollo) in the same proportion of the total number of members of the Board of Directors of such subsidiary as the proportion of the Company's Board of Directors to which Apollo is entitled pursuant to

Section 4.2 Action by the Board of Directors.

(a) Except as provided below, all decisions of the Board of Directors shall require the affirmative vote of a majority of the directors of the Company then in office, or a majority of the members of an Executive Committee of the Board of Directors, to the extent such decisions may be lawfully delegated to an Executive Committee pursuant to Section 4.1(f).

(b) The Company shall not, and it shall cause each of its Subsidiaries not to, take (or agree to take) any action regarding the following matters, directly or indirectly, including through a merger or consolidation with any other corporation or otherwise, without the affirmative vote of the Apollo Nominees: (i) increase the number of authorized shares of Preferred Stock or authorize the issuance or issue of any shares of Preferred Stock other than to existing holders of Preferred Stock; (ii) issue any new class or series of equity security; (iii) amend, alter or repeal, in any manner whatsoever, the designations, preferences and relative rights and limitations and restrictions of the Series A Preferred Stock; (iv) amend, alter or repeal any of the provisions of the Charter Documents or the Certificate of Designation in a manner that would negatively impact the holders of the Series A Preferred Stock, including (but not limited to) any amendment

that is in conflict with the approval rights set forth in this Section 4.2; (v) directly or indirectly, redeem, purchase or otherwise acquire for value (including through an exchange), or set apart money or other property for any mandatory purchase or other analogous fund for the redemption, purchase or acquisition of any shares of Common Stock or Junior Stock (as defined in the Certificate of Designation), or declare or pay any dividend or make any distribution (whether in cash, shares of capital stock of the Company, or other property) on shares of Common Stock or Junior Stock; (vi) cause the number of directors of the Company to be greater than eight (8); (vii) enter into any agreement or arrangement with or for the benefit of any Person who is an Affiliate of the Company with a value in excess of $5 million in a single transaction or series of related transactions; (viii) effect a voluntary liquidation, dissolution or winding up of the Company; (ix) sell or agree to sell all or substantially all of the assets of the Company, unless such transaction (1) occurs after August 5, 2002, (2) is a sale for cash and (3) results in an internal rate of return ("IRR") to Apollo of 30% compounded quarterly or greater with respect to each Share issued to Apollo on August 5, 1998; or (x) enter into any merger or consolidation or other business combination involving the Company (except a merger of a wholly-owned subsidiary of the Company into the Company in which the Company's capitalization is unchanged as a result of such merger) unless such transaction (1) occurs after August 5, 2002, (2) is for cash and (3) results in an IRR to Apollo of 30% compounded quarterly or greater with respect to each Share issued to Apollo on August 5, 1998.

(c) Notwithstanding the foregoing Section 4.2(b), if Apollo owns less than 2,982,817 Shares, the provisions of Section 4.2(b) shall cease to exist and shall be of no further force or effect.

(d) While any shares of Series A Preferred Stock are outstanding, the Company shall not and it shall cause each of its Subsidiaries not to, issue any debt securities of the Company with a value in excess of $10 million (including any refinancing of existing indebtedness) without the majority affirmative vote of the Finance Committee.

(e) While any shares of Series A Preferred Stock are outstanding, the Company shall not, and it shall cause each of its Subsidiaries not to, issue any equity securities of the Company with a value in excess of $10 million (including any refinancing of existing indebtedness) without the unanimous affirmative vote of the Finance Committee; provided, however, that the following equity issuances shall require only a majority affirmative vote of the Finance Committee: (A) an offering of Common Stock in which the selling price is equal to or greater than the price that would imply a 25% or greater IRR compounded quarterly on the Conversion Price (as defined in the Certificate of Designation) and (B) an issuance of equity in connection with an acquisition if the issuance is equal to or less than 10% of the outstanding Common Stock (calculated post-issuance of such shares of Common Stock).

Section 4.3 Charter Documents. (a) The Charter Documents most recently included (or incorporated therein) as exhibits to the Company's periodic reports filed with the Commission are the Charter Documents as in effect on the Effective Date.

(b) The Company covenants that it will act, and each Group Member and Apollo agrees to use its best efforts to cause the Company to act, in accordance with its Charter Documents and Certificate of Designation in all material respects and to cause compliance with all provisions contained herein. Each Group Member and Apollo shall vote all the Shares owned or held of record by it at any regular or special meeting of stockholders of the Company or in any written consent executed in lieu of such a meeting of stockholders, and shall take all action necessary, to ensure (to the extent within the Parties' collective control) that (i) the Charter Documents and Certificate of Designation of the Company do not, at any time, conflict with the provisions of this Agreement, and (ii) unless an amendment is approved by the Board of Directors in accordance with Section 4.2, the Charter Documents of the Company continue to be in effect in the forms most recently included as exhibits to the Company's periodic reports filed with the Commission and the Certificate of Designation continues to be in effect in the form attached as an exhibit to the Stock Purchase Agreement.

ARTICLE V

TERMINATION

Section 5.1 Termination. Except as otherwise provided herein with respect to certain specific provisions, this Agreement shall terminate upon the earlier to occur of:

(i) the mutual agreement of the Parties,

(ii) with respect to any party hereto other than the Company, such party ceasing to own, beneficially or otherwise, any Shares,

(iii) such time as less than 1,737,104 Shares continue to be subject to the provisions of this Agreement, or

(iv) on August 5, 2009.

ARTICLE VI

MISCELLANEOUS

Section 6.1 No Inconsistent Agreements. Each party hereto hereby consents to the termination of any prior written or oral agreement or understanding, including without limitation the 2001 Agreement, restricting, conditioning or limiting the ability of any party to transfer or vote Shares.

Each of the Company and the Group Members represents and agrees that, as of the Effective Date, there is no (and from and after the Effective Date they will not, and will cause their respective Subsidiaries and Affiliates not to, enter into any) agreement with respect to any securities of the Company or any of its Subsidiaries (and from and after the Effective Date neither the Company nor any Group Members shall take, or permit any of their Subsidiaries or Affiliates to take, any action) that is inconsistent in any material respect with the rights granted to Apollo in this Agreement.

Without limiting the foregoing and other than the 2001 Agreement, the Registration Rights Agreement and that certain Registration Rights Agreement, dated August 18, 1998, by and between the Company and RC Acquisition Corp., a Delaware corporation, the Company represents that there are no existing agreements relating to the voting or registration of any equity securities of the Company or any of its Subsidiaries, and there are no other existing agreements between the Company and any other holder of Shares relating to the transfer of any equity securities of the Company or any of its Subsidiaries.

Section 6.2 Recapitalization, Exchanges. etc. If any capital stock or other securities are issued in respect of, in exchange for, or in substitution of, any Shares by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up, sale of assets, distribution to stockholders or combination of the Shares or any other change in capital structure of the Company, appropriate adjustments shall be made with respect to the relevant provisions of this Agreement so as to fairly and equitably preserve, as far as practicable, the original rights and obligations of the Parties under this Agreement and the terms "Common Stock," "Preferred Stock" and "Shares," each as used herein, shall be deemed to include shares of such capital stock or other securities, as appropriate. Without limiting the foregoing, whenever a particular number of Shares is specified herein, such number shall be adjusted to reflect stock dividends, stock-splits, combinations or other reclassifications of stock or any similar transactions.

Section 6.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties, and their respective successors and permitted assigns; provided that (i) neither this Agreement nor any rights or obligations hereunder may be transferred or assigned by the Company (except by operation of law in any permitted merger); (ii) neither this Agreement nor any rights or obligations hereunder may be transferred or assigned by the Group Members or Apollo except to any Person to whom it has Transferred Shares in compliance with this Agreement and who has become bound by this Agreement pursuant to Section 2.2 hereof; and (iii) the rights of the Parties under Article IV hereof may not be assigned to any Person except as explicitly provided therein.

Section 6.4 No Waivers: Amendments. (a) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

(b) This Agreement may not be amended or modified, nor may any provision hereof be waived, other than by a written instrument signed by the Parties.

Section 6.5 Notices. All notices, demands, requests, consents or approvals (collectively, "NOTICES") required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally delivered or mailed, registered or certified, return receipt requested, postage prepaid (or by a substantially similar method), or delivered by a reputable overnight courier service with charges prepaid, or transmitted by hand delivery or facsimile, addressed as set forth below, or such other address (and with such other copy) as such party shall have specified most recently by written notice.

Notice shall be deemed given or delivered on the date of service or transmission if personally served or transmitted by facsimile. Notice otherwise sent as provided herein shall be deemed given or delivered on the third business day following the date mailed or on the next business day following delivery of such notice to a reputable overnight courier service.

To the Company or the Speese Group:

Rent-A-Center, Inc.
5700 Tennyson Parkway
Third Floor
Plano, Texas 75024
Attn: Mark E. Speese
Fax: (972) 801-1200

with a copy (which shall not constitute notice) to:

Winstead Sechrest & Minick P.C.
5400 Renaissance Tower
1201 Elm Street
Attn: Thomas W. Hughes, Esq.
Fax: (214) 745-5390

To Apollo:

Apollo Investment Fund IV, L.P. and/or
Apollo Overseas Partners IV, L.P.
c/o Apollo Management IV, L.P.
1999 Avenue of the Stars, Suite 1900
Los Angeles, California 90067
Attn: Michael D. Weiner
Facsimile: (310) 201-4166

with a copy (which shall not constitute notice) to:

Morgan, Lewis & Bockius LLP
300 South Grand Avenue, Suite 2200
Los Angeles, California 90071
Attn: John F. Hartigan, Esq.
Fax: (213) 612-2554

Section 6.6 Inspection. So long as this Agreement shall be in effect, this Agreement and any amendments hereto and waivers hereof shall be distributed to all Parties after becoming effective and shall be made available for inspection at the principal office of the Company by Apollo.

Section 6.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS,

EXCEPT AS TO MATTERS OF CORPORATE GOVERNANCE, WHICH SHALL BE INTERPRETED IN ACCORDANCE WITH THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE. EACH PARTY HERETO CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS WITHIN THE STATE OF NEW YORK.

Section 6.8 Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 6.9 Entire Agreement. This Agreement, together with the Stock Purchase Agreement, the Certificate of Designation and the Registration Rights Agreement, constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and thereof and supersedes the 2001 Agreement and any and all prior agreements and understandings, written or oral, relating to the subject matter hereof.

Section 6.10 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdictions, it being intended that all rights and obligations of the Parties hereunder shall be enforceable to the fullest extent permitted by law.

Section 6.11 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which together shall constitute one and the same agreement.

Section 6.12 Required Approvals. If approval of this Agreement or any of the transactions contemplated hereby shall be required by any governmental or supra-governmental agency or instrumentality or is considered to be necessary or advisable to all the Parties, all Parties shall use their best efforts to obtain such approval.

Section 6.13 Public Disclosure. The Company shall not, and shall not permit any of its Subsidiaries to, make any public announcements or disclosures relating or referring to Apollo, any of its affiliates, or any of their respective directors, officers, partners, employees or agents (including, without limitation, any Person designated as a director of the Company pursuant to the terms hereof) unless Apollo has consented to the form and substance thereof, which consent shall not be unreasonably withheld except to the extent such disclosure is, in the opinion of counsel, required by law or by stock exchange regulation, provided that (i) any such required disclosure shall only be made, to the extent consistent with the law, after consultation with Apollo and (ii) no such announcement or disclosure (except as required by law or by stock exchange regulation) shall identify any such Person without Apollo's prior consent.

Section 6.14 Payment of Costs and Expenses. The Company shall pay Apollo's reasonable and documented costs and expenses (including attorneys' fees) associated with negotiation, documentation and completion of this Agreement and the transactions contemplated herein.

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IN WITNESS WHEREOF, the Parties have executed this Amended and Restated Stockholders Agreement as of the date first above written.

RENT-A-CENTER, INC.
a Delaware corporation

By: /s/ Robert D. Davis

Name: Robert D. Davis

Title: Chief Financial Officer

APOLLO INVESTMENT FUND IV, L.P.
a Delaware limited partnership

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its General Partner

By: /s/ Peter Copses

Name: Peter Copses

Title: Vice President

APOLLO OVERSEAS PARTNERS IV, L.P.
an exempted limited partnership registered in the Cayman Islands

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its Managing General Partner

By: /s/ Peter Copses

Name: Peter Copses

Title: Vice President

/s/ Mark E. Speese

Mark E. Speese

/s/ Carolyn Speese
- --
Carolyn Speese

MARK SPEESE 2000 GRANTOR RETAINED ANNUITY TRUST

By: /s/ Mark E. Speese

Mark E. Speese, as Trustee

CAROLYN SPEESE 2000 GRANTOR RETAINED ANNUITY TRUST

By: /s/ Mark E. Speese

Mark E. Speese, as Trustee

ALLISON REBECCA SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

JESSICA ELIZABETH SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

ANDREW MICHAEL SPEESE 2000 REMAINDER TRUST

By: /s/ Stephen Elken

Stephen Elken, as Trustee

EXHIBIT 10.10

SECOND AMENDMENT TO REGISTRATION RIGHTS AGREEMENT

THIS SECOND AMENDMENT TO REGISTRATION RIGHTS AGREEMENT (as amended and/or modified from time to time, this "SECOND AMENDMENT") is made and entered into this 5th day of August, 2002, by and among Rent-A-Center, Inc., a Delaware corporation (formerly known as Renters Choice, Inc.) (the "COMPANY") and each of Apollo Investment Fund IV, L.P., a Delaware limited partnership, and Apollo Overseas Partners IV, L.P., an exempted limited partnership registered in the Cayman Islands (collectively, the "INVESTORS").

WITNESSETH:

WHEREAS, the Investors are holders of shares of Series A Preferred Stock, par value $.01, of the Company (the "SERIES A PREFERRED STOCK");

WHEREAS, pursuant to Section 5 of the Certificate of Designations, Preferences, and Relative Rights and Limitations of the Series A Preferred Stock of the Company (the "CERTIFICATE OF DESIGNATIONS"), the Company may redeem the issued and outstanding shares of its Series A Preferred Stock, in whole or in part (the "REDEMPTION") commencing on August 5, 2002, at a redemption price of 105% of the Liquidation Preference Amount (as defined in the Certificate of Designations);

WHEREAS, in order to effect a Redemption, the Company would be required to arrange significant debt and/or equity financing and negotiate material amendments to its existing senior credit and subordinated debt instruments that would require substantial management time and cause the Company to incur significant expense;

WHEREAS, pursuant to Section 8 of the Certificate of Designations, the Series A Preferred Stock is convertible at any time, including prior to any date specified by the Company for Redemption pursuant to Section 5(a)(ii) of the Certificate of Designations, at the option of the holder thereof into the number of shares of the Company's common stock, par value $.01 per share determined as set forth therein;

WHEREAS, the Company and the Investors entered into that certain Registration Rights Agreement, dated August 5, 1998, as amended by that certain First Amendment to Registration Rights Agreement, dated as of August 18, 1998 (together, the "REGISTRATION RIGHTS AGREEMENT"), the terms of which, among other things, grant the Investors the right to require the Company to effect two (2) Demand Registrations (as defined therein);

WHEREAS, as of the date hereof, the Investors have utilized one (1) such Demand Registration; and

WHEREAS, the Company and the Investors are entering into this Second Amendment to provide an additional right to the Investors to effect a Demand Registration.

NOW, THEREFORE, in consideration of the premises, covenants and agreements contained herein and the Investors' converting all but two of the shares of Series A Preferred Stock held by them on the date hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Investors hereby agree as follows:

1. Amendment to Registration Rights Agreement.

The second paragraph of Section 3(a) of the Registration Rights Agreement is hereby amended to read in its entirety as follows:

"The number of Demand Registrations pursuant to this Section 3(a) shall not exceed three (3)."

2. Number of Available Rights to Effect a Demand Registration.

The Investors acknowledge that, after effecting this Second Amendment, the number of rights to effect a Demand Registration available to the Investors as of the date hereof shall be two (2), reflecting the Investors' use of one such right to effect a Demand Registration in May 2002.

3. Reaffirmation of Registration Rights Agreement.

Except as expressly amended and modified by this Second Amendment, the Registration Rights Agreement is hereby reaffirmed, ratified and confirmed and continues in full force and effect unaffected hereby.

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

RENT-A-CENTER, INC.
a Delaware corporation

By: /s/ Robert D. Davis

Name: Robert D. Davis

Title: Chief Financial Officer

APOLLO INVESTMENT FUND IV, L.P.
a Delaware limited partnership

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its General Partner

By: /s/ Peter Copses

Name: Peter Copses

Title: Vice President

APOLLO OVERSEAS PARTNERS IV, L.P.
an exempted limited partnership registered
in the Cayman Islands

By: Apollo Advisors IV, L.P.
its General Partner

By: Apollo Capital Management IV, Inc.
its Managing General Partner

By: /s/ Peter Copses

Name: Peter Copses

Title: Vice President

AMENDED AND RESTATED
FRANCHISEE FINANCING AGREEMENT

This Amended and Restated Franchisee Financing Agreement ("Agreement") is made and entered into by and among Textron Financial Corporation, a Delaware corporation ("TFC"), ColorTyme, Inc., a Texas corporation ("ColorTyme"), and Rent-A-Center, Inc., a Delaware corporation formerly known as Renters Choice, Inc. ("RAC").

RECITALS

A. ColorTyme is a franchisor of "rent-to-own" stores (each, a "Store") operated by franchisees licensed by ColorTyme (each, a "Franchisee"), offering various home entertainment equipment, household equipment, and consumer products and parts, accessories, and other goods used in connection therewith (collectively, "Inventory").

B. TFC, as the assignee of STI Credit Corporation, ColorTyme and RAC are parties to a Franchisee Financing Agreement dated September 23, 1996, which was subsequently amended by an Amendment to Franchisee Financing Agreement dated October, 1997, a Second Amendment to Franchisee Financing Agreement dated June 30, 1998, a Third Amendment to Franchisee Financing Agreement dated January, 1999, a Fourth Amendment to Franchisee Financing Agreement dated September 28, 1999, and a Fifth Amendment to Franchisee Financing Agreement (as previously amended, the "Original Agreement").

C. TFC, ColorTyme and RAC have entered into this Agreement to amend and restate the Original Agreement.

AGREEMENT

In consideration of the premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, TFC, ColorTyme and RAC agree as follows:

ARTICLE I
CREDIT FACILITY

1.1 Credit Facility. TFC shall provide a credit facility for Franchisees on the terms and subject to the conditions set forth in this Agreement. The amount of the credit facility shall be up to, but not in excess of, fifty million dollars ($50,000,000.00).

1.2 Financing Procedures. The following procedures shall be employed in determining the availability of financing for Franchisees under this Agreement:

(a) In the event a Franchisee shall indicate an interest in obtaining financing for any of the purposes described in section 1.6, ColorTyme shall provide the Franchisee with a credit application and other credit documentation, to be

developed by TFC and approved by ColorTyme, and shall assist the Franchisee in completing such credit application and other credit documents.

(b) After the Franchisee has completed the credit application and provided the other credit documents specified by TFC, if such credit application and other credit documents are acceptable to ColorTyme, ColorTyme shall promptly forward the executed credit application and other credit documents to TFC at its office in Reno, Nevada.

(c) If, following completion of its review of such credit application and other credit documents and its credit investigation, TFC determines that it will provide the financing requested, it shall so notify the Franchisee and ColorTyme and, upon receipt of such additional closing documents as TFC reasonably determines to be necessary for the approval of the credit, TFC shall either (i) establish a revolving line of credit for the Franchisee in accordance with the terms of this Agreement (each such line of credit is referred to herein as a "Line of Credit"), or (ii) provided TFC has previously or contemporaneously established a Line of Credit for the Franchisee, make a term loan to the Franchisee in accordance with the terms of this Agreement (each such term loan is referred to herein as a "Term Loan"). For purposes of this Agreement, the obligations of a Franchisee to TFC under a Line of Credit and/or a Term Loan are collectively referred to as a "Receivable."

1.3 Interest Rates. Unless otherwise agreed by TFC and ColorTyme, the interest rate on each Receivable shall be in accordance with the following schedule: (i) for each Line of Credit with a Credit Limit (as that term is hereinafter defined) of $1,000,000 or less, the rate will be Prime plus 3.75%; (ii) for each Line of Credit with a Credit Limit of more than $1,000,000, the rate will be Prime plus 2.75%; and (iii) for each Term Loan, the rate will be the same as the rate applicable to the Franchisee's Line of Credit on the date of such Term Loan. For purposes of this section, "Prime" shall mean the "prime rate" of interest as published in the "Money Rates" section of the Wall Street Journal, as such rate may change from time to time. The applicable interest rate will be a floating rate; changes in such interest rate will be established monthly, effective as of the last business day of the preceding month. Interest will be calculated on the basis of a 360-day year.

1.4 Credit Limits. When a Line of Credit is established for a Franchisee pursuant to this Agreement, TFC shall fix a credit limit for the Franchisee of (i) two hundred fifty thousand dollars ($250,000) if such Franchisee is not designated by ColorTyme as having prior "rent-to-own" experience; (ii) three hundred thousand dollars ($300,000) if such Franchisee is designated by ColorTyme as having prior "rent-to-own" experience; or (iii) such other amount as may be agreed upon from time to time by TFC and ColorTyme (the credit limit established for each Franchisee is referred to herein as the "Credit Limit"). The amount of the Credit Limit may be adjusted from time to time upon agreement by TFC and ColorTyme. When a Term Loan is made to a Franchisee pursuant to this Agreement, the principal amount of the Term Loan and the interest thereon shall not be included in or subject to the Credit Limit.

1.5 Advance Limits. The amount of credit available under each Receivable (notwithstanding the amount of a Franchisee's Credit Limit, in the case of a Line of Credit) shall be limited to the product of the Franchisee's Average Monthly Revenue multiplied by

five (the advance limit established for each Franchisee is referred to herein as the "Advance Limit"). For purposes of this Agreement, a Franchisee's "Average Monthly Revenue" shall mean the average monthly total revenue of the Franchisee (exclusive of sales tax) from the sale, lease or rental of Inventory and other customary fees, calculated in accordance with generally accepted accounting principles applied on a consistent basis, for the three calendar months preceding the most recent periodic review of such Franchisee's Receivable(s). Notwithstanding anything in this section to the contrary, if the Advance Limit established pursuant to this section would otherwise be an amount that is less than the then outstanding balance of such Receivable (each such Receivable is referred to herein as an "Overline Receivable"), the Advance Limit for such Overline Receivable will be set at the then outstanding balance thereof, and such Overline Receivable will continue to be administered as provided herein, unless TFC and ColorTyme agree otherwise. The provisions of this section shall not apply to any Receivable until the Store for which the financing was provided under the Receivable has been open for business for one (1) year.

1.6 Use of Proceeds. TFC will advance funds pursuant to a Franchisee's Line of Credit or Term Loan only for the following purposes: (i) the Franchisee's acquisition of Inventory; (ii) the Franchisee's acquisition or conversion of a Store; and/or (iii) the Franchisee's working capital.

(a) Inventory. Advances for Inventory will be limited to the lesser of (i) the cost of the Inventory acquired by the Franchisee; (ii) the amount of the Franchisee's Credit Limit; or (iii) the amount of the Franchisee's Advance Limit.

(b) Store Acquisitions and Conversions. Advances for Store acquisitions and/or conversions (i.e., the acquisition of existing ColorTyme Stores and/or the acquisition of other "rent-to-own" stores for conversion to ColorTyme Stores) will be limited to the lesser of (i) in the case of a Store that has been open for business (either as a ColorTyme Store or as another "rent-to-own" store) for one (1) year or more, the product of the Average Monthly Revenue of the individual Store multiplied by nine (9); (ii) the amount that would cause the Debt-to-Revenue Ratio for the Franchisee to equal or exceed 5:1; (iii) except in the case of advances pursuant to a Term Loan, the amount of the Franchisee's Credit Limit; and (iv) the amount of the Franchisee's Advance Limit. For purposes of this paragraph, "Debt-to-Revenue Ratio" shall mean the ratio of (x) Funded Debt to (y) the Average Monthly Revenue of the Franchisee (calculated on an aggregate basis for all Stores owned and/or operated by such Franchisee and any and all affiliates of such Franchisee); and "Funded Debt" shall mean, as of any date, the total amount of liabilities (including the advance contemplated by this paragraph) that would be reflected on the consolidated balance sheet of Franchisee and its parent and any and all subsidiaries and affiliates, if any, in accordance with generally accepted accounting principles applied on a consistent basis. Financing for Store acquisitions and/or conversions will be made available only to Franchisees that are, at the time, already indebted to TFC under a Receivable.

(c) Working Capital. Advances for working capital will be limited to the lesser of (i) the amount by which ColorTyme's minimum working capital requirement exceeds the Franchisee's working capital available from other sources; (ii) sixty thousand dollars ($60,000.00); (iii) except in the case of advances pursuant to a Term Loan, the amount of the Franchisee's Credit Limit; or (iv) the amount of

the Franchisee's Advance Limit. Financing for working capital will be made available only to Franchisees designated by ColorTyme as having prior "rent-to-own" experience and approved by ColorTyme for such financing, and only in connection with the initial opening of a Store.

For purposes of this section, TFC may rely fully on the representations and/or agreements of the Franchisee with respect to the use of funds, with no obligation to independently verify such information. The use of any such funds by a Franchisee for any purpose not permitted by this section will not affect the obligations of ColorTyme or RAC under this Agreement.

1.7 Payment Terms. Each Receivable will be repayable as follows:

(a) In the case of a Line of Credit, (i) accrued and unpaid interest shall be payable monthly, and (ii) principal shall be payable in monthly installments equal to 1/21st of the initial principal amount of each advance made by TFC under such Line of Credit. Payment of both interest and principal shall generally be payable on the 26th day of each month.

(b) In the case of a Term Loan, (i) accrued and unpaid interest shall be payable monthly, and (ii) principal shall be payable in equal monthly installments over the term of the Term Loan, with the amount of the monthly installments calculated by dividing the original principal amount of the Term Loan by the number of months in the term thereof. Payment of both interest and principal shall generally be payable on the 26th day of each month. The term of any Term Loan shall not exceed sixty (60) months.

1.8 Suspension of Advances. Advances may, at TFC's option, be suspended or limited under any Line of Credit drawn to an amount greater than the product of the Franchisee's Average Monthly Revenue multiplied by four (4) where (i) the ratio of cash expenses (total annual expenses, less depreciation directly related to the operation of the Franchisee's Store(s), calculated in accordance with generally accepted accounting principles applied on a consistent basis) to total revenue (calculated in accordance with generally accepted accounting principles applied on a consistent basis, excluding extraordinary items, based on a three (3) month rolling average) exceeds 64%; (ii) the Franchisee fails to maintain the number of rental contracts that are seven (7) or more days past due (calculated on a three (3) month rolling average) at 8% or less of its total outstanding rental contracts; (iii) expenses of a Store that has been open for business for less than twelve (12) months exceed the ratio of expenses to revenue reflected in the proforma cash flow projections for that Store; (iv) payments (principal and/or interest) under any Receivable of the Franchisee are more than fifteen (15) days past due; (v) the idle inventory percentage (the quotient of the idle inventory divided by the total inventory, calculated on a three (3) month rolling average and based on the idle inventory and total inventory figures reflected on the Franchisee's monthly royalty reports) exceeds twenty-five percent (25%); or (vi) in TFC's determination, the Receivable is otherwise in default.

1.9 Financing Terms and Credit Standards. The specific terms of any financing provided by TFC to Franchisees under this Agreement shall be determined from time to time by TFC in accordance with its ordinary and customary business practices. The credit standards for approval of any financing provided by TFC to Franchisees under this

Agreement shall be determined from time to time by TFC and ColorTyme; provided however, the application of such credit standards to particular transactions shall be at TFC's sole discretion.

1.10 Credit Approval. Nothing herein shall obligate TFC to accept or approve any application for financing submitted by or on behalf of any Franchisee. TFC may, in its discretion, reject or decline any application for financing submitted by or on behalf of any Franchisee; provided, if TFC rejects or declines any such application, it shall inform ColorTyme and the Franchisee of the reasons therefor.

1.11 Leased Stores. In connection with financing for Stores that are leased by Franchisees, TFC may, at its option, approve any such Franchisee's application for financing without any requirement that the Franchisee provide (i) a copy of the ground or building lease; (ii) the landlord's consent to the collateral assignment of such lease, (iii) a disclaimer of the landlord's interest in the fixtures, equipment, inventory or other goods in which TFC may obtain a security interest; or (iv) any other consent, waiver or other matter related to such lease. Any approval by TFC of a Franchisee's application for financing that does not require any such items related to the lease shall not in any way affect the obligations of ColorTyme or RAC under the Agreement.

1.12 Collection Procedures. TFC shall use its ordinary and customary practices and procedures to collect outstanding Receivables, subject to the provisions of this Agreement.

1.13 Modification of Receivables. Notwithstanding anything in this Agreement to the contrary, TFC reserves the right to make such modifications, adjustments and/or revisions to any Receivables, including the Credit Limits, payment terms and conditions for advances thereunder, as it deems necessary or appropriate under the circumstances, provided it may not increase the Credit Limits available under any Line of Credit above the amount specified in section 1.4. TFC may at any time, at its sole discretion, amend payment schedules, defer payments or otherwise modify the terms of any such Receivable, without in any way affecting the obligations of ColorTyme or RAC under this Agreement.

1.14 Periodic Review of Receivables. TFC may periodically review Receivable, at such times or intervals and taking into consideration such matters (including without limitation the Average Monthly Revenue of the Franchisee named in such Receivable) as may be agreed upon from time to time by TFC and ColorTyme. TFC shall prepare a written report of each such periodic review, and promptly provide ColorTyme with a copy of such report.

1.15 Payments to ColorTyme. TFC shall pay to ColorTyme, from the interest portion of each payment received by TFC on account of each Receivable (whether a Line of Credit or a Term Loan), an amount calculated by multiplying the amount of each such interest payment by a fraction, the denominator of which is the rate of interest applicable to such Receivable and the numerator of which is determined on the following scale: (i) 2.00% if the Franchisee's Credit Limit is $1,000,000 or less; or (ii) 1.50% if the Franchisee's Credit Limit is greater than $1,000,000. The amounts payable pursuant to this section shall be payable on a monthly basis.

ARTICLE II
REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 Representations and Warranties of ColorTyme and RAC. ColorTyme and RAC, jointly and severally, represent and warrant to TFC that:

(a) ColorTyme. ColorTyme is a corporation duly organized, validly existing and in good standing under and pursuant to the laws of the State of Texas. ColorTyme has duly qualified and is authorized to conduct business and is in good standing as a foreign corporation in all jurisdictions where such qualification is necessary. ColorTyme has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions herein contemplated. ColorTyme has taken all corporate action necessary to duly authorize the execution of this Agreement and the consummation of all transactions herein contemplated.

(b) RAC. RAC is a corporation duly organized, validly existing and in good standing under and pursuant to the laws of the State of Delaware. RAC has duly qualified and is authorized to conduct business and is in good standing as a foreign corporation in all jurisdictions where such qualification is necessary. RAC has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions herein contemplated. RAC has taken all corporate action necessary to duly authorize the execution of this Agreement and the consummation of all transactions herein contemplated.

(c) Enforceable Agreement. This Agreement has been duly executed and delivered by ColorTyme and RAC and is a legal, valid and binding obligation of ColorTyme and RAC, fully enforceable in accordance with its terms.

(d) The Receivables. The credit applications and other credit documents provided to TFC by ColorTyme pursuant to Section 1.2. in connection with each application by a Franchisee for financing pursuant to this Agreement will in each case be all the documents received or acquired by ColorTyme or RAC in connection with such application; to the best of ColorTyme's and RAC's knowledge, each such document will have been duly executed by the persons whose signatures purport to appear thereon; to the best of ColorTyme's and RAC's knowledge, none of such documents or any other materials submitted therewith will contain any false or misleading statements or information; and at the time such documents are provided to TFC and, if the application for financing is approved by TFC, at the time the resulting Receivable is funded by TFC, neither ColorTyme nor RAC will have any knowledge of any fact or circumstance that would materially adversely affect the enforceability or collectability of the Receivable or TFC's rights thereunder or in the collateral securing such Receivable.

(e) Accurate Information. Neither ColorTyme nor RAC has made any misstatement of material fact to TFC or provided TFC with any false or misleading information relevant to this Agreement or withheld from TFC any information known to ColorTyme or RAC which would be material to TFC's decision to enter into this Agreement.

2.2 Covenants of ColorTyme and RAC. At all times during which any of the Receivables are outstanding or during which ColorTyme and/or RAC have any obligations, including contingent obligations, to TFC under this Agreement, unless TFC shall otherwise consent in writing:

(a) Consolidated Leverage Ratio. ColorTyme and RAC shall not permit the Consolidated Leverage Ratio (as that term is defined in the Amended and Restated Credit Agreement among RAC, as borrower, the several lenders from time to time parties thereto, Comerica Bank, as documentation agent, Bank of America, N.A., as syndication agent, and The Chase Manhattan Bank, as administrative agent, dated as of August 5, 1998, as amended and restated as of June 29, 2000 (as the same has been or may be amended, restated or modified from time to time, the "Senior Credit Agreement"), as of the last day of any period of four (4) consecutive fiscal quarters of RAC ending with any fiscal quarter during any period set forth below, to exceed the ratio set forth below opposite such period:

Consolidated Leverage Ratio	Period
Fiscal year 2002	3.75 to 1.00
Fiscal year 2003 and thereafter	3.00 to 1.00.

(b) Consolidated Fixed Charge Coverage Ratio. ColorTyme and RAC shall not permit the Consolidated Fixed Charge Coverage Ratio (as that term is defined in the Senior Credit Agreement), for any period of four (4) consecutive fiscal quarters of RAC, to be less than the ratio of 1.30 to 1.00.

(c) Receipt of Funds. If ColorTyme or RAC receive any money or property as payment on any of the Receivables, they shall receive and hold such money or property in trust for TFC and immediately deliver such money or property to TFC with any necessary endorsements.

(d) The Receivables. Neither ColorTyme nor RAC shall take any action, or fail to take any action, which could adversely affect TFC's rights with respect to any of the Receivables. Neither ColorTyme nor RAC will make any misstatement of material fact to TFC or provide TFC with any false or misleading information relevant to any credit application or other credit documents submitted pursuant to this Agreement or any Receivable or omit to provide TFC with any information known to ColorTyme or RAC which would be material to TFC's decision regarding any such credit application or Receivable.

(e) Confidentiality; Proprietary Rights. During the term of this Agreement, TFC shall provide to ColorTyme various forms, documents, procedures manuals and other information and materials for use in connection with the financing contemplated by this Agreement. ColorTyme and RAC acknowledge and agree that all such information and materials are proprietary to TFC and constitute private business information intended for TFC's exclusive benefit. Neither ColorTyme nor RAC shall use, and shall not permit their employees or agents to use, any such

materials or information for any purpose other than as expressly contemplated by this Agreement. ColorTyme and RAC shall maintain the confidentiality of all such materials and information with the same degree of diligence as they use to protect their own proprietary information and trade secrets from disclosure to other parties.

(f) Indemnity. ColorTyme and RAC, jointly and severally, shall indemnify TFC and its successors, assigns and participants, and their respective officers, directors, employees, attorneys and agents, from, and shall hold each of them harmless against, any and all losses, liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees) to which any of them may become subject (INCLUDING LOSSES, LIABILITIES, CLAIMS, DAMAGES, COSTS AND EXPENSES WHICH ARISE IN WHOLE OR IN PART OUT OF THE NEGLIGENCE OF TFC) which directly or indirectly arise from or relate to (i) this Agreement or any of the transactions contemplated hereby, (ii) the sale of franchises by ColorTyme or any dealings between ColorTyme and Franchisees; (iii) the enforcement by TFC of its rights hereunder, or (iv) any investigation, litigation or other proceeding, including, without limitation, any threatened investigation, litigation or other proceeding, relating to any of the foregoing, excluding, however, (x) any losses, liabilities, claims, damages, costs and expenses which arise exclusively from the willful misconduct or gross negligence of TFC, and (y) expenses incurred by TFC pursuant to section 3.2. The obligations of ColorTyme and RAC under this section shall survive the termination of this Agreement.

(g) Financial Statements and Reports. RAC shall provide to TFC a copy of each Form 10-K, Form 10-Q and Form 8-K filed with the U.S. Securities and Exchange Commission, within two business (2) days after the filing thereof. ColorTyme shall provide to TFC (i) a copy of its audited individual and consolidated year-end financial statements within ninety (90) days following the end of each fiscal year; (ii) a copy of its monthly financial statements within thirty (30) days following the end of each month; (iii) a copy of its Uniform Franchise Offering Circular and all amendments thereto, within one hundred twenty (120) days following the end of each fiscal year; (iv) royalty reports and financial statements for each Franchisee, promptly upon request by TFC; and (v) a monthly compliance certificate in the form of Exhibit A attached hereto within fifteen (15) days following the end of each month.

(h) Further Assurances. ColorTyme and RAC shall, upon request of TFC, execute and deliver such additional documents and instruments as may be reasonably required by TFC for carrying out the purposes of this Agreement.

ARTICLE III
RECEIVABLE DEFAULTS

3.1 Notice of Default. In the event any payments due under any of the Receivables are delinquent by more than ninety (90) days or TFC otherwise declares a default under any of the Receivables, TFC shall give notice thereof to ColorTyme.

3.2 Foreclosure. Following notice of a default under a Receivable pursuant to section 3.1, in the exercise of its sole and absolute discretion, TFC shall attempt to collect the

outstanding obligations under the Receivable and, if necessary, commence appropriate legal actions to recover the collateral securing such Receivable and to foreclose the interest of the account debtor(s) and other persons, if any, in such collateral. The costs incurred by TFC in connection with such actions shall be shared by TFC and ColorTyme in accordance with sub-part (z) of section 3.4 and sub-part (a) of section 6.1 (i.e., the first one thousand dollars ($1,000.00) is to be paid by ColorTyme, and all costs in excess of that amount are to be paid by TFC).

3.3 Letter of Credit. Within five (5) business days following notice of a default under a Receivable pursuant to section 3.1, RAC shall cause a standby letter of credit to be issued to TFC in an amount equal to one hundred fifteen percent (115%) of the outstanding balance of the defaulted Receivable. Such letter of credit shall secure the obligations of ColorTyme under section 3.4, and upon payment by ColorTyme of the recourse Amount (as that term is hereinafter defined), such letter of credit shall be promptly returned to RAC for cancellation. The letter of credit shall provide for a term of one (1) year; shall be payable upon presentation to the issuing bank of a certificate of TFC stating that ColorTyme has failed to pay all amounts due under section 3.1 with respect to the Receivable for which the letter of credit was issued; shall be issued by a bank located in the United States that is included in the bank group of RAC's senior lenders (or such other bank as may be approved by TFC in its discretion), but excluding any bank that has a participation interest in any of the Receivables or this Agreement, which bank must have a senior unsecured issuer rating of Aa or above as determined by Moody's Investors Service or a short-term issue credit rating of A1 or above as determined by Standard & Poors; and shall otherwise be acceptable to TFC in all respects.

3.4 Assignment to ColorTyme. TFC shall assign its interest in the defaulted Receivable and the collateral securing such defaulted Receivable, WITHOUT RECOURSE OR WARRANTY OF ANY KIND WHATSOEVER, (a) following repossession and/or foreclosure of the collateral securing the defaulted Receivable, (b) the entry by a court of competent jurisdiction of an order staying or barring such actions or adjudicating the rights of TFC with respect to such collateral, or (iii) in any event, after eleven (11) months following the issuance of the letter of credit with respect to the defaulted Receivable pursuant to section 3.3. Contemporaneously with and as a condition precedent to such assignment, ColorTyme shall pay to TFC an amount (the "Recourse Amount") equal to the sum of (x) the outstanding principal balance of such Receivable, (y) all accrued and unpaid interest thereon and (z) all reasonable expenses incurred by TFC, including the fees and expenses of its legal counsel, in connection with the enforcement of such Receivable, up to a maximum of one thousand dollars ($1,000.00) per Receivable.

IV. DEFAULT UNDER THIS AGREEMENT

4.1 Events of Default. An "Event of Default" shall exist if any one or more of the following events (herein collectively called "Events of Default") shall occur and be continuing:

(a) ColorTyme or RAC shall fail to pay any amount due under the terms of this Agreement within ten (10) business days following demand therefor.

(b) ColorTyme or RAC shall fail to perform, observe or comply with any of their covenants, agreements or obligations contained in this Agreement, and such failure shall remain uncured thirty (30) days following notice thereof.

(c) Any representation or warranty made by ColorTyme or RAC in this Agreement or any of the documents delivered to TFC pursuant to this Agreement shall prove to be untrue, misleading or inaccurate in any material respect.

(d) ColorTyme, RAC or any of their affiliates shall default in their respective obligations to TFC under any other agreement to which they, or any of them, are parties.

(e) ColorTyme, RAC or any of their affiliates shall default in their respective obligations under agreements with their primary lenders or any other agreement involving indebtedness in excess of fifty thousand dollars ($50,000.00).

(f) ColorTyme, RAC or any of their affiliates shall (i) apply for or consent to the appointment of a receiver, custodian, trustee, liquidator, or similar official for themselves or all or a substantial part of their property, (ii) admit in writing that they are unable to pay their debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or answer seeking liquidation, reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization or insolvency laws, (v) file an answer admitting the material allegations of or consent to or default in answering a petition filed against them in any bankruptcy, reorganization or insolvency proceeding, (vi) become the subject of an order for relief under any bankruptcy, reorganization or insolvency proceeding which shall continue unstayed and in effect for thirty (30) days, or (vii) an order, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition appointing a receiver, custodian, trustee, liquidator or similar official for them or of all or a substantial part of their property and such order, judgment or decree shall continue unstayed and in effect for a period of thirty (30) days.

(g) ColorTyme or RAC shall cease doing business as a going concern.

(h) This Agreement or any other documents delivered to TFC pursuant to this Agreement or in connection herewith shall for any reason cease to be in full force and effect, or shall be declared null or unenforceable in whole or in material part, or the validity or enforceability thereof shall be challenged or denied by any party thereto excluding TFC.

4.2 Remedies Upon Default. If an Event of Default shall occur and be continuing, TFC at its option may, without notice (i) terminate this Agreement, (ii) elect to have ColorTyme repurchase all Receivables then held by TFC (without recourse or warranty by TFC), whereupon ColorTyme shall so repurchase such Receivables for an amount equal to the outstanding principal balance thereof plus all accrued and unpaid interest thereon, (iii) reduce any claim to judgment, (iv) set off and apply against the obligation of ColorTyme, without notice to ColorTyme or RAC, any and all deposits or other sums at any time credited or held by TFC or owing from TFC to ColorTyme, RAC or any of their affiliates, whether or

not said obligations are then due, and (v) without further notice of default or demand, pursue and enforce any of TFC's rights and remedies under this Agreement and any of the other documents delivered to TFC pursuant to this Agreement or otherwise provided under or pursuant to any applicable law or any other agreement.

V. GUARANTY

5.1 Guaranty. RAC hereby guaranties the full and prompt payment and performance of all debts, liabilities and obligations of ColorTyme to TFC arising out of or in any way related to this Agreement (collectively, the "Obligations"). RAC represents and warrants to TFC that it will receive a substantial economic benefit from the financing provided by TFC pursuant to this Agreement, and acknowledges that TFC would not provide such financing if it did not receive this guaranty. RAC hereby waives promptness, diligence, notice of acceptance and any other notice with respect to the Obligations or this guaranty, and any requirement that TFC protect, secure, perfect or insure any security interest or lien or any property subject thereto, or exhaust any right or take any action against ColorTyme or any other person or entity or any collateral. The liability of RAC under this guaranty shall be absolute, unconditional, irrevocable and continuing, irrespective of any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the terms of the Obligations. RAC hereby consents to any and all extensions or other indulgences granted by TFC to ColorTyme and consents to the release or substitution of any or all collateral securing the Obligations. RAC hereby irrevocably waives any and all rights it may now or hereafter have under any agreement or at law or in equity (including, without limitation, any law subrogating it to the rights of TFC) to assert any claim or seek contribution, indemnification or any other form of reimbursement from ColorTyme for any payment made by RAC under or in connection with this guaranty. This guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by TFC upon the insolvency, bankruptcy or reorganization of ColorTyme or otherwise, all as though such payment had not been made.

ARTICLE VI
MISCELLANEOUS

6.1 Expenses. Each party hereto shall pay and be responsible for its own expenses incurred in connection with this Agreement and the transactions herein contemplated; provided, however, ColorTyme and RAC shall reimburse TFC (and any participant in this Agreement or any of the Receivables) for all of its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel, incurred in connection with (a) the enforcement and collection of Receivables that default, up to a maximum of one thousand dollars ($1,000.00) for each such default; and (b) the enforcement or preservation of TFC's rights under this Agreement following an Event of Default. All such expenses shall be paid promptly upon request by TFC.

6.2 Relationship of the Parties. The parties are not engaged in a partnership or joint venture, and nothing herein shall confer on any party hereto the authority to act for or on behalf of the other party, except as expressly provided herein. TFC has no fiduciary or other special relationship with ColorTyme, the guarantor or any of their affiliates.

6.3 Compliance with Laws. Throughout the term of this Agreement, ColorTyme, RAC and TFC shall each comply with all laws, regulations, rules and orders applicable to them.

6.4 No Waiver; Cumulative Remedies. No failure to exercise, and no delay in exercising, on the part of TFC, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided for in this Agreement and the other documents executed in connection herewith are cumulative and not exclusive of any other rights or remedies provided by law.

6.5 Notices. All notices or other communications hereunder shall be given in writing by either overnight courier service or pre-paid registered or certified mail, to the respective addresses of the parties following their names on the signature page of this Agreement. Such notice or other communication shall be deemed to have been given upon actual delivery or one (1) business day after depositing it with an overnight courier service or three (3) business days after depositing it with the United States Postal Service.

6.6 Severability. If at any time any provision, or the application of any provision, of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision, or the application thereof, shall be of no force or effect, but the illegality or unenforceability of such provision, or the application thereof, shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

6.7 Entire Agreement; Amendments. This Agreement embodies the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, conditions and understandings, and may be amended only by an instrument executed in writing by an authorized officer of the party against whom such amendment is sought to be enforced.

6.8 Survival. All agreements, representations and warranties contained herein or made in writing by or on behalf of the ColorTyme or RAC in connection with the transactions contemplated hereby shall survive the execution and delivery of this Agreement, and any investigation at any time made by TFC, and the delivery of any documents to TFC pursuant to this Agreement and payment of the obligations of ColorTyme hereunder and any sale or assignment or other disposition by TFC of this Agreement, the Receivables or any other documents delivered to TFC pursuant to this Agreement. All statements contained in any certificate or other instrument delivered by or on behalf of the ColorTyme or RAC pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties by such parties hereunder.

6.9 Binding Effect; No Third Party Beneficiaries. This Agreement shall inure to the benefit of, and the obligations created hereby shall be binding upon, the parties and their permitted successors and assigns. This Agreement is solely for the benefit of the parties hereto (and their successors and permitted assigns); nothing herein shall be construed to give any other person any right or claim with respect to this Agreement.

6.10 Assignment; Participations. Neither ColorTyme nor RAC may assign any of their rights or obligations under this Agreement without the prior written consent of TFC. TFC may at any time assign this Agreement, or any rights hereunder or interest herein, without the consent of ColorTyme or RAC. TFC may at any time sell to one or more persons participating interests in any Receivables and this Agreement with the prior consent of ColorTyme.

6.11 Audit. TFC shall have the right to inspect the books and records of ColorTyme relating to franchisees that are obligated to TFC under Receivables, including the obligations of such Franchisees to ColorTyme. TFC shall keep the information obtained from such books and records confidential; nothing herein, however, shall limit (a) TFC's rights to use such information in administering the Receivables or in enforcing its rights under the Receivables or under this Agreement, or (b) TFC's rights to use such information in connection with any prospective sale or assignment of any or all of the Receivables or this Agreement, or any interest therein or herein, provided the prospective purchaser, assignee or participant enters into a written agreement to maintain the confidentiality of such information.

6.12 Term; Termination. This Agreement shall be effective on and as of the date of its execution, and shall continue in effect thereafter until terminated. This Agreement may be terminated by either party hereto by giving the other party at least one hundred twenty (120) days prior written notice. Notwithstanding the termination of this Agreement, all rights of TFC and all duties and obligations of ColorTyme and RAC under this Agreement with respect to outstanding Receivables shall continue until all such Receivables are fully paid in accordance with their terms.

6.13 Construction. Each of the parties to this Agreement acknowledges that they have had the benefit of legal counsel of their own choice and have been afforded an opportunity to review this Agreement and all the other documents and instruments executed in connection herewith with their respective legal counsel and that this Agreement and all other documents and instruments executed in connection herewith shall be construed as if jointly drafted by all the parties hereto.

6.14 Amendment and Restatement. This Agreement amends and restates in its entirety the Original Agreement. The terms and provisions of the Original Agreement are hereby superseded by this Agreement. This Agreement is given in substitution for the Original Agreement. Each reference to the Original Agreement in any other document, instrument or agreement executed and/or delivered in connection therewith shall mean and be a reference to this Agreement. This Agreement amends, restates and supersedes only the Original Agreement. This Agreement is not a novation. Nothing contained herein, unless expressly herein to the contrary, is intended to amend, modify or otherwise affect any other instrument, document or agreement executed and/or delivered in connection with the Original Agreement. This Agreement shall govern the rights and obligations of the parties hereto with respect to all existing Receivables arising out of the Original Agreement, as well as all future Receivables. All obligations of ColorTyme under the Original Agreement and all obligations of RAC under the Original Agreement shall hereafter be deemed obligations of such parties under this Agreement.

6.15 GOVERNING LAW. THIS AGREEMENT WILL BE ACCEPTED AND MADE IN, AND WILL BE A CONTRACT UNDER THE LAWS OF, THE STATE OF NEVADA AND SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW).

IN WITNESS WHEREOF, the parties have executed this Agreement on this 27th day of March, 2002.

COLORTYME, INC.
5700 Tennyson Parkway, Suite 180
Plano, Texas 75024

By: /s/ MITCHELL E. FADEL

Title: Vice President

RENT-A-CENTER, INC.
5700 Tennyson Parkway, 3rd Floor
Plano, Texas 75024

By: /s/ MITCHELL E. FADEL

Title: President

TEXTRON FINANCIAL CORPORATION
6490 South McCarran Blvd., C-21
Reno, Nevada 89509

By: /s/ SCOTT HASTINGS

Title: Division President

EXHIBIT A

COMPLIANCE CERTIFICATE

This Compliance Certificate is executed and delivered to Textron Financial Corporation ("TFC") by Rent-A-Center, Inc. ("RAC") and ColorTyme, Inc. ("ColorTyme") this ____ day of _____, 20__, pursuant to section _____ of that certain Amended and Restated Franchisee Financing Agreement (the "Franchisee Financing Agreement") dated March 27, 2002 among TFC, ColorTyme and RAC. All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Franchisee Financing Agreement. The undersigned hereby certify to TFC as follows:

1. The undersigned are the duly elected, qualified and acting _____ of ColorTyme and _____ of RAC, and as such officers, are authorized to make and deliver this Compliance Certificate.

2. The undersigned have reviewed the provisions of the Franchisee Financing Agreement and confirm that, as of the date hereof:

   a. The representations and warranties contained in the Franchisee Financing Agreement are true and correct in all material respects on and as of the date hereof with the same force and effect as though made on the date hereof;

   b. ColorTyme and RAC have complied with all the terms, covenants and conditions set forth in the Franchisee Financing Agreement;

   c. No Event of Default, and no event that with notice or the passage of time or both will constitute an Event of Default, has occurred and is continuing; and

   d. Attached hereto as Schedule A is a report prepared by the undersigned setting forth information and calculations that demonstrate compliance (or noncompliance) with each of the covenants set forth in section 2.2 of the Franchisee Financing Agreement.

The foregoing certificate is given in our respective capacities as officers of ColorTyme and RAC, and not in our individual capacities.

COLORTYME, INC.	RENT-A-CENTER, INC.
By: ----------	By: ----------
Name: ----------	Name: ----------
Its: ----------	Its: ----------

SCHEDULE A
TO
COMPLIANCE CERTIFICATE

Consolidated Leverage Ratio

ColorTyme and RAC shall not permit the Consolidated Leverage Ratio, as of the last day of any period of four (4) consecutive fiscal quarters of RAC ending with any fiscal quarter during any period set forth below, to exceed the ratio set forth below opposite such period:

Consolidated Period Leverage Ratio
Fiscal year 2002 3.75 to 1.00
Fiscal year 2003 and thereafter 3.00 to 1.00.

Covenant Satisfied: ----------
Covenant Not Satisfied: ----------

Consolidated Fixed Charge Coverage Ratio

ColorTyme and RAC shall not permit the Consolidated Fixed Charge Coverage Ratio, for any period of four (4) consecutive fiscal quarters of RAC, to be less than the ratio of 1.30 to 1.00.

Covenant Satisfied: ----------
Covenant Not Satisfied: ----------

EXHIBIT 10.14

FRANCISEE FINANCING AGREEMENT

This Franchisee Financing Agreement ("Agreement") is made and entered into by and between TEXAS CAPITAL BANK, NATIONAL ASSOCIATION ("Bank"), ColorTyme, Inc., a Texas corporation ("ColorTyme"), and Rent-A-Center, Inc., a Delaware corporation formerly known as Renters Choice, Inc. (the "Guarantor").

RECITALS

A. ColorTyme is a franchisor of "rent-to-own" stores (each such store is referred to herein as a "Store") operated by franchisees licensed by ColorTyme (each such franchisee is herein referred to individually as a "Franchisee" and collectively as the "Franchisees"), offering various home entertainment equipment, household equipment, and consumer products and parts, accessories, and other goods used in connection therewith (all such goods are referred to herein as "Inventory").

B. Bank is a national banking association that provides financing for its customers.

C. ColorTyme desires a source of financing for its Franchisees to enable them to acquire Inventory for sale, lease or rent in connection with the operation of their Stores.

D. ColorTyme has previously executed that certain Amended and Restated Franchisee Financing Agreement dated March 27, 2002 by and among ColorTyme, Guarantor and Textron Financial Corporation ("Textron") (as same may be amended, restated or modified from time to time, the "Existing Agreement"), pursuant to which Textron shall provide a credit facility for Franchisees.

E. ColorTyme and Guarantor have requested and Bank has agreed to refinance a portion of the indebtedness evidenced by the Existing Agreement in an aggregate original principal amount of $10,000,000.

F. The Guarantor is the corporate parent of ColorTyme, owning all of its outstanding capital stock.

G. The parties have entered into this Agreement to set forth the terms and conditions upon which Bank will provide such refinancing and a source of financing for Franchisees.

ARTICLE I
CREDIT FACILITY

1.1 Credit Facility. Bank shall provide a credit facility for Franchisees on the terms and subject to the conditions set forth in this Agreement. The amount of the credit facility shall be up to, but not in excess of, Ten Million and No/Dollars ($10,000,000.00). Bank will not finance any

transaction which would cause the total amount financed by Bank pursuant to this Agreement to exceed such amount. Each credit facility shall be secured by a first priority security interest in (i) all of the Franchisee's inventory, goods, chattel paper, accounts, contract rights, documents, instruments, franchise rights, and general intangibles (specifically including leases and rental contracts), (ii) 100% of the stock or equity interest in Franchisee, and (iii) such additional collateral as Bank may require, and shall be fully guaranteed by Franchisee's principal owners.

ARTICLE II
CREDIT PROCEDURES, TERMS AND ADMINISTRATION

2.1 Financing Procedures. The following procedures shall be employed in determining the availability of financing for Franchisees under this Agreement:

(a) In the event a Franchisee shall indicate an interest in obtaining financing for any of the purposes described in Section 2.5, ColorTyme shall provide the Franchisee with a credit application and other credit documentation, to be developed by Bank and approved by ColorTyme, and shall assist the Franchisee in completing such credit application and other credit documents.

(b) After the Franchisee has completed the credit application and provided the other credit documents specified by Bank, if such credit application and other credit documents are acceptable to ColorTyme, ColorTyme shall promptly forward the executed credit application and other credit documents to Bank at its office in Dallas, Texas or any other such location Bank may designate in writing to ColorTyme.

(c) If, following completion of its review of such credit application and other credit documents and its credit investigation, Bank determines that it will provide the financing requested, it shall so notify the Franchisee and ColorTyme and, upon receipt of such additional closing documents and satisfaction of such closing conditions as Bank determines to be necessary for the approval and documentation of the credit in its sole discretion, Bank shall establish a revolving line of credit for the Franchisee in accordance with the terms of this Agreement. (For purposes of this Agreement, the resulting obligation of the Franchisee to Bank is referred to as a "Receivable").

2.2 Interest Rates. Unless otherwise agreed in writing by Bank and ColorTyme, the interest rate on each Receivable shall be in accordance with the following schedule: (i) for each Line of Credit with a Credit Limit (as that term is hereinafter defined) of $1,000,000 or less, the rate will be the Prime Rate plus 3.75%; (ii) for each Line of Credit with a Credit Limit of more than $1,000,000, the rate will be the Prime Rate plus 2.75%; and (iii) for each Term Loan, the rate will be the same as the rate applicable to the Franchisee's Line of Credit on the date of such Term Loan. For purposes of this subparagraph, the term "Prime Rate" shall mean the "Wall Street Prime Rate"

as announced and published and so designated in the Money Rates Section of the Wall Street Journal (Southwest Region), as such rates may change from time to time, ColorTyme hereby acknowledging that the "Wall Street Prime Rate" may not be the lowest rate offered by Bank to its customers. If such Prime Rate shall cease to be published or is published infrequently or sporadically, then the Prime Rate shall be determined by reference to another Prime Rate or similar lending rate index, generally accepted on a national basis, as selected by Bank in its sole and absolute discretion. Fluctuations in the Prime Rate shall become effective on the last business day of the calendar month during which such changes in the Prime Rate occur. Interest will be calculated on the basis of a 360-day year.

2.3 Credit Limits. Upon approval of an application for financing submitted by or on behalf of a Franchisee pursuant to this Agreement, Bank shall establish a credit limit for the Franchisee in an amount agreed upon from time to time by Bank, ColorTyme and the Franchisee (the credit limit established for each Franchisee is referred to herein as the "Credit Limit"). The amount of the Credit Limit may be adjusted from time to time upon written agreement by Bank, ColorTyme and the Franchisee.

2.4 Advance Limits. Notwithstanding the amount of the Franchisee's Credit Limit, the amount of credit available under each Receivable shall be limited to the product of the Franchisee's Average Monthly Revenue multiplied by five (the advance limit established for each Franchisee is referred to herein as the "Advance Limit"). For purposes of this Agreement, a Franchisee's "Average Monthly Revenue" shall mean the average monthly total revenue (exclusive of sales tax) of the Franchisee from the sale, lease or rental of Inventory and other fees, calculated in accordance with generally accepted accounting principles applied on a consistent basis, for the three (3) calendar months preceding the most recent review of such Franchisee's Receivable(s). Notwithstanding anything in this section to the contrary, if the Advance Limit established pursuant to this section would otherwise be an amount that is less than the then outstanding balance of such Receivable (each such Receivable is referred to herein as an "Overline Receivable"), the Advance Limit for such Overline Receivable will be set at the then outstanding balance thereof, and such Overline Receivable will continue to be administered as provided herein, unless Bank and ColorTyme agree otherwise. The provisions of this section shall not apply to any Receivable until the Store for which the financing was provided under the Receivable has been open for business for one (1) year.

2.5 Use of Proceeds. Bank will advance funds to or an behalf of Franchisee pursuant to this Agreement only for: (i) the Franchisee's acquisition of Inventory and/or (ii) the Franchisee's acquisition or conversion of a Store.

(a) Inventory. Advances for Inventory will be limited to the lesser of (i) the cost of the Inventory acquired by the Franchisee; (ii) the amount of the Franchisee's Credit Limit; or (iii) the amount of the Franchisee's Advance Limit.

(b) Store Acquisitions and Conversions. Advances for Store acquisitions and/or conversions (i.e., the acquisition of existing ColorTyme Stores and/or the acquisition of other "rent-to-own" stores for conversion to ColorTyme Stores) will be limited to the lesser of (i) in the case of a Store that has been open for business (either as a ColorTyme Store or as another "rent-to-own" store) for one (1) year or more, the product of the Average Monthly Revenue, as defined in Section 2.4, of the individual Store multiplied by nine (9); (ii) the amount that would cause the Debt-to-Revenue Ratio for the Franchisee to equal or exceed 5:1; (iii) except in the case of advances pursuant to a Term Loan, the amount of the Franchisee's Credit Limit; and (iv) the amount of the Franchisee's Advance Limit. For purposes of this paragraph, "Debt-to-Revenue Ratio" shall mean the ratio of (x) Funded Debt to (y) the Average Monthly Revenue, as defined in Section 2.4 of the Franchisee (calculated on an aggregate basis for all Stores owned and/or operated by such Franchisee and any and all affiliates of such Franchisee); and "Funded Debt" shall mean, as of any date, the total amount of any liabilities (including the advance contemplated by this paragraph) that would be reflected on the consolidated balance sheet of Franchisee and its parent and any and all subsidiaries and affiliates, if any, in accordance with generally accepted accounting principles applied on a consistent basis. Financing for Store acquisitions and/or conversions will be made available only to Franchisees that are, at the time, already indebted to Bank under a Receivable.

For purposes of this section, Bank may rely fully on the representations and/or agreements of the Franchisee with respect to the use of funds, with no obligation to independently verify such information. The use of any such funds by a Franchisee for any purpose not permitted by this section will not affect the obligations of ColorTyme or Guarantor under this Agreement.

2.6 Payment Terms. Each Receivable will be repayable as follows:

(a) In the case of a Line of Credit, (i) accrued and unpaid interest shall be payable monthly, and (ii) principal shall be payable in monthly installments as determined in accordance with Addendum A attached hereto and made a part hereof as such Addendum A may be modified from time to time by the parties.

(b) In the case of a Term Loan, (i) accrued and unpaid interest shall be payable monthly, and (ii) principal shall be payable in equal monthly installments over the term of the Term Loan, with the monthly principal installment to equal the amount of the Term Loan divided by the number of months in the term thereof.

2.7 Suspension of Advances. Advances may, at Bank's option, be suspended or limited under any Receivable drawn to an amount greater than the product of the Franchisee's Average Monthly Revenue multiplied by four (4) where (i) the ratio of cash expenses (total annual expenses, less depreciation directly related to the operation of the Franchisee's Store(s), calculated in

accordance with generally accepted accounting principles applied on a consistent basis) to total revenue (calculated in accordance with generally accepted accounting principles applied on a consistent basis, excluding extraordinary items, based on a three (3) month rolling average) exceeds 64%; (ii) the Franchisee fails to maintain the number of rental contracts that are seven (7) or more days past due (calculated on a three (3) month rolling average) at 8% or less of its total outstanding rental contracts; (iii) expenses of a Store that has been open for business for less than twelve (12) months exceed the proforma cash flow projections as a percent of revenue for that Store; (iv) payments (principal and/or interest) under any Receivable of the Franchisee are more than fifteen (15) days past due; or (v) Franchisee fails to submit a copy of the ColorTyme Royalty report to Bank within 15 days following the end of the month; (vi) Franchisee fails to submit a copy of the current financial statement within 45 days following the end of each business month; or (vii) in Bank's determination, the Receivable is otherwise in default.

2.8 Financing Terms and Credit Standards. The specific terms of any financing provided by Bank to Franchisees under this Agreement shall be determined from time to time by Bank in accordance with its ordinary and customary business practices. The credit standards for approval of any financing provided by Bank to Franchisees under this Agreement shall be determined from time to time by Bank and ColorTyme; provided, however, the application of such credit standards to particular transactions shall be at Bank's sole discretion.

2.9 Credit Approval. Nothing herein shall obligate Bank to accept or approve any application for financing submitted by or on behalf of any Franchisee. Bank may, in its discretion, reject or decline any application for financing submitted by or on behalf of any Franchisee; provided, if Bank rejects or declines any such application, it shall inform ColorTyme and the Franchisee of the reasons therefor.

2.10 Collection Procedures. Bank shall use its ordinary and customary practices and procedures to collect outstanding Receivables, subject to the provisions of this Agreement.

2.11 Modification of Receivables. Notwithstanding anything in this Agreement to the contrary, Bank reserves the right to make such modifications, adjustments and/or revisions to any Receivables, including the Credit Limits, payment terms and conditions for advances thereunder, as it deems necessary or appropriate under the circumstances, provided it may not increase the Credit Limits available under any Line of Credit above the amount specified in Section 2.3. Provided Bank shall not have previously given ColorTyme notice of default with respect to a Receivable pursuant to Section 4.1, Bank may at any time, at its discretion, amend payment schedules, defer payments or otherwise modify the terms of any such Receivable, without in any way affecting the obligations of ColorTyme or the Guarantor under this Agreement.

2.12 Payments to ColorTyme. Bank shall pay to ColorTyme, from the interest portion of each payment received by Bank on account of each Receivable (whether a Line of Credit or a Term

Loan), an amount calculated by multiplying the amount of each such interest payment by a fraction, the denominator of which is the rate of interest applicable to such Receivable and the numerator of which is determined on the following scale: (i) 2.00% if the Franchisee's Credit Limit is $1,000,000 or less; or (ii) 1.50% if the Franchisee's Credit Limit is greater than $1,000,000. The amounts payable pursuant to this section shall be payable on a monthly basis.

ARTICLE III
REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Representations and Warranties of ColorTyme and the Guarantor. ColorTyme and Guarantor, jointly and severally, represent and warrant to Bank that:

(a) ColorTyme. ColorTyme is a corporation duly organized, validly existing and in good standing under and pursuant to the laws of the State of Texas. ColorTyme has duly qualified and is authorized to conduct business and is in good standing as a foreign corporation in all jurisdictions where such qualification is necessary, except to the extent that the failure to so qualify would not have a material adverse effect on ColorTyme. ColorTyme has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions herein contemplated. ColorTyme has taken all corporate action necessary to duly authorize the execution of this Agreement and the consummation of all transactions herein contemplated.

(b) The Guarantor. The Guarantor is a corporation duly organized, validly existing and in good standing under and pursuant to the laws of the State of Delaware. The Guarantor has duly qualified and is authorized to conduct business and is in good standing as a foreign corporation in all jurisdictions where such qualification is necessary, except to the extent that the failure to so qualify would not have a material adverse effect on Guarantor. The Guarantor has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions herein contemplated. The Guarantor has taken all corporate action necessary to duly authorize the execution of this Agreement and the consummation of all transactions herein contemplated.

(c) Enforceable Agreement. This Agreement has been duly executed and delivered by ColorTyme and the Guarantor and is a legal, valid and binding obligation of ColorTyme and the Guarantor, fully enforceable in accordance with its terms.

(d) The Receivables. The credit applications and other credit documents provided to Bank by ColorTyme pursuant to Section 2.1 in connection with each application by a Franchisee for financing pursuant to this Agreement will in each case be all the documents received or acquired by ColorTyme or the Guarantor in connection with such application; to the best of ColorTyme's and the Guarantor's knowledge, each such document will have been

duly executed by the persons whose signatures purport to appear thereon; to the best of ColorTyme's and the Guarantor's knowledge, none of such documents or any other materials submitted therewith will contain any false or misleading statements or information; and at the time such documents are provided to Bank and, if the application for financing is approved by Bank, at the time the resulting Receivable is funded by Bank, neither ColorTyme nor the Guarantor will have any knowledge of any fact or circumstance that would materially adversely affect the enforceability or collectibility of the Receivable or Bank's rights thereunder or in the collateral securing such Receivable.

(e) Accurate Information. Neither ColorTyme nor the Guarantor has made any misstatement of material fact to Bank or provided Bank with any false or misleading information relevant to this Agreement or withheld from Bank any information known to ColorTyme or the Guarantor which would be material to Bank's decision to enter into this Agreement.

3.2 Covenants of ColorTyme. At all times during which any of the Receivables are outstanding or during which ColorTyme and/or the Guarantor have any obligations, including contingent obligations, to Bank under this Agreement, unless Bank shall otherwise consent in writing:

(a) Receipt of Funds. If ColorTyme or the Guarantor receive any money or property as payment on any of the Receivables, they shall receive and hold such money or property in trust for Bank and immediately deliver such money or property to Bank with any necessary endorsements.

(b) The Receivables. Neither ColorTyme nor the Guarantor shall take any action, or fail to take any action, which could adversely affect Bank's rights with respect to any of the Receivables. Neither ColorTyme nor the Guarantor will make any misstatement of material fact to Bank or provide Bank with any false or misleading information relevant to any credit application or other credit documents submitted pursuant to this Agreement or any Receivable or omit to provide Bank with any information known to ColorTyme or the Guarantor which would be material to Bank's decision regarding any such credit application or Receivable.

(c) Confidentiality; Proprietary Rights. During the term of this Agreement, Bank shall provide to ColorTyme various forms, documents, procedures manuals and other information and materials for use in connection with the financing contemplated by this Agreement. ColorTyme and the Guarantor acknowledge and agree that all such information and materials are proprietary to Bank and constitute private business information intended for Bank's exclusive benefit. Neither ColorTyme nor the Guarantor shall use, and shall not permit their employees or agents to use, any such materials or information for any purpose other than as expressly contemplated by this Agreement. ColorTyme and the Guarantor shall maintain

the confidentiality of all such materials and information with the same degree of diligence as they use to protect their own proprietary information and trade secrets from disclosure to other parties.

(d) Indemnity. ColorTyme and the Guarantor, jointly and severally, shall indemnify Bank and its officers, directors, employees, attorneys and agents from, and shall hold each of them harmless against, any and all losses, liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees) to which any of them may become subject which directly or indirectly arise from or relate to this Agreement or any of the transactions contemplated hereby or the enforcement by Bank of its rights hereunder or from any investigation, litigation or other proceeding, including, without limitation, any threatened investigation, litigation or other proceeding, relating to any of the foregoing, excluding, however, (i) any losses, liabilities, claims, damages, costs and expenses which arise exclusively from the willful misconduct or gross negligence of Bank, and (ii) expenses incurred by Bank pursuant to Section 4.2. The obligations of ColorTyme and the Guarantor under this section shall survive the termination of this Agreement for one (1) year after such termination.

(e) Financial Statements. ColorTyme and the Guarantor shall provide to Bank copies of their individual and consolidated year-end financial statements and their Uniform Franchise Offering Circulars no later than 120 days following the end of each fiscal year during the term hereof and shall also provide to Bank copies of all their interim financial statements promptly upon request by Bank.

(f) Further Assurances. ColorTyme and the Guarantor shall, upon request of Bank, execute and deliver such additional documents and instruments as may be reasonably required by Bank for carrying out the purposes of this Agreement.

ARTICLE IV
RECEIVABLE DEFAULTS

4.1 Notice of Default. In the event any payments due under any of the Receivables are delinquent by more than ninety (90) days or Bank otherwise declares a default under any of the Receivables, Bank shall give notice thereof to ColorTyme and the Guarantor.

4.2 Foreclosure. Following notice of a default under a Receivable pursuant to Section 4.1, Bank shall, at its expense, attempt to collect the outstanding obligations under the Receivable and, if necessary, commence appropriate legal actions to recover the collateral securing such Receivable and to foreclose the interest of the account debtor(s) and other persons, if any, in such collateral.

4.3 Assignment. Following the Bank securing possession of the defaulted Receivable or the entry by a court of competent jurisdiction of an order staying or barring such actions or adjudicating the rights of Bank with respect to such collateral, Bank may, at its option, sell its interest in such collateral and the defaulted Receivable secured thereby to ColorTyme, without recourse or warranty of any kind whatsoever, and ColorTyme shall within five (5) business days, proceed to purchase Bank's interest in such collateral and the defaulted Receivable. Contemporaneously with such assignment, ColorTyme shall pay to Bank an amount ("Repayment Amount") equal to the outstanding principal balance of plus accrued, unpaid interest on such Receivable.

ARTICLE V
DEFAULT UNDER THIS AGREEMENT

5.1 Events of Default. An "Event of Default" shall exist if any one or more of the following events (herein collectively called "Events of Default") shall occur and be continuing:

(a) ColorTyme or the Guarantor shall fail to pay any amount due under the terms of this Agreement within ten (10) business days following demand therefor.

(b) ColorTyme or the Guarantor shall fail to perform, observe or comply with any of their covenants, agreements or obligations contained in this Agreement, and such failure shall remain uncured thirty (30) days following notice thereof.

(c) Any representation or warranty made by ColorTyme or the Guarantor in this Agreement or any of the documents delivered to Bank pursuant to this Agreement shall prove to be untrue, misleading or inaccurate in any material respect.

(d) ColorTyme, the Guarantor or any of their affiliates shall default in their respective obligations to Bank under any other agreement to which they, or any of them, are parties.

(e) ColorTyme, the Guarantor or any of their affiliates shall default in their respective obligations under their agreements with any of their primary lenders.

(f) ColorTyme, the Guarantor or any of their affiliates shall (i) apply for or consent to the appointment of a receiver, custodian, trustee, liquidator, or similar official for themselves or all or a substantial part of their property, (ii) admit in writing that they are unable to pay their debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or answer seeking liquidation, reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization or insolvency laws, (v) file an answer admitting the material allegations of or consent to or default in answering a petition filed against them in any bankruptcy, reorganization or

insolvency proceeding, (vi) become the subject of an order for relief under any bankruptcy, reorganization or insolvency proceeding which shall continue unstayed and in effect for sixty (60) days, or (vii) an order, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition appointing a receiver, custodian, trustee, liquidator or similar official for them or of all or a substantial part of their property and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) days.

(g) ColorTyme or the Guarantor shall cease doing business as a going concern.

(h) This Agreement or any other documents delivered to Bank pursuant to this Agreement or in connection herewith shall for any reason cease to be in full force and effect, or shall be declared null or unenforceable in whole or in material part, or the validity or enforceability thereof shall be challenged or denied by any party thereto excluding Bank.

5.2 Remedies Upon Default. If an Event of Default shall occur and be continuing, Bank at its option may, without notice (i) terminate this Agreement, (ii) elect to have ColorTyme repurchase all Receivables then held by Bank (without recourse or warranty by Bank), whereupon ColorTyme shall so repurchase such Receivables for an amount equal to the outstanding principal balance thereof plus all accrued and unpaid interest thereon, (iii) reduce any claim to judgment, (iv) set off and apply against the obligation of ColorTyme, without notice to ColorTyme or the Guarantor, any and all deposits or other sums at any time credited or held by Bank or owing from Bank to ColorTyme, the Guarantor or any of their affiliates, whether or not said obligations are then due, and (v) without further notice of default or demand, pursue and enforce any of Bank's rights and remedies under this Agreement and any of the other documents delivered to Bank pursuant to this Agreement or otherwise provided under or pursuant to any applicable law or any other agreement.

ARTICLE VI
GUARANTY

6.1 The Guarantor hereby guaranties the full and prompt payment and performance of all debts, liabilities and obligations of ColorTyme to Bank arising out of or in any way related to this Agreement (collectively, the "Obligations").

The Guarantor represents and warrants to Bank that it will receive a substantial economic benefit from the financing provided by Bank pursuant to this Agreement. The Guarantor acknowledges that Bank would not provide such financing if it did not receive this Guaranty.

The Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to the Obligations of this Guaranty, and any requirement that Bank protect,

secure, perfect or insure any security interest or lien or any property subject thereto, or exhaust any right or take any action against ColorTyme or any other person or entity or any Collateral.

The liability of the Guarantor under this Guaranty shall be absolute, unconditional, irrevocable and continuing, irrespective of any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the terms of the Obligations. The Guarantor hereby consents to any and all extensions or other indulgences granted by Bank to any Franchisee or ColorTyme and consents to the release or substitution of any or all collateral securing the Obligations.

The Guarantor hereby irrevocably waives any and all rights it may now or hereafter have under any agreement or at law or in equity (including, without limitation, any law subrogating them to the rights of Bank) to assert any claim or seek contribution, indemnification or any other form of reimbursement from ColorTyme for any payment made by the Guarantor under or in connection with this Guaranty.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by Bank upon the insolvency, bankruptcy or reorganization of ColorTyme or otherwise, all as though such payment had not been made.

ARTICLE VII
MISCELLANEOUS

7.1 Expenses. Each party hereto shall pay and be responsible for its own expenses incurred in connection with this Agreement and the transactions herein contemplated; provided, however, ColorTyme and the Guarantor shall reimburse Bank for all of its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel, incurred in connection with (a) the negotiation and preparation of this Agreement and the transactions contemplated by this Agreement, (b) the enforcement and collection of Receivables that default, up to a maximum of One Thousand Dollars ($1,000) for each such default, and (c) the enforcement or preservation of Bank's rights under this Agreement following an Event of Default. All such expenses shall be paid promptly upon request by Bank.

7.2 Relationship of the Parties. The parties are not engaged in a partnership or joint venture, and nothing herein shall confer on any party hereto the authority to act for or on behalf of the other party, except as expressly provided herein. Bank has no fiduciary or other special relationship with ColorTyme, the Guarantor or any of their affiliates.

7.3 Compliance with Laws. Throughout the term of this Agreement, ColorTyme, the Guarantor and Bank shall each comply with all laws, regulations, rules and orders applicable to them.

7.4 No Waiver; Cumulative Remedies. No failure to exercise, and no delay in exercising, on the part of Bank, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided for in this Agreement and the other documents executed in connection herewith are cumulative and not exclusive of any other rights or remedies provided by law.

7.5 Notice. All notices or other communications hereunder shall be given in writing by either overnight courier service or pre-paid registered or certified mail, to the respective addresses of the parties following their names on the signature page of this Agreement. Such notice or other communication shall be deemed to have been given upon actual delivery or one (1) business day after depositing it with an overnight courier service or three (3) business days after depositing it with the United States Postal Service.

7.6 Severability. If at any time any provision, or the application of any provision, of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision, or the application thereof, shall be of no force or effect, but the illegality or unenforceability of such provision, or the application thereof, shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

7.7 Entire Agreement; Amendments. This Agreement embodies the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, conditions and understandings, and may be amended only by an instrument executed in writing by an authorized officer of the party against whom such amendment is sought to be enforced.

7.8 Survival. All agreements, representations and warranties contained herein or made in writing by or on behalf of ColorTyme or the Guarantor in connection with the transactions contemplated hereby shall survive the execution and delivery of this Agreement, and any investigation at any time made by Bank, and the delivery of any documents to Bank pursuant to this Agreement and payment of the obligations of ColorTyme hereunder and any sale or assignment or other disposition by Bank of this Agreement, the Receivables or any other documents delivered to Bank pursuant to this Agreement. All statements contained in any certificate or other instrument delivered by or on behalf of ColorTyme or the Guarantor pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties by such parties hereunder.

7.9 Binding Effect. This Agreement shall inure to the benefit of, and the obligations created hereby shall be binding upon, the parties and their permitted successors and assigns.

7.10 Assignment. This Agreement may not be assigned by either Bank or ColorTyme without the consent of the other party; provided, however, Bank may assign this Agreement to an

affiliated entity controlled by or under common control with Bank. Notwithstanding any assignment pursuant to this section, the assignor shall remain liable for all of its obligations under this Agreement and shall not be relieved of any such obligations by such assignment.

7.11 Audit. Bank shall have the right to inspect the books and records of ColorTyme relating to Franchisees who are obligated to Bank under Receivables, including the obligations of such Franchisees to ColorTyme. Bank shall, and shall cause its successors and assigns and all persons holding any participating interests in any Receivables and this Agreement to, keep the information obtained from such books and records confidential; nothing herein, however, shall limit Bank's rights to use such information in administering the Receivables or in enforcing its rights under the Receivables or under this Agreement.

7.12 Term; Termination. This Agreement shall be effective on and as of the date of its execution, and shall continue in effect thereafter until terminated. This Agreement may be terminated by either party hereto by giving the other party at least one hundred and eighty (180) days prior written notice. Notwithstanding the termination of this Agreement, all rights of Bank and all duties and obligations of ColorTyme under this Agreement with respect to outstanding Receivables shall continue until all such Receivables are fully paid in accordance with their terms.

7.13 Construction. Each of the parties to this Agreement acknowledges that they have had the benefit of legal counsel of their own choice and have been afforded an opportunity to review this Agreement and all the other documents and instruments executed in connection herewith with their respective legal counsel and that this Agreement and all other documents and instruments executed in connection herewith shall be construed as if jointly drafted by all the parties hereto.

7.14 GOVERNING LAW. THIS AGREEMENT WILL BE ACCEPTED AND MADE IN, AND WILL BE A CONTRACT UNDER THE LAWS OF, THE STATE OF TEXAS AND SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW).

IN WITNESS WHEREOF, the parties have executed this Agreement on this 30th day of April, 2002.

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

BANK:

Addresses:
2100 McKinney Avenue, Suite 900
Dallas, Texas 75201
Attn: Reed Allton

TEXAS CAPITAL BANK,
NATIONAL ASSOCIATION

By: /s/ W. Reed Allton

Name: W. Reed Allton
Title: Executive Vice President

COLORTYME:

5700 Tennyson Parkway, Suite 180
Plano, Texas 75024

COLORTYME, INC.,
a Texas corporation

By: /s/ Steven M. Arendt

Name: Steven M. Arendt
Title: President and Chief Executive Officer

GUARANTOR:

5700 Tennyson Parkway, Suite 180
Plano, Texas 75024

RENT-A-CENTER, INC.,
a Delaware corporation

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel
Title: President

ADDENDUM A

For purposes of Paragraph 2.6(a) of the Franchisee Financing Agreement (the "Agreement"), dated April 30, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc., and Rent-A-Center, Inc., the amount of the monthly principal installment for a Line of Credit shall be calculated based upon the multiple of the Franchisee's Average Monthly Revenue to the principal balance of the Line of Credit and any other indebtedness owed by Franchisee to Bank as of the end of the prior calendar month and shall be payable as follows:

Total Debt as a Multiple of Average Monthly Revenue	Monthly Principal Payment
3.99 x or less	6.0% of principal balance
4.00 x - 4.49 x	6.5% of principal balance
4.50 x - 4.99 x	7.0% of principal balance
5.00 x or more	8.0% of principal balance or such greater amount as may be determined by Bank in its reasonable sole discretion

Capitalized terms shall have the meanings set forth in the Agreement.

FIRST AMENDMENT TO
FRANCHISEE FINANCING AGREEMENT

This First Amendment to Franchisee Financing Agreement ("Amendment") is made and entered into by and among Textron Financial Corporation, a Delaware corporation ("TFC"), ColorTyme, Inc., a Texas corporation ("ColorTyme"), and Rent-A-Center, Inc., a Delaware corporation ("RAC").

RECITALS

A. TFC, ColorTyme and RAC are parties to that certain Amended and Restated Franchisee Financing Agreement dated March 27, 2002 (the "Agreement"). Capitalized terms used in this Amendment that are not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

B. ColorTyme and RAC have requested, and TFC has agreed, that a portion of the credit facility evidenced by the Agreement may be refinanced by a third party.

C. TFC, ColorTyme and RAC desire to amend the Agreement on the terms set forth in this Amendment.

AGREEMENT

In consideration of the premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, TFC, ColorTyme and RAC agree as follows:

1. Credit Facility. Section 1.1 of the Agreement is hereby amended by deleting the existing section 1.1 in its entirety and substituting in place thereof the following:

> 1.1 Credit Facility. TFC shall provide a credit facility for Franchisees on the terms and subject to the conditions set forth in this Agreement. The amount of the credit facility shall be up to, but not in excess of, forty million dollars ($40,000,000.00).

2. Letter of Credit. Section 3.3 of the Agreement is hereby amended by deleting the existing section 3.3 in its entirety and substituting in place thereof the following:

> 3.3 Letter of Credit. Within five (5) business days following each notice of a default under a Receivable pursuant to section 3.1, RAC shall cause a standby letter of credit to be issued to TFC in an amount equal to one hundred fifteen percent (115%) of the outstanding balance of the defaulted Receivable. The letter of credit shall secure the obligations of ColorTyme under section 3.4 with respect to such defaulted Receivable. Upon payment by ColorTyme of the Recourse Amount (as that term is hereinafter defined) with respect to the defaulted Receivable, such letter of credit shall be promptly returned to RAC for cancellation. The letter of credit shall provide for a term of one (1) year; shall be payable upon presentation to the issuing

bank of a certificate of TFC stating that ColorTyme has failed to pay all amounts due under section 3.4 with respect to the Receivable for which the letter of credit was issued; shall be issued by a bank located in the United States that is included in the bank group of RAC's senior lenders (or such other bank as may be approved by TFC in its discretion), but excluding any bank that has a participation interest in any of the Receivables or this Agreement, which bank must have a senior unsecured issuer rating of Aa or above as determined by Moody's Investors Service or a short-term issue credit rating of A1 or above as determined by Standard & Poors; and shall otherwise be acceptable to TFC in all respects.

3. Assignment to ColorTyme. Section 3.4 of the Agreement is hereby amended by deleting the existing section 3.4 in its entirety and substituting in place thereof the following:

3.4 Assignment to ColorTyme. TFC shall assign its interest in the defaulted Receivable and the collateral securing such defaulted Receivable to ColorTyme, WITHOUT RECOURSE OR WARRANTY OF ANY KIND WHATSOEVER, (a) following repossession and/or foreclosure of the collateral securing the defaulted Receivable, or (b) following the entry by a court of competent jurisdiction of an order staying or barring such actions or adjudicating the rights of TFC with respect to such collateral, or (c) in any event, eleven (11) months following the issuance of the letter of credit with respect to the defaulted Receivable pursuant to section 3.3. Contemporaneously with and as a condition precedent to such assignment, ColorTyme shall pay to TFC an amount (the "Recourse Amount") equal to the sum of (x) the outstanding principal balance of such Receivable, (y) all accrued and unpaid interest thereon and (z) all reasonable expenses incurred by TFC, including the fees and expenses of its legal counsel, in connection with the enforcement of such Receivable, up to a maximum of one thousand dollars ($1,000.00) per Receivable.

4. Consent of Guarantor. RAC, as the guarantor of all debts, liabilities and obligations of ColorTyme to TFC under the Agreement, hereby consents to the amendment of the Agreement as provided herein.

5. Effect of this Amendment. In the event of a conflict between the terms of this Amendment and the terms of the Agreement, the provisions of this Amendment shall prevail. Except as expressly set forth in this Amendment, however, all provisions of the Agreement shall remain unchanged and shall continue in full force and effect. This Amendment is hereby incorporated into the Agreement for all purposes.

6. Effective Date. This Amendment shall be effective as of the commencement of business at the offices of TFC in Reno, Nevada, on the date hereof.

IN WITNESS WHEREOF, TFC, ColorTyme and RAC have executed this Amendment on this 23rd day of July, 2002.

COLORTYME, INC.
5700 Tennyson Parkway, Suite 180
Plano, Texas 75024

By: /s/ Steven M. Arendt

Name: Steven M. Arendt

Title: President and Chief Executive Officer

RENT-A-CENTER, INC.
5700 Tennyson Parkway, 3rd Floor
Plano, Texas 75024

By: /s/ Mitchell E. Fadel

Name: Mitchell E. Fadel

Title: President

TEXTRON FINANCIAL CORPORATION
6490 South McCarran Blvd., C-21
Reno, Nevada 89509

By: /s/ Scott Hastings

Name: Scott Hastings

Title: Division President
