2021 Proxy Statement

2020 Annual Report

RENT-A-CENTER, INC.
5501 Headquarters Drive
Plano, Texas 75024

Dear Fellow Stockholder:

It is our pleasure to invite you to attend Rent-A-Center, Inc.'s 2021 Annual Meeting of Stockholders (the ''2021 Annual Meeting''). The 2021 Annual Meeting will be held as a virtual meeting conducted exclusively via live webcast at www.virtualshareholdermeeting.com/RCII2021 on Tuesday, June 8, 2021, at 8:00 a.m. Central Time.

In connection with the 2021 Annual Meeting, the attached Notice of Annual Meeting and Proxy Statement describe the business items we plan to address at the meeting. We also plan to have a question and answer session during which our stockholders will have the opportunity to ask questions of management regarding our business.

In accordance with the Securities and Exchange Commission's ''Notice and Access'' model, we are furnishing proxy materials to our stockholders via the Internet. On or about April 26, 2021, we began mailing a Notice of Internet Availability of Proxy Materials detailing how to access the proxy materials electronically and how to submit your proxy via the Internet. The Notice of Internet Availability of Proxy Materials also provides instructions on how to request and obtain paper copies of the proxy materials and proxy card or voting instruction form, as applicable. We believe this process provides our stockholders with a convenient way to access the proxy materials and submit their proxies online, while allowing us to reduce our environmental impact as well as the costs of printing and distribution.

Your vote is very important so we encourage you to review the information contained in the proxy materials and submit your proxy, regardless of the number of shares you own. It is important that beneficial owners of our common stock instruct their brokers on how they want to vote their shares. Please note that you will need the control number provided on your Notice of Internet Availability of Proxy Materials in order to submit your proxy online and, if desired, attend the 2021 Annual Meeting virtually.

We look forward to seeing you online on June 8, 2021.

Sincerely,

/s/ Jeffrey Brown	/s/ Mitchell Fadel
Jeffrey Brown *Chairman of the Board*	Mitchell Fadel *Chief Executive Officer and Director*

Notice of 2021 Annual Meeting of Stockholders

Tuesday, June 8, 2021
8:00 a.m. Central Time

The 2021 annual meeting of stockholders of Rent-A-Center, Inc. will be held as a virtual meeting conducted exclusively via live webcast at www.virtualshareholdermeeting.com/RCII2021 on Tuesday, June 8, 2021, at 8:00 a.m. Central Time, for the following purposes:

1. To elect or re-elect the two Class III directors nominated by the Board of Directors;
2. To ratify the Audit & Risk Committee's selection of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2021;
3. To conduct an advisory vote approving the compensation of the named executive officers for the year ended December 31, 2020, as set forth in the proxy statement;
4. To approve the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan;
5. To approve amendments to the Company's Certificate of Incorporation to declassify the Board of Directors; and
6. To transact other business that properly comes before the meeting and any adjournments or postponement thereof.

The foregoing items of business are more fully described in the proxy statement which is attached to, and made a part of, this notice. The Board of Directors has fixed the close of business on April 12, 2021 as the record date for determining the stockholders entitled to receive notice of, and to vote at, the 2021 annual meeting of stockholders and at any and all adjournments or postponements thereof.

We are using the ''Notice and Access'' method of furnishing proxy materials to our stockholders via the Internet. Instructions on how to access and review the proxy materials on the Internet can be found on the Notice of Internet Availability of Proxy Materials (the ''Notice'') mailed to stockholders of record on or about April 26, 2021. The Notice also contains instructions on how to receive a paper copy of the proxy materials.

Your vote is important, and whether or not you plan to attend the virtual 2021 annual meeting of stockholders, please vote as promptly as possible. We encourage you to vote via the Internet, as it is the most convenient and cost-effective method of voting. You may also vote by telephone or by mail (if you receive paper copies of the proxy materials or request a paper proxy card). Instructions regarding all three methods of voting are included in the Notice, the proxy card and the proxy statement.

Thank you in advance for voting and for your support of Rent-A-Center.

By Order of the Board of Directors,

/s/ Bryan Pechersky

Bryan Pechersky
Executive Vice President — General Counsel
and Corporate Secretary
Rent-A-Center, Inc.
5501 Headquarters Drive, Plano, Texas 75024
April 26, 2021

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2021 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 8, 2021

This Notice of Annual Meeting, the proxy statement and our annual report on Form 10-K for the year ended December 31, 2020 (the ''2020 Form 10-K'') (which we are distributing in lieu of a separate annual report to stockholders) are available on our website at *investor.rentacenter.com*, in the ''Financial Information — Annual Reports and Proxies'' subsection. Additionally, you may access the Notice of Annual Meeting, the proxy statement and the 2020 Form 10-K at *www.proxyvote.com*.

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Proxy Statement
For the Annual Meeting of Stockholders
To Be Held on June 8, 2021

This proxy statement is furnished in connection with the solicitation of proxies by Rent-A-Center, Inc. on behalf of its Board of Directors (the ''Board''), for the 2021 Annual Meeting of Stockholders of the Company (the ''2021 Annual Meeting''). In this proxy statement, references to ''Rent-A-Center'', the ''Company'', ''we'', ''us'', ''our'' and similar expressions refer to Rent-A-Center, Inc., unless the context of a particular reference provides otherwise. Although we refer to our website and other websites in this proxy statement, the information contained on our website or other websites is not a part of this proxy statement. The Notice of Internet Availability of Proxy Materials (the ''Notice'') is being mailed on or about April 26, 2021 to stockholders of record as of April 12, 2021.

SUMMARY

This summary highlights certain information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. For information regarding our 2020 performance, please review our Annual Report on Form 10-K for the year ended December 31, 2020 (the ''2020 Form 10-K'').

Meeting Information

Date & Time: 8:00 a.m., Central Time, on Tuesday, June 8, 2021, or at such other time to which the meeting may be adjourned or postponed. References in this proxy statement to the 2021 Annual Meeting also refer to any adjournments, postponements or changes in time or location of the meeting, to the extent applicable.

Location: The meeting will be a virtual meeting conducted exclusively via live webcast at www.virtualshareholdermeeting.com/RCII2021.

Eligibility to Vote: You can vote if you were a stockholder of record at the close of business on April 12, 2021 by following the instructions set forth in this proxy statement.

The Company's decision to hold a virtual meeting was made in light of ongoing developments relating to the novel coronavirus outbreak (COVID-19). We believe the virtual meeting will facilitate stockholder attendance and participation by enabling stockholders to participate from any location and at no cost, regardless of size, resources or physical location and will safeguard the health of our stockholders, Board and management.

You will be able to attend the 2021 Annual Meeting online, vote your shares electronically and submit questions during the meeting by visiting www.virtualshareholdermeeting.com/RCII2021. To participate in the virtual meeting, you will need the control number included on the Notice, proxy card or voting instruction form. The meeting webcast will begin promptly at 8:00 a.m., Central Time. We encourage you to access the meeting website approximately 10-15 minutes prior to the start time.

Overview of Proposals

Proposal	Board Vote Recommendation
One: Election of Directors	FOR each Director Nominee
Two: Ratification of Auditors	FOR
Three: Advisory Vote on Executive Compensation	FOR
Four: Approval of the 2021 Long-Term Incentive Plan	FOR
Five: Approval of Amendments to the Company's Certificate of Incorporation to Declassify the Board (the ''Declassification Amendments'')	FOR

Board Information

Board Nominees

The following table provides summary information about each director nominee who is nominated for election or re-election at the 2021 Annual Meeting. Unless the Declassification Amendments are approved by our stockholders at the 2021 Annual Meeting, each director nominee will serve a three-year term expiring at the 2024 annual meeting of stockholders and until their successors are elected and qualified.

Name	Age	Director Since	Experience/ Qualification	Independent	Committee Memberships	Other Public Company Boards
Glenn Marino	64	2020	• Retail finance, business development and banking	Yes	Audit & Risk Nominating and Corporate Governance	—
B.C. Silver	40	2021	• Financial technology, consumer products and retail industries	Yes	Compensation Nominating and Corporate Governance	—

As previously announced, Michael Gade determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at the end of his term at the 2021 Annual Meeting.

Continuing Directors

The following directors are not standing for election or re-election and their terms will continue past this year's stockholder meeting:

Name	Age	Director Since	Current Term Expires	Experience/Qualification	Independent	Committee Memberships	Other Public Company Boards
Jeffrey Brown (Chairman)	60	2017	2023	• Significant public and private company board experience • Broad transactional expertise	Yes	Audit & Risk (chair)	• Medifast, Inc.
Christopher Hetrick	42	2017	2023	• Extensive investment experience • Corporate strategy, capital allocation, executive compensation and investor communications	Yes	Compensation (chair) Nominating and Corporate Governance	—
Harold Lewis	60	2019	2022	• Financial technology • Consumer finance	Yes	Audit & Risk Compensation	—
Carol McFate	68	2019	2022	• Corporate finance and treasury • Governance; leadership	Yes	Audit & Risk Nominating and Corporate Governance(1)	• Argo Group International Holdings, Ltd
Mitchell Fadel	63	2017	2023	• Chief Executive Officer and former Chief Operating Officer of the Company • Significant knowledge of the business and rent-to-own industry	—	—	—

(1) Following the 2021 Annual Meeting, Ms. McFate will replace Mr. Gade as Chair of the Nominating and Corporate Governance Committee.

Independent Directors

Other than our Chief Executive Officer, all members of the Board are independent as determined in accordance with applicable rules of Nasdaq and the SEC and as determined by our Board.

Board Leadership Structure; Independent Chairman

Our Board separates the roles of Chairman and Chief Executive Officer. Mr. Brown serves as Chairman and Mr. Fadel serves as our Chief Executive Officer.

Board Diversity

Our Board includes a range of individuals with diverse backgrounds and experiences, including both gender and ethnic diversity.

Corporate Governance

General

Our Board has established corporate governance practices designed to serve the best interests of our Company and our stockholders, including:

- a code of business conduct and ethics applicable to all of our Board members and employees;

- a majority voting standard in non-contested elections for directors;
- a policy for the submission of complaints or concerns relating to accounting, internal accounting controls or auditing matters; and
- procedures regarding stockholder communications with our Board and its committees.

Director Compensation

Our non-employee directors are entitled to receive annual retainers and meeting attendance fees, which are payable in cash unless the applicable director has elected to receive all or a portion of such amount in the form of deferred stock units (''DSUs''), as well as an annual DSU award under the 2016 Long-Term Incentive Plan (or, if approved by stockholders at the 2021 Annual Meeting, the 2021 Long-Term Incentive Plan) valued at $120,000.

Mr. Fadel, our Chief Executive Officer and our only employee director, is not entitled to receive compensation for his service as a director.

Executive Compensation

Program Objectives

The objectives of our executive compensation program are to:

- attract, retain and motivate senior executives with competitive compensation opportunities;
- balance short-term and long-term strategic goals;
- align our executive compensation program with the core values identified in our mission statement, which focuses on improving the quality of life for our co-workers and our customers; and
- reward achievement of our financial and non-financial goals.

The Company's compensation philosophy is generally to refer to the 50th-75th percentile of target total direct compensation (base salary, annual incentive opportunity and long-term incentive compensation opportunity) paid at similarly-situated public companies in the retail and consumer finance sectors, which include companies in the Company's Peer Group (as described under ''Compensation Discussion and Analysis'' below), as a guideline, with cash compensation (base salary and annual incentive opportunity) generally targeted at around the 50th percentile, and long-term incentive compensation generally targeted at around the 75th percentile.

The following are the primary forms of compensation currently utilized by the Compensation Committee in compensating our named executive officers:

- base salary, which is paid in cash;
- annual incentive compensation, which is paid in cash and, for 2021, is based on (1) Acima (formerly Preferred Lease) segment revenues, (2) Rent-A-Center segment same store sales, and (3) consolidated adjusted EBITDA, which is calculated as net earnings before interest, taxes, depreciation and amortization, as adjusted for certain gains and charges we view as extraordinary, unusual or non-recurring in nature and which we believe do not reflect our core business activities (''Adjusted EBITDA''); and
- long-term incentive compensation, which was updated in 2021 to eliminate stock options and implement ratable vesting of restricted stock units and now consists of (1) restricted stock units which vest one-third each year over a three-year period, and (2) performance stock units which

vest based solely on a relative total shareholder return metric over a three-year measurement period.

Pay for Performance; Relative Total Shareholder Return

Our executive compensation program directly links a substantial portion of executive compensation to our financial and stock price performance through both annual and long-term incentives.

For the 2020 annual cash incentive program, based on strong Company performance, each executive officer received an amount equal to 180**%** of such person's target bonus amount.

In 2020, performance stock units granted in 2018 also vested following their three-year vesting period. In 2018, our Compensation Committee granted to our executive officers performance-based restricted stock units based on our relative Total Shareholder Return (''TSR'') as compared to the S&P 1500 Specialty Retail Index over a three-year measurement period. Our relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the three-year period ended December 31, 2020, ranked us 2 out of 60 companies in the S&P 1500 Specialty Retail Index, or the 98th percentile, which resulted in the vesting of 200% of the performance-based restricted stock units that were granted.

Stock Ownership Guidelines

We believe that our Board and our management should have a significant financial stake in the Company to ensure that their interests are aligned with those of our stockholders. To that end, our directors, Chief Executive Officer, executive vice presidents, senior vice presidents and vice presidents are subject to equity interest guidelines.

Hedging and Pledging Restrictions

Our insider trading policy prohibits our directors, officers and employees from engaging in hedging, monetization or options transactions related to our securities or transactions involving any derivative security of the Company or similar instruments.

Our insider trading policy also prohibits the holding of securities of the Company in a margin account or pledging securities of the Company as collateral for a loan, in each case unless they are treated as non-marginable by the brokerage firm.

Clawback Policy

Our Board has adopted a clawback policy that allows the Company to seek recoupment, repayment and/or forfeiture of any annual or long-term cash, equity or equity-based incentive or bonus compensation outstanding and unpaid or paid and received during the three-year period preceding the date of a clawback event (as described under ''Compensation Discussion and Analysis — Policies and Risk Mitigation — Clawback Policy'').

QUESTIONS AND ANSWERS ABOUT THE 2021 ANNUAL MEETING AND VOTING PROCEDURES

Who may vote?

Stockholders of record as of the close of business on April 12, 2021, the record date for the 2021 Annual Meeting, may vote at the virtual meeting. Each share of common stock entitles the holder to one vote per share. As of April 12, 2021, there were 66,308,287 shares of our common stock outstanding, which were held by 50 holders of record. At least ten days prior to the 2021 Annual Meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder for any purpose germane to the meeting, during ordinary business hours at our principal executive offices located at 5501 Headquarters Drive, Plano, Texas 75024. Any such examination will be subject to adhering to required safety protocols implemented due to the COVID-19 pandemic. The list will also be available online at the 2021 Annual Meeting for examination by any stockholder who is present.

What constitutes a quorum?

The holders of at least a majority of our outstanding shares of common stock entitled to vote at the 2021 Annual Meeting must be present online or represented by proxy at the 2021 Annual Meeting to have a quorum. Any stockholder present online at the 2021 Annual Meeting or represented by proxy, but who abstains from voting, and ‘‘broker non-votes’’ will be counted for purposes of determining whether a quorum exists. If a quorum is not present, the meeting may be adjourned or postponed from time to time until a quorum is obtained.

How do I vote?

You cannot vote your shares of common stock unless you are present online at the virtual meeting or you have previously given your proxy before the applicable deadline. If you are a registered stockholder, you may vote your shares or submit a proxy in one of the following convenient ways:

Voting Method	Description of Process
By Internet	You may submit a proxy electronically on the Internet, by visiting the website shown on the Notice or proxy card and following the instructions.
By Telephone	If you request paper copies of the proxy materials by mail, you may submit a proxy by telephone, by calling the toll-free telephone number shown on the Notice or proxy card and following the instructions.
By Mail	If you request paper copies of the proxy materials by mail, you may submit a proxy by signing, dating and returning a paper proxy card in accordance with its instructions. The Notice provides instructions on how to request a paper proxy card and other proxy materials.
Online at the 2021 Annual Meeting	You may vote by attending the 2021 Annual Meeting and casting your vote during the designated portion of the meeting by following the instructions provided on the meeting website. Merely attending the meeting online, but without properly voting, will not count as a vote.

If you are voting on the Internet prior to the 2021 Annual Meeting or by telephone, your voting instructions must be received by 11:59 p.m., Eastern Time on June 7, 2021, unless you are a participant in our 401(k) plan, in which case your voting instructions must be received by 11:59 p.m., Central Time, on June 2, 2021.

If your shares are held in street name, you will receive instructions from your bank, broker or other holder of record that you must follow in order for your shares to be voted.

How will the proxies be voted?

The Board has appointed Mr. Bryan Pechersky, Executive Vice President, General Counsel and Corporate Secretary, and Ms. Maureen Short, Executive Vice President and Chief Financial Officer, as the management proxyholders for the 2021 Annual Meeting. All properly executed proxies, unless revoked as described below, will be voted by a management proxyholder at the meeting in accordance with your directions on the proxy. If a properly executed proxy does not provide instructions, the shares of common stock represented by your proxy will be voted:

Proposal	Board Recommendation
One: Election of Directors	"FOR" each of the Board's nominees for Class III director
Two: Ratification of the Audit & Risk Committee's Selection of Ernst & Young LLP	"FOR" the ratification of the Audit & Risk Committee's selection of Ernst & Young LLP as our independent registered public accounting firm for 2021
Three: Advisory Vote on Executive Compensation	"FOR" the resolution approving, on an advisory basis, the compensation of the named executive officers for the year ended December 31, 2020, as set forth in this proxy statement
Four: Approval of the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan	"FOR" the approval of the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan
Five: Approval of the Declassification Amendments	"FOR" the approval of the Declassification Amendments

As of the date of this proxy statement, the Board is not aware of any other business or nominee to be presented or voted upon at the 2021 Annual meeting. Should any other matter requiring a vote of stockholders properly arise, the management proxy holders will use their discretion to vote the proxies in accordance with their best judgment in the interests of the Company. Unless otherwise stated, all shares represented by your completed, returned, and signed proxy will be voted as described above.

How do I revoke my proxy if desired?

If you are a registered stockholder, you may revoke your proxy by timely following one of the processes set forth below.

Revocation Method	Description of Process
New Proxy Card	Deliver a signed proxy, dated later than the first one, which proxy must be received by the Company prior to the vote at the 2021 Annual Meeting
New Internet/Telephone Proxy	Vote at a later time on the Internet or by telephone, if you previously voted on the Internet or by telephone, which vote must be submitted prior to the deadline set forth above
New Vote Online At 2021 Annual Meeting	Attend the virtual meeting and vote online or by proxy (attending the virtual meeting alone will not revoke your proxy)
Written Notice to the Company	Deliver a signed, written revocation letter, dated later than the previously submitted proxy, to Bryan Pechersky, Executive Vice President — General Counsel & Corporate Secretary, at 5501 Headquarters Drive, Plano, TX 75024, which letter must be received by the Company prior to the vote at the 2021 Annual Meeting

If you are a street name stockholder and you submit a voting instruction form, you may change your vote by submitting new voting instructions to your bank, broker or other holder of record in accordance with the procedures of such bank, broker or other holder of record.

How many votes must each proposal receive to be adopted?

Proposal	Required Vote for Approval	Impact of Broker Non-Votes and Abstentions
One: Election of Directors	Under our Bylaws, directors are elected by a majority of the votes cast in uncontested elections. Accordingly, the numbers of votes cast ''for'' a director nominee must exceed the number of votes cast ''against'' that nominee. In contested elections, the vote standard would be a plurality of votes cast. Each share may be voted for each of the nominees, but no share may be voted more than once for any particular nominee.	Broker non-votes and abstentions will not affect the outcome of the vote.
Two: Ratification of the Audit & Risk Committee's Selection of Ernst & Young LLP	A majority of the votes cast is required to ratify Ernst & Young LLP as our independent registered public accounting firm.	Brokers have discretionary authority in the absence of timely instructions from their customers to vote on this proposal. Abstentions will not affect the outcome of the vote.
Three: Advisory Vote On Executive Compensation	The affirmative vote of the holders of a majority in voting power of the shares of common stock present online or represented by proxy and entitled to vote at the meeting is required to approve the advisory resolution on executive compensation.	Broker non-votes will not affect the outcome of the vote. Because abstentions are counted as shares present and entitled to vote on the proposal, each abstention will have the same effect as a vote ''against'' this proposal.
Four: Approval of the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan	The affirmative vote of the holders of a majority in voting power of the shares of common stock present online or represented by proxy and entitled to vote at the meeting is required to approve the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan.	Broker non-votes will not affect the outcome of the vote. Because abstentions are counted as shares present and entitled to vote on the proposal, each abstention will have the same effect as a vote ''against'' this proposal.
Five: Approval of the Declassification Amendments	The affirmative vote of the holders of at least eighty percent (80%) of the shares of common stock of the Company issued and outstanding as of the record date for the 2021 Annual Meeting is required to approve the Declassification Amendments.	Broker non-votes and abstentions will have the same effect as a vote ''against'' this proposal.

A representative of Broadridge Financial Services, Inc. will tabulate the votes and act as inspector of elections.

What are broker non-votes?

Broker non-votes occur when nominees, such as banks and brokers, holding shares on behalf of beneficial owners, or customers, do not receive voting instructions from the customers. Brokers holding shares of record for customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. In the event that a broker does not receive voting instructions for these matters, a broker may notify us that it lacks voting authority to vote those shares. These broker non-votes refer to votes that could have been cast on the matter in question by brokers with respect to uninstructed shares if the brokers had received their customers' instructions. These broker non-votes will be included in determining whether a quorum exists.

Your bank or broker is not permitted to vote your uninstructed shares in respect of Proposal One (election of directors), Proposal Three (advisory vote on executive compensation), Proposal Four (approval of the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan) or Proposal Five (approval of the Declassification Amendments). As a result, if you hold your shares in street name and you do not instruct your bank or broker how to vote, no votes will be cast on your behalf in respect of the foregoing matters. However, if you hold your shares in street name and you do not instruct your bank or broker how to vote in respect of Proposal Two (ratification of auditors), your bank or broker is entitled to vote your shares.

To be certain your shares are voted in the manner you desire, you should instruct your bank or broker how to vote your shares.

How will stockholders be able to participate in and ask questions at the 2021 Annual Meeting?

The 2021 Annual Meeting will be a virtual meeting conducted exclusively via live webcast at www.virtualshareholdermeeting.com/RCII2021. To participate in the virtual meeting, visit such website and enter the control number included on the Notice, proxy card or voting instruction form.

The virtual meeting will provide substantially the same opportunities to participate as stockholders would have at an in-person meeting. Stockholders will be able to attend and participate online and submit questions prior to or during the meeting. Questions may be submitted in advance of the meeting prior to 11:59 p.m., Eastern Time, on June 7, 2021, by logging into www.proxyvote.com, entering your control number and, once past the login screen, clicking on ''Submit Questions,'' choosing a question type, typing in your question, and clicking ''Submit.'' Alternatively, questions may be submitted during the meeting by logging into the virtual meeting platform at www.virtualshareholdermeeting.com/RCII2021, clicking on ''Q&A,'' typing in your question, and clicking ''Submit.''

As part of the 2021 Annual Meeting, we will hold a question and answer session, during which we intend to answer questions submitted prior to and during the meeting in accordance with the 2021 Annual Meeting procedures and which are pertinent to the Company and the meeting matters, as time permits. Questions or comments that are irrelevant to the business of the meeting or the Company's business, in furtherance of the personal or business interests of a stockholder, relate to material non-public information of the Company or pending or threatened litigation or investigations, derogatory to individuals or groups or not in good taste, related to personal grievances or are otherwise not suitable for the conduct of the meeting as determined in the sole discretion of the Company will not be answered. The Company may not respond to questions that are substantially repetitious of other statements made or questions received, or may group questions together by topic with a representative question read aloud and answered. Any questions pertinent to meeting matters that are not answered during the meeting due to time constraints will be posted online and answered at investor.rentacenter.com. The questions and answers will be available as soon as practical after the meeting and will remain available until one week after posting.

The virtual meeting platform is fully supported across browsers (Internet Explorer, Firefox, Chrome, and Safari) and devices (desktops, laptops, tablets, and cell phones) running the most updated version of applicable software and plugins. Shareholders should ensure that they have a strong internet connection if they plan to attend and/or participate in the meeting. We encourage you to access the meeting website approximately 10-15 minutes prior to the start time to allow for any unforeseen technical issues, as the meeting webcast will begin promptly at 8:00 a.m., Central Time. If you encounter any difficulties accessing the virtual meeting, please call the technical support number that will be posted on the virtual meeting login page for assistance. Technical support will be available beginning at 7:45 a.m., Central Time, on the date of the meeting through the conclusion of the meeting.

Who is soliciting my proxy?

The Board is soliciting your proxy and we will bear the cost of soliciting proxies. Proxies may be solicited by telephone, electronic mail, personal interview or other means of communication. We will reimburse banks, brokers, custodians, nominees and fiduciaries for reasonable expenses they incur in sending proxy materials to you if you are a beneficial holder of our shares. We have engaged Saratoga Proxy Consulting LLC, a proxy solicitation firm, to assist in the solicitation of proxies for which we will pay a fee in the amount of $10,000 and will also reimburse Saratoga Proxy Consulting LLC for reasonable and customary out-of-pocket expenses incurred in performing such services.

PROPOSAL ONE:
ELECTION OF DIRECTORS

Board Overview

Currently, the number of directors constituting our entire Board is eight, divided into three classes. Directors in each class serve for a term of three years, or until their earlier death, resignation, disqualification or removal. One class of directors is elected each year at the annual meeting of stockholders.

Director	Class	Expiration of Current Term (Annual Stockholders Meeting)
Harold Lewis	Class I	2022
Carol McFate	Class I	2022
Jeffrey Brown	Class II	2023
Mitchell Fadel	Class II	2023
Christopher Hetrick	Class II	2023
Michael Gade	Class III	2021
Glenn Marino	Class III	2021
B.C. Silver	Class III	2021

Nominees for Director at the 2021 Annual Meeting

Two Class III directors are to be elected by our stockholders at the 2021 Annual Meeting. Our Board, upon recommendation of the Nominating and Corporate Governance Committee, has nominated (1) Glenn Marino to be re-elected, and (2) B.C. Silver, who was appointed to the Board in January 2021, to be elected, as Class III directors by our stockholders. As noted above, Michael Gade determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at the end of his term at the 2021 Annual Meeting.

The qualifications necessary for a board nominee and the Nominating and Corporate Governance Committee's process for evaluating prospective board members is discussed under ''Director Nominations — Qualifications'' below. Specific experience and relevant considerations with respect to each nominee are set forth in each candidate's respective biography below.

Mr. Marino and Mr. Silver have agreed to stand for re-election and election, respectively. However, should either of them become unable or unwilling to accept such nomination, the shares of common stock voted for that nominee by proxy will be voted for the election of a substitute nominee as the Board may recommend, or the Board may reduce the number of directors to eliminate the vacancy. If any nominee is unable to serve his or her full term, the Board may reduce the number of directors or designate a substitute to serve until the 2024 annual meeting of stockholders. Our Board has no reason to believe that either of Mr. Marino or Mr. Silver will be unable or unwilling to serve as a director, and, to the knowledge of the Board, each intends to serve the entire term for which election is sought.

Our Board recommends that you vote ''FOR'' each of Mr. Marino and Mr. Silver.

Glenn Marino

Independent Director
Age: 64
Director Since: 2020
Committees Served: Audit & Risk; Nominating and Corporate Governance
Gender: Male
Ethnicity: Caucasian

Mr. Marino was appointed to the Board in February 2020. Mr. Marino brings 40 years of experience in the consumer retail finance industry, most recently serving as Executive Vice President, CEO — Payment Solutions and Chief Commercial Officer of Synchrony Financial, Inc., a $21 billion financial services company, from 2014 until 2018. Prior to the spin-off in 2014 of Synchrony by General Electric Corporation, Mr. Marino was an executive with the North American retail finance business of General Electric, serving as CEO — Payment Solutions and Chief Commercial Officer from 2012-2013, and CEO — Sales Finance from 2001 to 2011. From 1999 to 2001, Mr. Marino served as CEO of Monogram Credit Services, a joint venture between GE and BankOne (now JPMorgan Chase & Co.). Prior to that, Mr. Marino held various roles of increasing responsibility in finance, business development, credit risk, and marketing with General Electric and Citibank.

We believe Mr. Marino's extensive knowledge in retail finance, business development and banking provides a valuable perspective to our Board as we continue to grow our retail partnerships, particularly as it relates to the expansion of our Acima (formerly Preferred Lease) segment.

B.C. Silver

Independent Director
Age: 40
Director Since: 2021
Committees Served: Compensation; Nominating and Corporate Governance
Gender: Male
Ethnicity: African American

Mr. Silver was appointed to the Board in January 2021. Mr. Silver is an accomplished marketing executive and entrepreneur who has established several startup companies in the financial services and technology industries. Mr. Silver currently serves as the founder of Grind Finance, a mobile banking company launched in 2019 designed to empower underserved communities. From 2017 to 2019, Mr. Silver served as President, Chief Marketing Officer for RushCard (which was acquired by Green Dot Corporation) and as General Manager-Consumer Division and Vice President of Digital Marketing and Account Acquisition for Green Dot Corporation, a financial technology leader and bank holding company that designs and deploys mobile banking and financial services products directly to consumers through one of the largest retail banking distribution platforms in America. From 2015 to 2017, Mr. Silver served as Senior Director of Marketing and Strategic Planning for Mars, Incorporated, a leading global consumer products company with a portfolio of confectionery, food and pet care products and services. Prior to Mars, Mr. Silver served in sales and marketing positions with The Clorox Company and Procter & Gamble.

Mr. Silver has extensive knowledge of the financial technology, consumer products and retail industries and strong marketing and leadership skills, which we believe are valuable assets as we continue to invest in our digital lease-to-own solutions across our business.

Continuing Members of the Board

The terms of the following five members of our Board will continue past the 2021 Annual Meeting.

Terms to Expire at the 2022 Annual Meeting:

Harold Lewis

Independent Director
Age: 60
Director Since: 2019
Committees Served: Audit & Risk; Compensation
Gender: Male
Ethnicity: African American

Mr. Lewis brings over 30 years of experience in financial services and mortgage lending. From August 2018 until June 2019, he served as the CEO of Renovate America, Inc., a national home improvement fintech company focused on energy efficient home improvement lending. From 2016 to 2018, Mr. Lewis was a senior advisor for McKinsey & Company, a worldwide management consulting firm. From 2012 to 2015 he served as President and COO of Nationstar Mortgage, one of the largest mortgage servicers in the country. In that position, he grew Nationstar's servicing platform from $30 billion to $400 billion and mortgage origination portfolio from $1.8 billion to $25 billion while also building and managing Nationstar's relationship with the newly created industry regulator, the Consumer Financial Protection Bureau. Prior to Nationstar Mortgage, he held C-Suite and senior executive positions at Citi Mortgage, Fannie Mae, Resource Bancshares Mortgage Group and Nations Credit, among others.

We believe that Mr. Lewis' significant financial technology knowledge and broad experience with a similar customer demographic provides our Board with an important resource with respect to our e-commerce platform and our Acima (formerly Preferred Lease) segment.

Carol McFate

Independent Director
Age: 68
Director Since: 2019
Committees Served: Audit & Risk; Nominating and Corporate Governance
Gender: Female
Ethnicity: Caucasian

Ms. McFate served from 2006 until October 2017 as the Chief Investment Officer of Xerox Corporation, a multinational document provider of multifunction document management systems and services, managing retirement assets for North American and UK plans. Previously, Ms. McFate served in various finance and treasury roles for a number of prominent insurance and financial services companies, including XL Global Services, Inc., a US-based subsidiary of XL Capital Ltd., a leading Bermuda-based global insurance and reinsurance company, American International Group, Inc., an American multinational property & casualty insurance, life insurance, and financial services provider, Prudential Insurance Company of America, an American Fortune Global 500 and Fortune 500 company whose subsidiaries provide life insurance, investment management and other financial products and services to both retail and institutional customers through the US and in over 30 other countries. Ms. McFate is a Chartered Financial Analyst. Ms. McFate also serves as a director and member of the investment and nominating committees of Argo Group International Holdings, Ltd.

Ms. McFate brings over 40 years of global corporate finance experience and a varied viewpoint to the Board which we believe supports us in our strategic initiatives and enhances our long-term vision, sustainable growth and shareholder value.

Terms to Expire at the 2023 Annual Meeting (unless the Declassification Amendments are approved):

Jeffrey Brown

Chairman of the Board; Independent Director
Age: 60
Director Since: 2017
Committees Served: Audit & Risk (chair)
Gender: Male
Ethnicity: Caucasian

Mr. Brown is the Chief Executive Officer and founding member of Brown Equity Partners, LLC, which provides capital to management teams and companies. Mr. Brown's venture capital and private equity career spans 34 years, including positions with Hughes Aircraft Company, Morgan Stanley & Company, Security Pacific Capital Corporation and Bank of America Corporation and as founding partner of Forrest Binkley & Brown. Since June 2015, Mr. Brown has served as the Lead Director of Medifast, Inc., where he also serves as chairman of the Audit Committee and is a member of the Executive Committee. Mr. Brown previously served as a director of a number of public and private companies, including Cadiz, Inc., Outerwall Inc., Midatech Pharma PLC, Nordion, Inc. and Stamps.com Inc.

Mr. Brown brings to the Board extensive public and private company board experience and significant transactional expertise, having served as the chairman of the board of directors of 12 companies and as a member of the board of directors of over 50 companies in both the public and private sectors and having invested in a broad array of companies throughout his career.

Mitchell Fadel

Director; Chief Executive Officer
Age: 63
Director Since: 2017
Committees Served: N/A
Gender: Male
Ethnicity: Caucasian; Middle-Eastern

Mr. Fadel has served as one of our directors since June 2017 and was named Chief Executive Officer on January 2, 2018. Mr. Fadel was self-employed prior to joining the Company after most recently serving as President — U.S. Pawn for EZCORP, Inc., a leading provider of pawn loans in the United States and Mexico, from September 2015 to December 2016. Prior to that, Mr. Fadel served as President of the Company (beginning in July 2000) and Chief Operating Officer (beginning in December 2002) each until August 2015, and also as a director of the Company from December 2000 to November 2013. From 1992 until 2000, Mr. Fadel served as President and Chief Executive Officer of the Company's subsidiary Rent-A-Center Franchising International, Inc. f/k/a ColorTyme, Inc. Mr. Fadel's professional experience with the Company also includes previously serving as a Regional Director and a District Manager.

As our Chief Executive Officer, Mr. Fadel's day-to-day leadership provides him with intimate knowledge of our operations that are a vital component of our Board discussions. In addition, Mr. Fadel brings 30 years of experience in and knowledge of the rent-to-own industry, including his previous tenure as our President and Chief Operating Officer, to the Board. We believe Mr. Fadel's service as our Chief Executive Officer creates a critical link between management and our Board, enabling our Board to perform its oversight function with the benefit of management's perspectives on our business.

Christopher Hetrick

Independent Director
Age: 42
Director Since: 2017
Committees Served: Compensation (chair); Nominating and Corporate Governance
Gender: Male
Ethnicity: Caucasian

Mr. Hetrick has been the Director of Research at Engaged Capital, a California based investment firm and registered advisor with the U.S. Securities and Exchange Commission (''SEC'') focused on investing in small and mid-cap North American equities, since September 2012. Prior to joining Engaged Capital, Mr. Hetrick worked at Relational Investors LLC (''Relational''), a $6 billion activist equity fund, from January 2002 to August 2012. Mr. Hetrick began his career with Relational as an associate analyst. He eventually became the firm's senior consumer analyst overseeing over $1 billion in consumer sector investments. Prior to his work heading up the consumer research team, Mr. Hetrick was a generalist covering major investments in the technology, financial, automotive and food sectors.

We believe that Mr. Hetrick's extensive investment experience in a broad range of industries as well as his expertise in corporate strategy, capital allocation, executive compensation, and investor communications well qualifies him to serve on our Board.

Skills and Qualifications of Board of Directors and Nominees

The following table provides an overview of certain qualifications that we believe each of our directors possesses and which benefits our Board and Company. This table is not intended to provide a comprehensive list of all qualifications. Please refer to each directors' biographical information above in this proxy statement for additional information.

	Brown	Fadel	Gade(1)	Hetrick	Lewis	McFate	Marino	Silver
Industry experience or related perspective	✓	✓	✓		✓		✓	✓
Franchise		✓	✓					
Financial Literacy	✓	✓	✓	✓	✓	✓	✓	✓
International		✓	✓			✓		
Finance and Capital Markets Transactions	✓	✓		✓		✓	✓	
Technology					✓			✓
M&A	✓	✓		✓				
Risk Management	✓	✓	✓	✓	✓	✓	✓	

(1) Mr. Gade has determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at that time.

Board Diversity

Our Nominating and Corporate Governance Committee believes that diversity is one of many attributes to be considered when selecting candidates for nomination to serve as one of our directors. While the Nominating and Corporate Governance Committee carefully considers diversity when evaluating nominees for director, the Nominating and Corporate Governance Committee has not established a formal policy regarding diversity in identifying director nominees.

The matrix below summarizes the gender and ethnic diversity on our Board (including Mr. Gade, who has determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at that time):

Board Diversity Matrix (as of the date of this proxy statement)				
Board Size:				
Total Number of Directors	8			
Gender:	**Male**	**Female**	**Non-Binary**	**Gender Undisclosed**
Number of directors based on gender identity	7	1	—	—
Number of directors who identify in any of the categories below:				
African American or Black	2	—	—	—
Alaskan Native or American Indian	—	—	—	—
Asian	—	—	—	—
Caucasian	4	1	—	—
Hispanic or Latino	—	—	—	—
Native Hawaiian or Pacific Islander	—	—	—	—
Two or More Races or Ethnicities	1	—	—	—
LGBTQ+	—			
Undisclosed	—			

CORPORATE GOVERNANCE

General

Our Board has established corporate governance practices designed to serve the best interests of our Company and our stockholders. In this regard, our Board has, among other things, adopted:

- a code of business conduct and ethics applicable to all members of our Board, as well as all of our employees, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer and controller;
- separation of the Chairman and Chief Executive Officer roles;
- a majority voting standard in non-contested elections for directors;
- a policy for the submission of complaints or concerns relating to accounting, internal accounting controls or auditing matters;
- provisions in our Bylaws regarding director candidate nominations and other proposals by stockholders;
- written charters for its Audit & Risk Committee, Compensation Committee, and Nominating and Corporate Governance Committee;
- procedures regarding stockholder communications with our Board and its committees; and
- policies regarding the entry by our Company and its subsidiaries into transactions with certain persons related to our Company.

Our Board intends to monitor developing standards in the corporate governance area and, if appropriate, modify our policies and procedures with respect to such standards. In addition, our Board will continue to review and modify our policies and procedures as appropriate to comply with any new requirements of the SEC or Nasdaq and taking into consideration any feedback received from our stockholders.

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics applicable to all members of our Board, as well as all of our employees, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer and controller. The Code of Business Conduct and Ethics forms the foundation of a compliance program we have established as part of our commitment to responsible business practices that includes policies, training, monitoring and other components covering a wide variety of specific areas applicable to our business activities and employee conduct. A copy of the Code of Business Conduct and Ethics is published on our website at *https://investor.rentacenter.com/governance-documents*. We intend to make all required disclosures concerning any amendments to, or waivers from, this Code of Business Conduct and Ethics on our website.

Structure of the Board

Independent Chairman

Our Board separates the roles of Chairman and Chief Executive Officer. Mr. Brown serves as Chairman and Mr. Fadel serves as our Chief Executive Officer. The Board believes that the separation of the roles of Chairman and Chief Executive Officer at this time is appropriate in light of Mr. Fadel's tenure as Chief

Executive Officer and is in the best interests of the Company's stockholders. Separating these positions aligns the Chairman role with our independent directors, enhances the independence of our Board from management and allows our Chief Executive Officer to focus on developing and implementing our strategic initiatives and supervising our day-to-day business operations. Our Board believes that Mr. Brown is well situated to serve as Chairman because of his experience serving on the boards of directors of other public companies, including as lead director of MediFast, Inc. Mr. Brown works closely with Mr. Fadel to set the agenda for Board meetings and to coordinate information flow between the Board and management.

Our Board understands that there is no single, generally accepted approach to providing Board leadership and that given the dynamic and competitive environment in which we operate, the right Board leadership structure may vary based on the situation. Our Board will review its determination to separate the roles of Chairman and Chief Executive Officer periodically or as circumstances and events may require.

Independent Directors

As part of the Company's corporate governance practices, and in accordance with Nasdaq rules, the Board has established a policy requiring a majority of the members of the Board to be independent. In January 2021, each of our non-employee directors completed a questionnaire which inquired as to their relationship (and the relationships of their immediate family members) with us and other potential conflicts of interest. Taking into account our review of the responses to this questionnaire process and such other due consideration and diligence as it deemed appropriate, in March 2021, our Board met to discuss the independence of those non-employee directors. Following such discussions and based on the recommendations of the Nominating and Corporate Governance Committee, our Board determined that the following directors are ''independent'' as defined under Nasdaq rules: Jeffrey Brown, Michael Gade, Christopher Hetrick, Harold Lewis, Glenn Marino, Carol McFate and B.C. Silver.

The table below includes a description of categories or types of transactions, relationships or arrangements, if any, considered by our Board in reaching its determination that the directors are independent.

Name	Independent	Transactions/Relationships/Arrangements
Jeffrey Brown	Yes	None
Michael Gade(1)	Yes	None
Christopher Hetrick	Yes	Employee of Engaged Capital, LLC, a 4.4% stockholder in the Company (based on a Schedule 13D/A filed by Engaged Capital, LLC with the SEC on August 25, 2020 and the number of shares of Common Stock outstanding as of April 5, 2021). The Board did not deem this ownership by Mr. Hetrick's employer to impair his independence.
Harold Lewis	Yes	None
Glenn Marino	Yes	None
Carol McFate	Yes	None
B.C. Silver	Yes	None

(1) Mr. Gade has determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at that time.

Committees of the Board

The standing committees of the Board during 2020 included the (1) Audit & Risk Committee, (2) Compensation Committee, and (3) Nominating and Corporate Governance Committee. Each of the standing committees has the authority to retain independent advisors and consultants, with all fees and expenses to be paid by the Company. From time to time, the Board may also appoint special committees for specific matters, as it did in 2020.

The following table provides membership and meeting information for the Board and each of the Board's standing committees during 2020 and also describes changes to committees as of the date of this proxy statement:

Name	Independent[1]	Audit & Risk Committee[2]	Compensation Committee	Nominating and Corporate Governance Committee
Jeffrey Brown	Yes	Chair	—	—
Mitchell Fadel	No	—	—	—
Michael Gade[3]	Yes	—	Member	Chair
Christopher Hetrick	Yes	—	Chair	Member
Harold Lewis	Yes	Member	Member	—
Glenn Marino	Yes	Member	—	Member[4]
Carol McFate	Yes	Member	—	Member[5]
B.C. Silver	Yes	—	Member[4]	Member[4]
Number of Committee Meetings in 2020	—	9	7	5

(1) *The Board has determined whether the director is independent as described above under "Independent Directors".*

(2) *The Board has determined that Mr. Brown is an "audit committee financial expert" as defined by SEC rules and that each of Mr. Lewis, Mr. Marino and Ms. McFate meets the financial sophistication requirements for Nasdaq audit committee members.*

(3) *Mr. Gade has determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at that time (and, as a result, will no longer serve on any committee of the Board following the 2021 Annual Meeting).*

(4) *The director was appointed to the indicated committee in March 2021 and did not attend any meeting of such committee in 2020.*

(5) *Following the 2021 Annual Meeting, Ms. McFate will replace Mr. Gade as Chair of the Nominating and Corporate Governance Committee.*

Audit & Risk Committee

The Audit & Risk Committee assists the Board in fulfilling its oversight responsibilities by reviewing risks relating to accounting matters, financial reporting, legal and regulatory compliance, and other enterprise-wide risks. To satisfy these oversight responsibilities, our Audit & Risk Committee reviews, among other things:

- the financial reports and other financial information provided by us to the SEC or the public;
- our systems of controls regarding finance, accounting, legal compliance and ethics that management and the Board have established;
- our independent auditor's qualifications and independence;
- the performance of our internal audit function and our independent auditors;
- the efficacy and efficiency of our auditing, accounting and financial reporting processes generally; and
- our risk management practices.

The Audit & Risk Committee has the direct responsibility for the appointment, compensation, retention and oversight of our independent auditors, and reviews our internal audit department's reports, responsibilities, budget and staffing. In addition, the Audit & Risk Committee meets regularly with our Chief Financial Officer, the head of our internal audit department, our independent auditors, and management (including regularly scheduled executive sessions with the head of our internal audit department and our independent auditors). The Audit & Risk Committee also oversees compliance with our Code of Business Conduct and Ethics.

The Audit & Risk Committee pre-approves all audit and non-audit services provided by our independent auditors, other than *de minimis* exceptions for non-audit services that may from time to time be approved by the Audit & Risk Committee. The Audit & Risk Committee may delegate pre-approval authority to one or more of its members from time to time or may adopt specific pre-approval policies and procedures; however, any such pre-approvals must in all cases be presented for ratification by the Audit & Risk Committee at its next scheduled meeting.

The Board has adopted a charter for the Audit & Risk Committee, which can be found on our website at *https://investor.rentacenter.com/governance-documents*. The Audit & Risk Committee reviews, updates and assesses the adequacy of its charter on an annual basis, and may recommend any proposed modifications to its charter to the Board for its approval, if and when appropriate.

Compensation Committee

The Compensation Committee, among other things:

- discharges the Board's responsibilities with respect to all forms of compensation of our Chief Executive Officer, Chief Financial Officer, and each of our Executive Vice Presidents, including assessing the risks associated with our executive compensation policies and practices and employee benefits;
- administers our equity incentive plans;
- reviews and discusses with our management the Compensation Discussion and Analysis to be included in our annual proxy statement, Annual Report on Form 10-K or information statement, as applicable, and makes a recommendation to the Board as to whether the Compensation Discussion and Analysis should be included in our annual proxy statement, Annual Report on Form 10-K or any information statement, as applicable; and
- recommends to the Board the form and amount of director compensation and conducts a review of such compensation from time to time, as appropriate.

The Board has adopted a charter for the Compensation Committee, which can be found on our website at *https://investor.rentacenter.com/governance-documents*. In addition, the Compensation Committee reviews, updates and assesses the adequacy of its charter on an annual basis, and may recommend any proposed modifications to its charter to the Board for its approval, if and when appropriate.

The Compensation Committee's processes for fulfilling its responsibilities and duties with respect to executive compensation and the role of our executive officers in the compensation process are described in the section ''Compensation Discussion and Analysis — Compensation Process'' below in this proxy statement.

Pursuant to its charter, the Compensation Committee has the authority, to the extent it deems necessary or appropriate, to retain compensation consultants, independent legal counsel or other advisors and has the sole authority to approve the fees and other retention terms with respect to such advisors. From time to time, the Compensation Committee has engaged compensation consultants to advise it on certain matters. See the section ''Compensation Discussion and Analysis — Compensation Process'' below in this proxy statement for more information. In addition, the Compensation Committee also has the authority, to the extent it deems necessary or appropriate, to delegate matters to a sub-committee composed of members of the Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee manages risks associated with corporate governance and potential conflicts of interest and assists the Board in fulfilling its responsibilities by, among other things:

- identifying individuals believed to be qualified to become members of the Board, consistent with criteria approved by the Board;
- recommending to the Board candidates for election or reelection as directors, including director candidates submitted by the Company's stockholders;
- recommending to the Board members of the Board to serve on committees;
- overseeing, reviewing and making periodic recommendations to the Board concerning our corporate governance policies; and
- directing the succession planning efforts for the Chief Executive Officer and reviewing management's succession planning process with respect to our other senior executive officers.

The Board has adopted a written charter for the Nominating and Corporate Governance Committee, which is available on our website at *https://investor.rentacenter.com/governance-documents*. In addition, the Nominating and Corporate Governance Committee reviews, updates and assesses the adequacy of its charter on an annual basis, and may recommend any proposed modifications to its charter to the Board for its approval, if and when appropriate.

Board and Committee Self-Evaluations

Each year, the Board and its committees perform a rigorous self-evaluation. The Nominating and Corporate Governance Committee oversees the process. The evaluations solicit input from directors regarding the performance and effectiveness of the Board, its committees and its members and provide an opportunity for directors to identify areas of potential enhancements. Individual director responses are submitted through a third party firm engaged by the Company to administer the evaluation process and report the results, which are compiled for review and discussion by the Board and its committees. The Board believes this process is effective to evaluate the Board, its committees and the contributions of its members, and identify opportunities for continuous improvement.

Board Oversight

General Risk Oversight

Our Board takes an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board and the relevant committees receive regular reports from members of senior management on areas of material risk to the Company, including operational, financial, strategic, competitive, reputational, cybersecurity, legal and regulatory risks. The Board also meets with senior management annually for a strategic planning session and discussion of the key risks inherent in our short- and long-term strategies at the development stage, and also receives periodic updates on our strategic initiatives throughout the year. In addition, our Board has delegated the responsibility for oversight of certain risks to its standing committees, as discussed in this proxy statement. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire Board is regularly informed through committee reports concerning such risks and, in general, all independent directors regularly attend committee meetings regardless of membership on that committee and the full Board is provided with all Board and standing committee meeting materials.

Cybersecurity Oversight

The Board maintains oversight of the Company's cybersecurity risk through regular updates from management. Specifically, the Board and its Audit Committee receive updates from management regarding the status of ongoing projects to strengthen our efforts against cybersecurity events and reviews risks relevant to cybersecurity and existing controls in place to mitigate the risk of cybersecurity incidents. Among other things, the Company maintains an incident response policy and plan designed to provide for timely, consistent responses to actual or attempted data and security incidents impacting the Company, and requires third party and other risk compliance attestations.

Environmental, Social, and Governance Initiatives Oversight

Our Board recognizes that environmental, social, governance and sustainability (''ESG'') issues are of increasing importance to our investors, as well as our employees and customers, and that being a responsible corporate citizen helps drive shareholder value. Our Board is committed to integrating and maintaining responsible ESG initiatives into our operations and strategic business objectives.

Our ESG actions cover a wide range of areas of importance to our Company and our stakeholders, and are ultimately driven by our mission to improve the quality of life for our customers and employees. We provide household and other durable goods to underserved cash and credit constrained customers and offer an affordable and flexible way to furnish a home and obtain access to other essential items without incurring a long-term debt obligation or accessing credit. Our employees are offered competitive pay and benefits and paid time off, and we have a longstanding history of promoting from within to support our employees in advancing their careers and professional development. Our charitable giving efforts are aligned with our desire to help the underserved including hunger relief, family and youth empowerment, and disaster relief. We put our values into action by supporting causes that give families peace of mind and offer children opportunities that will help them reach their potential. We also strive to operate our retail stores efficiently to conserve the environment by optimizing our fleet of vehicles, implementing energy efficient lighting, recycling, and leasing energy efficient products.

In 2020, the COVID-19 pandemic created an unprecedented global health crisis and economic turmoil. The health and safety of our co-workers, customers and communities remained our top priorities as we navigated the impacts of the pandemic. Our culture of safety and the resilience of our co-workers served us well and allowed our stores to continue operating as an essential business so we could meet our customers' needs for critical household items. Our products allowed our customers and their families to focus on staying healthy and connected while they were forced to spend substantially more time at home and to address the economic dislocation caused by COVID-19. The Board was actively involved in the oversight of our COVID-19 responses throughout the year.

Also in 2020, the social unrest across the country gave rise to an important public discourse regarding racial justice and equality. With the support of our Board, we organized a series of town halls across our Company to openly discuss with our employees new programs and initiatives that would best support a diverse and inclusive workforce. Based on the feedback received, we have taken a number of initial steps. For example, we created a new Chief Diversity Officer position that will regularly report to the Board. While we intend to increase our overall focus on diversity within our development programs, the Chief Diversity Officer will take the lead in assessing the impact that proposed initiatives in our organization may have on our culture as well as in creating and implementing initiatives that are intended to promote an inclusive workforce. We have also implemented a program to deliver unconscious bias training to all employees. Further, we are launching additional Employee Resource Groups to continue the dialogue with our employees regarding our diversity initiatives.

Our company and our Board firmly believe we are able to effect positive social and environmental change, enhance business results and improve the wellbeing of our employees through our robust ESG program.

Director Compensation

Cash Compensation

The following table provides an overview of the directors' 2020 annual retainers:

Position	2020 Annual Retainer
All Non-Employee Directors (including the Chairman)	$ 77,500
Chairman of the Board	$150,000
Chair of the Audit & Risk Committee	$ 27,500
Other members of the Audit & Risk Committee	$ 15,000
Chair of the Compensation Committee	$ 25,000
Other members of the Compensation Committee	$ 10,500
Chair of the Nominating and Corporate Governance Committee	$ 20,000
Other members of the Nominating and Corporate Governance Committee	$ 10,000

Additionally, each non-employee director receives $2,500 for each Board meeting attended in person (or, at the discretion of the Compensation Committee, via telephonic or other electronic means) and is reimbursed for his or her expenses in attending such meetings.

In 2020, Messrs. Brown and Hetrick also served on multiple special committees of the Board in connection with specific matters and were entitled to a total of $20,000 each for such special committee service. Mr. Fadel, as an employee of the Company, was not entitled to receive any cash compensation for his service as a director during 2020.

Retainers and meeting attendance fees may be paid in a combination of cash or DSUs at each non-employee director's election. Deferred fees are matched 25% by the Company and the total deferred fees and matching contributions are converted into an equivalent value of DSUs. Deferred fees plus matching contributions are converted to DSUs based on the closing price of Rent-A-Center common stock on the trading day immediately preceding the date on which the DSUs are granted. Currently, the Board's practice is to pay cash fees and issue DSUs in respect of any deferred cash fees on a quarterly basis.

Annual DSU Awards

Our non-employee directors receive an award of DSUs on the first business day of each year pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (the ''2016 Plan'') or, if approved by stockholders as set forth in this proxy statement, the 2021 Long-Term Incentive Plan for future years.

The annual DSU award to our non-employee directors for 2020 was valued at $120,000, which was the same value as 2019. All of our non-employee directors serving on January 2, 2020, the first business day of 2020, were granted DSUs valued at $120,000 on that date.

Description of DSUs

Each DSU is fully vested and non-forfeitable at the time of award and represents the right to receive one share of common stock of the Company. Those shares of common stock are not issued to a director until that director ceases to be a member of the Board and, therefore, cannot be sold until such time. The DSUs do not have voting rights. The holder of a DSU is entitled to receive cash dividend equivalent payments with respect to the shares underlying such DSU if, as and when any cash dividend is declared by the Board with respect to our common stock.

Director Stock Ownership Guideline

Our Board has adopted a guideline providing that each non-employee member of the Board should hold at least $200,000 in our common stock within 5 years of the later of (1) December 1, 2020 (the date on which such ownership guideline was most recently adopted), and (2) the date of their original election or appointment to the Board, and to hold such equity interest for so long as such member continues as a director. Moreover, because non-employee members of the Board receive equity compensation in the form of DSUs, they are effectively required to retain 100% of their equity compensation until they cease to be a member of the Board and are issued shares of common stock in respect of their DSUs.

Non-employee members of the Board may satisfy the ownership requirements in the equity ownership guidelines with common stock owned directly or indirectly (including as a result of fully vested awards from previous grants), shares of our common stock held through any Company benefit plan in which non-employee directors are eligible to participate, DSUs and unvested time-based restricted stock awards or restricted stock units.

As of December 31, 2020, based on the closing price of our common stock on the Nasdaq Global Select Market of $38.29 per share as of such date, each of Messrs. Brown, Gade, Hetrick, Marino and Lewis and Ms. McFate met the foregoing guideline. Mr. Silver was appointed to the Board in January 2021.

Director Compensation for 2020

The following table sets forth certain information regarding the compensation of our non-employee directors during 2020. Because Mr. Silver did not join the Board until January 2021, he did not earn any compensation for 2020 and is not included in the table below.

Name	Fees Earned or Paid in Cash(1)	DSUs(2)	Other Compensation(3)	Total
Jeffrey Brown	—	$448,139	$48,067	$496,206
Michael Gade(4)	$108,000	$138,891	$62,792	$309,683
Christopher Hetrick(5)	—	$155,159	$33,279	$188,438
Harold Lewis	$113,000	$189,046	$ 7,604	$309,650
Glenn Marino(6)	$ 19,844	$ 50,381	$ 892	$ 71,117
Carol McFate	$ 56,250	$241,797	$ 9,234	$307,281

(1) *Includes (a) annual retainers, (b) meeting attendance fees and (c) any special committee fees paid in cash to each non-employee director with respect to services rendered in 2020. For directors who elected to defer cash fees into DSUs, those deferred amounts are included in the DSUs column to the extent such DSUs were awarded in 2020.*

(2) *Reflects the grant date fair value calculated pursuant to FASB ASC Topic 718 of DSUs granted to each director in fiscal 2020, as follows:*

- Each director (other than Mr. Marino) was granted 4,161 DSUs in January 2020, representing the $120,000 annual grant for service in fiscal 2020. Mr. Marino was appointed to the board of directors in February 2020 and in April 2021 was granted 1,882 DSUs, representing a portion of the $120,000 annual grant for his partial year of service in fiscal 2020, which grant is not reflected in the table above.
- During fiscal 2020, Messrs. Brown, Gade, Hetrick, Lewis and Marino and Ms. McFate were granted 14,489, 760, 1,219, 2,394 and 1,862 DSUs and 4,880 DSUs, respectively, in lieu of quarterly cash retainer and meeting attendance fees payable in respect of the fourth quarter of 2019 through and including the third quarter of 2020. Such amounts (and the table above) exclude DSUs that were awarded to such persons in January 2021 in lieu of quarterly cash retainer and meeting attendance fees payable in respect of the fourth quarter of 2020.

(3) *Represents dividend equivalents paid in cash in respect of vested DSUs.*

(4) *Mr. Gade has determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at that time.*

(5) Mr. Hetrick, by letter to the Board of Directors, declined to accept director fees otherwise payable to him from April 16, 2020 through December 31, 2020 and requested that the Company instead dedicate the amount to employees of the Company that need it the most in light of the COVID-19 pandemic and its effects. Such fees amounted to $132,500 in the aggregate and are not reflected in the table above.

(6) Mr. Marino was appointed to the Board of Directors in February 2020.

Director Compensation Changes for 2021

At its December 2020 meeting, the Compensation Committee reviewed the non-employee director compensation program as part of its annual review process. The Compensation Committee engaged an independent consulting firm, Korn Ferry, to assist with its review and recommendation to the Board of any changes to the program for 2021. Korn Ferry provided the Compensation Committee with market data regarding director compensation programs from our Peer Group and a comparison of our director compensation program to the market data, which was taken into account by the Compensation Committee. As a result of its review, the Compensation Committee recommended, and the Board approved, retaining the same compensation program elements and amounts for 2021 as in 2020, other than an increase in the Chairman's annual retainer from $150,000 to $175,000 based on the market data provided by Korn Ferry.

Director Nominations

Director Nominees

Under our Bylaws, only persons who are nominated in accordance with the procedures set forth in our Bylaws are eligible for election as, and to serve as, members of our Board. Under our Bylaws, nominations of persons for election to our Board may be made at a meeting of our stockholders (1) by or at the direction of our Board or (2) by any stockholder, provided they comply with the provisions of Article I, Sections 3 and 4 of our Bylaws. The Board has delegated the screening and recruitment process for Board members to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee selects individuals it believes are qualified to be members of the Board, and recommends those individuals to the Board for nomination for election or re-election as directors. From time to time, the Nominating and Corporate Governance Committee may engage a consultant to conduct a search to identify qualified candidates. The Nominating and Corporate Governance Committee then undertakes the evaluation process described below for any candidates so identified.

In 2020, the Nominating and Corporate Governance Committee engaged Daversa Partners to assist the Board in finding an additional candidate to consider to join the Board. As a result of that process, the Board appointed Mr. Silver as an additional director in January 2021.

Qualifications

The goal of the Nominating and Corporate Governance Committee is to nominate qualified individuals with the objective of having membership on the Board that combines diverse business and industry experience, skill sets and other leadership qualities, represents diverse viewpoints and enables the Company to pursue its strategic objectives. The Nominating and Corporate Governance Committee also believes that members of the Board should possess character, judgment, skills (such as an understanding of the retail and lease-to-own industries, business management, finance, accounting, marketing, operations and strategic planning), diversity of viewpoints, background, experience and other demographics and experiences with businesses and other organizations of a comparable size and industry. The Nominating and Corporate Governance Committee also considers the interplay of the candidate's experience with the experience of the other Board members, the fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. In addition, the Nominating and Corporate Governance Committee considers the composition of the current Board and the Board's needs when evaluating the experience and qualification of director candidates. The Nominating and Corporate Governance Committee evaluates whether certain individuals possess the foregoing qualities and recommends to the Board candidates for nomination to serve as our directors. This process is the same regardless of whether the nominee is recommended by one of our stockholders.

Advance Resignation Policy

As a condition to nomination by the Nominating and Corporate Governance Committee of an incumbent director, a nominee shall, upon request by the Board or the Company's Corporate Secretary, submit an irrevocable offer of resignation to the Board, which resignation shall become effective in the event that (a) such nominee is proposed for reelection and is not reelected at a meeting of the stockholders in which majority voting applies and (b) the resignation is accepted by the Board by the vote of a majority of the directors, not including any director who has not been reelected.

Stockholder Nominations

In addition to nominees by or at the direction of our Board, the Nominating and Corporate Governance Committee will consider candidates for nomination proposed by a stockholder in the same manner and based on the same criteria as other candidates considered by the Nominating and Corporate Governance Committee as described above under ''Qualifications.'' The proposing stockholder must provide notice and information on the proposed nominee to the Nominating and Corporate Governance Committee through the Corporate Secretary in accordance with the provisions of Article I, Sections 3 and 4 of our Bylaws relating to direct stockholder nominations.

Director Attendance

Board Meetings and Executive Sessions

During 2020, our Board met 16 times, including regularly scheduled and special meetings. All of our directors attended more than 75% of the aggregate of the total number of meetings of the Board and the total number of meetings of the Board committees on which they serve.

In addition to full Board executive sessions, our independent directors meet in executive session at each regularly scheduled quarterly meeting of the Board. Executive sessions are chaired by our Chairman of the Board.

Annual Meeting of Stockholders

Each member of the Board is expected to attend our annual meeting of stockholders. All of our directors then serving as directors attended the Company's 2020 annual meeting of stockholders.

Procedures for Reporting Accounting Concerns

The Audit & Risk Committee has established procedures for (1) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and

(2) the submission by our employees, on a confidential and anonymous basis, of concerns regarding questionable accounting or auditing matters. These procedures are posted on our website at *https://investor.rentacenter.com/governance-documents*.

Communications with the Board

Our Board has established a process by which stockholders and other interested parties may communicate with our Board, Board committees or individual directors. Stockholders or other interested parties may contact our Corporate Secretary by any one of the below methods. The Corporate Secretary will forward such communications to the Board, committees or individual directors, as applicable. However, the Corporate Secretary is not required to forward communications if it is determined the communication is (1) unrelated to the duties and responsibilities of the Board, (2) unduly hostile, threatening or illegal, or (3) obscene or otherwise deemed inappropriate.

By telephone:
972-624-6210

By mail:
Rent-A-Center, Inc.
Attn: Corporate Secretary
5501 Headquarters Drive
Plano, TX 75024

By e-mail:
RAC.Board@rentacenter.com

Related Person Transactions

Policy on Review and Approval of Transactions with Related Persons

The Board has adopted a written statement of policy and procedures for the identification and review of transactions involving us and ‘‘related persons’’ (our directors and executive officers, stockholders owning five percent or greater of our outstanding stock, and immediate family members of any of the foregoing). Our directors and executive officers are required to provide notice to our general counsel of the facts and circumstances of any proposed transaction involving amounts greater than $120,000 involving them or their immediate family members that may be deemed to be a related person transaction. Our general counsel, in consultation with management and our outside counsel, as appropriate, will then assess whether the proposed related person transaction requires approval pursuant to the policy and procedures. If our general counsel determines that any proposed, ongoing or completed transaction involves an amount in excess of $120,000 and is a related person transaction, the Nominating and Corporate Governance Committee must be notified for consideration at the next regularly scheduled meeting of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee has reviewed and determined that each of the following related person transactions are to be deemed pre-approved by the Nominating and Corporate Governance Committee: (1) employment agreements related to executive officers if (a) the related compensation is reported in our proxy statement or (b) the executive officer is not an immediate family member of another ‘‘related person’’ and the Compensation Committee approved, or recommended to the Board for approval, such compensation, (2) any compensation paid to a director if the compensation is reported in our proxy statement, (3) transactions where all of our stockholders receive proportional benefits and (4) any transaction with a ‘‘related person’’ involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority. The Nominating and Corporate Governance Committee will approve or ratify, as applicable, only those related person transactions that are in, or are not inconsistent with, our best interests and those of our stockholders.

Reportable Transactions with Related Persons

The Company has not been a participant in any transaction since January 1, 2020 in which the amount involved exceeded or will exceed $120,000 and in which any of our directors, executive officers, nominees for director or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest that is reportable pursuant to Item 404(a) of Regulation S-K.

PROPOSAL TWO:
RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit & Risk Committee has selected Ernst & Young LLP (''E&Y'') as our independent registered public accounting firm for the fiscal year ended December 31, 2021. E&Y also served as our independent registered public accounting firm in 2020.

The Audit & Risk Committee reviews and pre-approves both audit and all permissible non-audit services provided by our independent registered public accounting firm, as described in ''— Board Information — Board Committees'' in this proxy statement, and accordingly, all services and fees in 2020 provided by E&Y were pre-approved by the Audit & Risk Committee. The Audit & Risk Committee has considered whether the provision of services, other than services rendered in connection with the audit of our annual financial statements, is compatible with maintaining E&Y's independence. The Audit & Risk Committee has determined that the rendering of non-audit services by E&Y during the year ended December 31, 2020, was compatible with maintaining such firm's independence.

Our Board has directed that we submit the selection of our independent registered public accounting firm for ratification by our stockholders at the 2021 Annual Meeting. Stockholder ratification of the selection of E&Y as our independent registered public accounting firm is not required by our Bylaws or otherwise. However, the Board is submitting the selection of E&Y to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit & Risk Committee will reconsider whether or not to continue the retention of E&Y. Even if the selection is ratified, the Audit & Risk Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and those of our stockholders. The Audit & Risk Committee annually reviews the performance of our independent registered public accounting firm and the fees charged for their services. Based upon the Audit & Risk Committee's analysis of this information, the Audit & Risk Committee will determine which registered independent public accounting firm to engage to perform our annual audit each year.

Representatives of E&Y will attend the 2021 Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions from stockholders.

Our Board recommends that you vote ''FOR'' the proposal to ratify the selection of E&Y as our independent registered public accounting firm.

Principal Accountant Fees and Services

The aggregate fees billed by E&Y for the years ended December 31, 2020 and December 31, 2019, and the aggregate fees billed by KPMG LLP for the year ended December 31, 2019, for the professional services described below are as follows:

	2020	2019
Audit Fees[1]	$1,275,396	$1,692,105
Audit-Related Fees[2]	$588,480	—
Tax Fees[3]	$74,394	—
All Other Fees	—	—

(1) Represents the aggregate fees billed by E&Y and KPMG for (a) professional services rendered for the audit of our annual financial statements for the years ended December 31, 2020 and December 31, 2019, (b) the audit of management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020 and December 31, 2019, and (c) reviews of the financial statements included in our Quarterly Reports on Form 10-Q filed with the SEC.

(2) *Represents the aggregate fees billed by E&Y for 2020 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under the caption ''Audit Fees.'' These services include engagements related to the due diligence review by E&Y of certain financial and other information of Acima Holdings, LLC, in connection with the Agreement and Plan of Merger executed by the Company in December 2020.*

(3) *Represents the aggregate fees billed by E&Y for 2020 for professional services rendered for tax compliance, tax advice and tax planning. These services comprise engagements related to federal and international tax compliance and planning.*

AUDIT AND RISK COMMITTEE REPORT

The material in this Report is not ''soliciting material'', is not deemed ''filed'' with the SEC and is not to be incorporated by reference into any filing under the Securities Act of 1933 (the ''Securities Act'') or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation by reference language in such filing.

In accordance with its written charter adopted by the Board, the Audit & Risk Committee assists the Board in fulfilling its oversight responsibilities by, among other things, reviewing the financial reports and other financial information provided by the Company to any governmental body or the public.

In discharging its oversight responsibilities, the Audit & Risk Committee obtained from the independent registered public accounting firm a formal written statement describing all relationships between the firm and the Company that might bear on the auditors' independence consistent with the applicable requirements of the Public Company Accounting Oversight Board, discussed with the independent auditors any relationships that may impact their objectivity and independence, and satisfied itself as to the auditors' independence. The Audit & Risk Committee also discussed with management, the internal auditors and the independent auditors the integrity of the Company's financial reporting processes, including the Company's internal accounting systems and controls, and reviewed with management and the independent auditors the Company's significant accounting principles and financial reporting issues, including judgments made in connection with the preparation of the Company's financial statements. The Audit & Risk Committee also reviewed with the independent auditors their audit plans, audit scope and identification of audit risks.

The Audit & Risk Committee discussed with the independent auditors the matters required to be discussed by the Public Company Accounting Oversight Board and the SEC, and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the consolidated financial statements of the Company.

The Audit & Risk Committee reviewed and discussed the audited consolidated financial statements of the Company as of and for the year ended December 31, 2020 with management and the independent auditors. Management is responsible for the Company's financial reporting process, including its system of internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act), and for the preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles. The independent auditor is responsible for auditing those financial statements, and expressing an opinion on the effectiveness of internal control over financial reporting. The Audit & Risk Committee's responsibility is to monitor and review these processes. The members of the Audit & Risk Committee are ''independent'' as defined by SEC and Nasdaq rules, and our Board has determined that Mr. Jeffrey Brown is an ''audit committee financial expert'' as defined by SEC rules.

The Audit & Risk Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits, including internal control testing under Section 404 of the Sarbanes-Oxley Act. The Audit & Risk Committee periodically meets with the Company's internal and independent auditors, with and without management present, and in private sessions with members of senior management to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Audit & Risk Committee also periodically meets in executive session.

In reliance on the reviews and discussions referred to above, the Audit & Risk Committee recommended to the Board (and the Board subsequently approved the recommendation) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, for filing with the SEC.

AUDIT & RISK COMMITTEE

Jeffrey Brown, Chairman
Harold Lewis
Glenn Marino
Carol McFate

EXECUTIVE OFFICERS

The Board appoints our executive officers annually and updates the executive officer positions as needed throughout the year. Each executive officer serves at the behest of the Board and until their successors are appointed, or until the earlier of their death, resignation or removal.

The following table sets forth certain information with respect to our executive officers as of the date of this proxy statement:

Name	Age	Position
Mitchell Fadel	63	Chief Executive Officer
Anthony Blasquez	45	Executive Vice President — Rent-A-Center Business
Ann Davids	52	Executive Vice President — Chief Customer and Marketing Officer
Jason Hogg	49	Executive Vice President — Acima (formerly Preferred Lease)
Bryan Pechersky	50	Executive Vice President — General Counsel & Corporate Secretary
Maureen Short	46	Executive Vice President — Chief Financial Officer
Catherine Skula	49	Executive Vice President — Chief Development Officer

Mitchell Fadel. Mr. Fadel has served as one of our directors since June 2017 and was named Chief Executive Officer on January 2, 2018. Mr. Fadel was self-employed prior to joining the Company after most recently serving as President — U.S. Pawn for EZCORP, Inc., a leading provider of pawn loans in the United States and Mexico, from September 2015 to December 2016. Prior to that, Mr. Fadel served as President of the Company (beginning in July 2000) and Chief Operating Officer (beginning in December 2002) each until August 2015, and also as a director of the Company from December 2000 to November 2013. From 1992 until 2000, Mr. Fadel served as President and Chief Executive Officer of the Company's subsidiary Rent-A-Center Franchising International, Inc. f/k/a ColorTyme, Inc. Mr. Fadel's professional experience with the Company also includes previously serving as a Regional Director and a District Manager.

Anthony Blasquez. Mr. Blasquez was named Executive Vice President — Rent-A-Center Business effective as of June 1, 2020. In such role, Mr. Blasquez focuses on improving the Rent-A-Center omni-channel business, which includes impacting performance from both e-commerce and the traditional store business. Mr. Blasquez has been with Rent-A-Center for 22 years and has served in every field operations position in the Company, most recently Divisional Vice President of Operations from 2015 to 2020 prior to being promoted to his current position.

Ann Davids. Ms. Davids was named Executive Vice President — Chief Customer and Marketing Officer effective as of February 21, 2018. Ms. Davids served as Senior Vice President — Chief Customer and Marketing Officer for Direct General/National General Insurance from 2013 to 2018 with responsibility for the web channel development as well as marketing strategy and execution. Prior to 2013, Ms. Davids served as our chief marketing officer for 15 years.

Jason Hogg. Mr. Hogg was named Executive Vice President — Preferred Lease effective as of June 22, 2020. In connection with our acquisition of Acima Holdings, LLC in February 2021, the Preferred Lease segment is now referred to as the Acima segment. Prior to joining Rent-A-Center, Mr. Hogg was the CEO of Aon Cyber Solutions from 2017 to 2020, where he oversaw global operations and held full profit and loss responsibility. Mr. Hogg has a proven track record as a leader and innovator in financial services and financial technology, with over 500 issued patent claims in complex technology systems. Prior to Aon, Mr. Hogg served as the CEO of Blackstone's B2R Holdings, L.P. from 2014 to 2016, where he led the organization to its first $1 billion in loans and to win the Innovator of the Year award from REFI Financing Awards in 2016. B2R was acquired by Finance of America. Mr. Hogg also founded, and served as the President and CEO of, Revolution Money, Inc., an alternative payment company from 2005 to 2010. Revolution Money was acquired by American Express in January of 2010. Following such acquisition, Mr. Hogg served as the President of American Express' Serve Enterprise division from 2010 to 2014. During his tenure, he launched the Bluebird alternative banking platform with Walmart and the Serve stored value platform, and established American Express' first mainland China office and operations while overseeing American Express' joint venture with LianLian.

Bryan Pechersky. Mr. Pechersky was named Executive Vice President — General Counsel & Corporate Secretary effective as of June 1, 2020. Mr. Pechersky oversees our legal department, government affairs department and risk management department. Prior to joining Rent-A-Center, Mr. Pechersky served from 2010 through 2019 as Executive Vice President, General Counsel and Corporate Secretary for Cloud Peak Energy Inc., a publicly traded mining and logistics supplier to U.S. and Asian utilities. From 2007 to 2010, Mr. Pechersky was Senior Vice President, General Counsel and Secretary for Harte-Hanks, Inc., a publicly traded worldwide, direct and targeted marketing company. From 2005 to 2007, Mr. Pechersky was Senior Vice President, Secretary and Senior Corporate Counsel for Blockbuster Inc., a publicly traded global movie and game entertainment retailer. From 2004 to 2005, Mr. Pechersky was Deputy General Counsel and Secretary for Unocal Corporation, a publicly traded international energy company acquired by Chevron Corporation in 2005. Prior to these positions, from 1996 to 2004, Mr. Pechersky was a capital markets, mergers and acquisitions and litigation attorney for Vinson & Elkins L.L.P., a leading global law firm. Mr. Pechersky also served as a Law Clerk to the Hon. Loretta A. Preska of the U.S. District Court for the Southern District of New York in 1995 and 1996.

Maureen Short. Ms. Short was named Executive Vice President — Chief Financial Officer on December 19, 2018. Ms. Short previously served as Interim Chief Financial Officer effective from December 2016 until December 2018, Senior Vice President — Finance, Investor Relations and Treasury from November 2014 until December 2016, as Senior Vice President — Finance, Analytics and Reporting from March 2013 until November 2014, and as Vice President — Finance, Analytics and Reporting from August 2010 until March 2013.

Catherine Skula. Ms. Skula was named Executive Vice President — Chief Development Officer effective November 23, 2020. Prior to that position, Ms. Skula served as our Executive Vice President — Franchising effective as of January 1, 2018, after previously serving as Senior Vice President — Franchising since January 2012. Ms. Skula has also served as President and Chief Executive Officer of Rent A-Center Franchising International, Inc., a subsidiary of the Company, since January 2012. From August 2009 to January 2012, Ms. Skula served as Division Vice President — RTO Domestic. Ms. Skula began her employment with us in 1994 as a customer account representative and has held various other operations positions, including store manager, district manager, and regional director.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

We are committed to maintaining a strong pay-for-performance culture. The compensation program is reviewed annually in order to assure that its objectives and components are aligned with the Company's strategic goals and culture, and also that it incentivizes short- and long-term profitability and ethical business conduct in accordance with our values.

This Compensation Discussion and Analysis (''CD&A'') describes key features of our executive compensation program, summarizes the 2020 cash and equity incentive compensation received by our named executive officers, highlights the strong pay for performance alignment of our executives' compensation with our financial, operating and stockholder returns and provides additional context to the data presented in the compensation tables included below in this proxy statement. This CD&A also describes any significant changes to our executive compensation program for 2021 that have been implemented prior to filing this proxy statement. The term ''executive officers'' means our senior executives who are listed above under the heading ''Executive Officers''. The term ''named executive officers'' means the five executive officers identified in the table below, each of whom were considered ''executive officers'' as of December 31, 2020.

Named Executive Officer	Title
Mitchell Fadel	Chief Executive Officer
Maureen Short	Executive Vice President — Chief Financial Officer
Ann Davids	Executive Vice President — Chief Customer and Marketing Officer
Jason Hogg	Executive Vice President — Acima (formerly Preferred Lease)
Catherine Skula	Executive Vice President — Chief Development Officer

Please read the entirety of this CD&A and remaining compensation sections in this proxy statement for further details regarding the matters summarized below.

Executive Compensation Program Overview

Decisions with respect to compensation of our executive officers, including our Chief Executive Officer and other named executive officers, are made by our Compensation Committee, which is comprised solely of independent directors. Our Compensation Committee has identified four primary objectives for our executive compensation program, which guide the decisions it makes with respect to the amount and type of compensation paid to our named executive officers. The objectives of our executive compensation program are to:

- attract, retain and motivate senior executives with competitive compensation opportunities;
- balance short-term and long-term strategic goals;
- align our executive compensation program with the core values identified in our mission statement, which focuses on improving the quality of life for our co-workers and our customers; and
- reward achievement of our financial and non-financial goals.

The executive compensation program consists of a mix of three primary components, described below, which we believe appropriately rewards our executive officers for their overall contribution to company performance, contains a substantial portion of at-risk, performance-based compensation and aligns our executives' interests with those of our stockholders with the ultimate objective of increasing long-term stockholder value.

The Company's compensation philosophy is generally to position total direct compensation (base salary, annual incentive opportunity and long-term incentive compensation opportunity) around the 50^{th}-75^{th} percentile of similarly-situated public companies in the retail and consumer finance sectors. This includes companies in the Company's Peer Group described below. Cash compensation (base salary and annual incentive opportunity) is generally targeted at around the 50^{th} percentile, and long-term incentive compensation is generally targeted at around the 75^{th} percentile. The pay ultimately realized is highly variable and dependent primarily on (1) our financial and operational performance, (2) individual executive performance and (3) our multi-year relative TSR performance.

The three primary components of our executive compensation program are:

Component	Overview
Base Salary	Competitive base salaries are determined in large part through in-depth comparative analyses of comparable positions at companies in our Peer Group and generally targeted at around the 50th percentile of the Peer Group and other similarly-situated public companies in the retail and consumer finance sectors with the opportunity for above or below median base salaries based on experience, responsibilities, competencies and individual performance.
Annual Incentive Opportunity	Opportunity for an annual cash incentive award to align our executives with annual corporate and individual performance achievements. For 2020, the ultimate payout amount was based on (1) Rent-A-Center Business same store sales (25% weighting), (2) Preferred Lease (now known as Acima) invoice volumes (25% weighting), (3) Adjusted EBITDA (40% weighting), and (4) Free Cash Flow (10% weighting). The targeted achievement levels take into account the rigorous goals included in our annual operating budget which is approved by the Board. Each executive officer's target annual incentive opportunity is generally targeted at around the 50th percentile of the Peer Group and other similarly-situated public companies in the retail and consumer finance sectors. In the 2021 bonus plan, Free Cash Flow was eliminated as a performance metric and Acima invoice volumes were replaced with Acima revenues, as discussed in this CD&A.
Long-Term Incentive Compensation Opportunity	Long-term incentive plan and stock ownership guidelines to align our executives with longer term performance achievement and stockholder returns over time. The long-term incentive awards granted in February 2020 consisted of (1) time-vested restricted stock units (weighted 20%) that cliff-vested after a three-year period, (2) stock options (weighted 20%) that vested pro rata annually over a four-year period, and (3) relative TSR-based performance stock units (weighted 60%) that vest solely based on the satisfaction of our performance based on our three-year TSR compared to the S&P 1500 Specialty Retail Index. Stock options were eliminated from the long-term incentive awards starting in 2021, as discussed in this CD&A, with performance stock units now weighted at 70%.

Compensation Program Design and Governance Policies

In addition to our three primary components of executive compensation, our executive compensation program includes other features that we believe are consistent with strong governance practices, including:

What We Do

- **Transparent Compensation Program**: Maintain a transparent executive compensation program that is understandable both to our stockholders and employees and is not overly complex or subject to constantly changing features
- **Compensation Aligned with Performance**: A substantial percentage of both cash and equity compensation is at-risk and variable based on company performance
- **Multi-Year Equity Vesting**: Three-year full vesting for all executive equity awards (starting in 2021, restricted stock units vest pro rata annually over three years; performance stock units cliff vest after three years based on relative TSR performance)
- **Annual SOP Vote**: Annual Say on Pay stockholder vote regarding our executive compensation program to receive regular feedback from our investors
- **Annual Program Risk Assessment**: Our Compensation Committee performs annual risk assessments of our compensation program
- **Independent Compensation Consultant**: Engagement by the Compensation Committee of an independent compensation consultant to conduct a formal evaluation of, and advise the Compensation Committee with respect to, the compensation arrangements for our Chief Executive Officer, as well as provide guidance with respect to the compensation of our senior executives
- **Rigorous Target Setting**: Rigorous performance targets for our annual cash incentive and long-term incentive compensation programs
- **Total Reward Statement Review**: Regular review by the Compensation Committee of Chief Executive Officer and other executive total reward statements to evaluate multi-year cash and equity compensation awards as part of making compensation determinations
- **Ownership Guidelines**: Stock ownership guidelines for our directors, Chief Executive Officer, executive vice presidents, senior vice presidents and vice presidents
- **Clawback Policy**: Incentive compensation is subject to clawback, as described further in this proxy statement

What We Do Not Do

- **No Hedging or Pledging Stock**: Insider Trading Policy that prohibits derivative transactions involving our common stock and pledging stock
- **No gross-ups**: Employee benefits are provided without tax gross-ups (other than certain relocation-related expenses)
- **No excessive perquisites**: We provide only limited perquisites, as described in this CD&A
- **No Repricing Options**: We do not reprice stock options without stockholder approval (and starting in 2021, we no longer grant stock options)
- **No Dividends Paid on Unvested Equity**: No prospective payment of dividends on unvested equity awards

2020 Company Performance Highlights

As described further in our year-end 2020 earnings announcement and in ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’’ in our 2020 Form 10-K, our Company had strong performance during 2020 despite the many challenges resulting from the COVID-19 pandemic on overall economic conditions, the business environment, retail operations and supply chains. Highlights of our 2020 results and significant accomplishments are described below:

- **Acima Acquisition**: In December 2020, we entered into a definitive agreement to acquire Acima Holdings LLC, a leading provider of virtual lease-to-own solutions. The transaction was completed in February 2021 and significantly accelerates our growth plans.
- **Safely Continued Serving Customers and Managed Through COVID-19 Challenges with Strong Results**:
  - Our consolidated 2020 revenues of $2.8 billion were up 5.4% versus 2019.
  - Preferred Lease (now known as our Acima segment) annual invoice volume rose over 20%, which drove 8.1% revenue growth in 2020.
  - We realized twelve consecutive quarters of positive same store sales in the Rent-A-Center Business (+14.9% on a 2-year basis), with a significant year over year increase in profitability.
  - Rent-A-Center e-commerce increased 53% in the fourth quarter 2020 to 22% of Rent-A-Center sales to end the year.
  - We achieved significant year over year growth in our Adjusted EBITDA.
- **Strong Stock Price Performance**: On December 31, 2019, our common stock closed at $28.84 per share. On December 31, 2020, our common stock closed at $38.29, an increase of approximately 33%.
- **Launched Preferred Dynamix Platform**: Rent-A-Center launched its Preferred Dynamix platform, which includes a mobile application and is also planned to include a marketplace to empower unbanked and underbanked consumers with more financial freedom. Preferred Dynamix's proprietary digital platform leverages new decisioning technology and a portfolio of new lease-to-own solutions to expand the ways that consumers and retailers transact. This platform is being integrated with that of Acima Holdings, LLC as part of our integration efforts.
- **Refranchised California Stores**: On July 22, 2020, we entered into an asset purchase agreement to sell all 99 Rent-A-Center Business corporate stores in the state of California to an experienced franchisee. The sale was consummated on October 5, 2020.

2020 Executive Compensation Highlights

Highlights of our 2020 executive compensation program are discussed below:

- **Continued High Percentage of At-Risk, Variable Performance-Based Compensation**: Targeted direct compensation (base salary, target annual incentive compensation and target long-term incentive compensation) for our Chief Executive Officer was 84.6% at-risk, performance-based for the year ended December 31, 2020. Such percentage represents the Chief Executive Officer's target annual incentive compensation and target long-term incentive compensation as a percentage of his total targeted direct compensation.
- **Maintained Rigorous Annual Incentive Award Targets with Increases Over Prior Year**: In establishing the 2020 annual cash incentive plan targets for each metric, the Compensation Committee considered sensitivities to the key business drivers of Adjusted EBITDA, same store sales, invoice volume and free cash flow to establish rigorous threshold, target and maximum performance levels. In addition, target levels of Adjusted EBITDA and free cash flow were increased compared to the prior year targets. The metrics of same store sales and invoice volume were not used for purposes of assessing performance in the prior year.

- **Retained 60% Weighting of Performance Stock Units in Long-Term Incentive Program**: The Compensation Committee decided to retain the same percentage split between time-vested restricted stock units (20%), performance-based performance stock units (60%) and stock options (20%) as in 2019, thereby including substantial weighting to the Company's relative TSR performance under the long-term incentive program.
- **Strong Top Line and Bottom Line Financial Performance and Cash Flow Generation Resulted in 180% Bonus Plan Payouts**: As a result of our Company's strong performance in 2020 despite the challenging business environment discussed above, we achieved strong results on our 2020 bonus plan metrics and the Compensation Committee approved a 180% payout to our executives. This payout reflected an adjustment by the Compensation Committee to the invoice volume metric (which was established prior to the pandemic and was not adjusted in 2020) to reflect the adverse impact of the COVID-19 pandemic on our retail partner invoice volumes, as discussed in this CD&A.
- **Strong Stock Price Performance Resulted in 200% Vesting of 2018 Performance Stock Units**: Our strong relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the three year period ended December 31, 2020, ranked us 2 out of 60 companies in the S&P 1500 Specialty Retail Index, or the 98th percentile, which resulted in the vesting of 200% of the performance-based restricted stock units that were granted in 2018.
- **Strong Stockholder Say on Pay Approval**: In June 2020, we held a stockholder advisory vote on the compensation of our named executive officers, referred to as a say on pay vote. Our stockholders approved the compensation of our named executive officers, with 97.7% of the shares of common stock present and entitled to vote at the meeting cast in favor of our proposal, which our Compensation Committee believed conveyed a general endorsement of our executive compensation program and related compensation actions.

2021 Executive Compensation Program Changes

In February 2021, the Compensation Committee conducted its annual review of the executive compensation program to ensure the program remains aligned with the Company's executive compensation philosophy and strategic objectives. In general, the Compensation Committee determined it was appropriate to retain the same overall structure in 2021 as in 2020 taking into account feedback from the Compensation Committee's independent compensation consultant, comparisons to peer group compensation programs, the strong say on pay approval from stockholders, and other factors. Although the same overall structure of 2020 is retained for 2021, the Compensation Committee approved certain adjustments to the 2020 executive compensation program:

- **2021 Bonus Plan**: The Preferred Lease revenue-based metric in the 2020 bonus plan (invoice volume) was replaced with Acima (formerly Preferred Lease) segment revenue. This change was implemented due to the variability of invoice volumes and impact of retail partner supply chain issues on invoice volumes and because revenue is more closely aligned with profitability. The cash flow metric in the 2021 bonus plan was removed because of the Company's strategic focus on becoming a higher growth company primarily in the retail partner business and the need to make investments for future growth as highlighted by its recent acquisition of Acima Holdings, LLC, and was replaced with an increased Adjusted EBITDA weighting. Based on these adjustments, the 2021 bonus plan design consists of: (1) Rent-A-Center Business segment same store sales (25% weighting); (2) Acima (formerly Preferred Lease) segment revenues (25% weighting); and (3) Adjusted EBITDA (50% weighting).
- **2021 LTIP**: The Compensation Committee replaced stock options with additional restricted stock units and performance stock units, weighted as 30% and 70%, respectively, and modified the

restricted stock unit vesting to be a ratable annual vesting rather than three-year cliff vesting to ensure the long-term incentive program is appropriately balanced between performance-based awards and time-vested awards and that it remains competitive to attract and retain executive talent.

- **Expanded Ownership Guidelines**: The Compensation Committee also expanded the covered officers under the Company's equity ownership guidelines to include, in addition to the Chief Executive Officer (5x base salary requirement), all Executive Vice Presidents (3x base salary requirement) and Senior Vice Presidents/Vice Presidents (1x base salary requirement).
- **Named Executive Officer Compensation Adjustments**: As part of its annual review of the executive compensation program, the Compensation Committee made certain adjustments to the compensation amounts for individual named executive officers.

Severance Arrangements

We have executive transition agreements with our named executive officers to provide certain payments and benefits upon an involuntary termination of the named executive officer's employment or the occurrence of certain other circumstances that may affect the named executive officer. The Compensation Committee believes that such severance arrangements assist us in recruiting and retaining top-level talent. In addition, formalizing our severance practices benefits us (1) by providing us with certainty in terms of our obligations to an eligible executive in the event that our relationship with him or her is severed and (2) by virtue of the non-competition, non-solicitation and release provisions in our loyalty agreements, which inure to our benefit in the event that an eligible executive severs employment with us.

For a more detailed description of the severance arrangements which apply to our named executive officers, please see ''Termination of Employment and Change-in-Control Arrangements'' below.

Employee Benefits and Limited Perquisites

Our named executive officers are eligible to participate in the benefit plans generally available to all of our employees, which include health, dental, life insurance, vision and disability plans, all of which the Compensation Committee believes are commensurate with plans of other similarly situated public companies in the retail industry. In addition, we will pay for the cost of an executive physical examination for each named executive officer each year and we do not gross our executives up for any taxes related to the cost of perquisites. Our named executive officers were eligible in 2020 to participate in our 401(k) Retirement Savings Plan and in the Rent-A-Center, Inc. Deferred Compensation Plan. The Deferred Compensation Plan allows our executive officers to defer certain compensation to help save for their longer term financial objectives on a tax-deferred basis.

The Compensation Committee has determined it is beneficial to offer the above-described employee benefits and perquisites in order to attract and retain our named executive officers by offering compensation opportunities that are competitive with those offered by similarly-situated public companies in the retail industry. In determining the total compensation payable to our named executive officers for a given fiscal year, the Compensation Committee will examine such employee benefits and perquisites in the context of the total compensation which our named executive officers are eligible to receive. However, because such employee benefits and perquisites which are available to our named executive officers represent a relatively small portion of their total compensation, the availability of such items does not materially influence the decisions made by the Compensation Committee with respect to other elements of the total compensation to which our named executive officers are entitled or awarded.

For a description of the employee benefits and perquisites received by our named executive officers in 2020, please see ''— All Other Compensation'' below.

Compensation Process

The Compensation Committee typically begins the process of determining the amount and mix of total compensation to be paid to our senior executives, including our named executive officers, in December of each year and finalizes the amounts the following February. This enables the Compensation Committee to examine and consider our performance during the previous year in establishing the current year's compensation. During the Compensation Committee's annual review of the executive compensation program, the Compensation Committee primarily considers market and Peer Group data (as described below), input provided by our Human Resources department, and input of the Chief Executive Officer other than with respect to his own compensation. The Compensation Committee also considers experience, responsibilities, competencies and individual performance.

Historically, the Compensation Committee has retained annually a compensation consultant to conduct a formal evaluation of, and advise it with respect to, the compensation arrangements for our Chief Executive Officer, as well as provide guidance with respect to the compensation of our senior executives, including our other named executive officers. For the 2020 fiscal year, the Compensation Committee reviewed the executive compensation analysis conducted by Korn Ferry in December 2019, which identified the Peer Group (as defined below), pursuant to its engagement by the Compensation Committee to assist the committee with compensation decisions for the 2020 fiscal year.

The Compensation Committee considered executive compensation practices of the following similarly-situated public companies (the ''Peer Group'') for the purpose of evaluating our 2020 compensation arrangements for our senior executives:

2020 Peer Group

Aaron's, Inc.	Big Lots Inc.	Brinker International Inc.	Conn's
EZCorp, Inc.	FirstCash, Inc.	H&R Block, Inc.	La-Z-Boy Incorporated
Michaels Stores, Inc.	MoneyGram International, Inc.	OneMain Holdings	Sally Beauty, Inc.
Santander Consumer USA Holdings Inc.			

This Peer Group was approved by the Compensation Committee in the fall of 2019 based on work performed by Korn Ferry for use in connection with compensation decisions to be made for the 2020 fiscal year. The following criteria were considered in the selection of companies for this Peer Group:

- U.S.-based public companies with a similar business focus as ours, including both consumer finance and retail (particularly home furnishings, appliances and other retail organizations with which we compete for customers in a similar demographic);
- Companies with annual revenue similar to us (generally 0.5 to 2.0 times our revenue, based on the most recent available financial information at the time of the analysis) and annuitized revenue streams; and
- Competitors for executive talent.

In late 2020, the Compensation Committee considered the above criteria in reviewing the Peer Group to be used for 2021 benchmarking purposes, and determined to make no changes to the Peer Group.

Finally, various members of the Compensation Committee have significant professional experience in the consumer finance and retail industries, as well as with respect to the executive compensation practices of large publicly-traded companies. This experience provides a frame of reference within which to evaluate our executive compensation program relative to general economic conditions and our progress in achieving our short-term and long-term goals.

Forms of Compensation

The following forms of compensation are currently utilized by the Compensation Committee in compensating our named executive officers:

- base salary, which is paid in cash;
- annual incentive compensation, which is paid in cash;
- long-term incentive compensation, which currently consists of restricted stock units and performance stock units;
- severance arrangements; and
- employee benefits, including limited perquisites, with no tax gross-ups (other than for certain relocation-related expenses).

Base Salary

The base salary for each of our named executive officers represents the guaranteed portion of their total compensation and is determined annually by the Compensation Committee. Base salaries help to achieve our goal of maintaining a competitive program that will attract and retain talent needed for our long-term success.

At the beginning of each year, the Compensation Committee considers whether adjustments should be made to the annual base salaries for our named executive officers. During the Compensation Committee's review of the then-current base salaries, the Compensation Committee primarily considers market data, including from the Peer Group, input provided by our Senior Vice President — Human Resources, input of the Chief Executive Officer (other than with respect to his own base salary), individual performance, our financial performance, the experience, responsibilities and competencies of the named executive officer, and each named executive officer's compensation in relation to our other executive officers.

In early 2020, based on the consideration of these factors, the Compensation Committee maintained the base salary of our Chief Executive Officer and increased the base salary for 2020 for each of our other then-existing named executive officers at a modest rate consistent with the salary increases for our other senior executive management. Mr. Hogg joined the Company in June 2020 and his base salary was established by the Committee in connection with his hiring. The following table sets forth the annual base salaries of the named executive officers for 2020 and, to the extent applicable, provides a comparison to each of the previous two years:

Name	2018 Base Salary	2019 Base Salary	2020 Base Salary
Mitchell Fadel(1)	$800,000	$1,000,000	$1,000,000
Maureen Short(2)	$362,000	$416,300	$441,278
Ann Davids(3)	$330,000	$339,900	$350,097
Jason Hogg(4)	—	—	$600,000
Catherine Skula(5)	$325,338	$335,098	$350,000

(1) Mr. Fadel was named Chief Executive Officer effective as of January 2, 2018.

(2) Ms. Short was named Chief Financial Officer effective as of December 19, 2018.

(3) Ms. Davids was named Executive Vice President — Chief Marketing and Customer Officer effective as of February 21, 2018.

(4) Mr. Hogg was named Executive Vice President — Preferred Lease (which role has been retitled to Executive Vice President — Acima) effective as of June 22, 2020.

(5) Ms. Skula was named Executive Vice President — Franchising effective as of January 2, 2018, and Executive Vice President — Chief Development Officer effective as of November 23, 2020.

Annual Cash Incentive Compensation

The Compensation Committee maintains an annual incentive compensation program for our executive officers that provides for awards in the form of a cash bonus. These cash bonuses provide our named executive officers with short-term financial rewards based upon achievement of specified short-term objectives, which the Compensation Committee believes will ultimately increase the value of our Company by aligning our executive compensation with the achievement of annual performance objectives, as well as help us attract and retain our named executive officers by providing attractive compensation opportunities.

Under our annual cash incentive program, target cash bonus eligibility is established at a pre-determined percentage of the named executive officer's base salary, with such percentage amount set in accordance with the named executive officer's position and responsibilities with us. The ultimate payouts pursuant to our annual cash incentive program for prior year performance are typically approved by the Compensation Committee in February at the same time that all compensation (including base salaries, target annual cash incentive compensation, and target long-term incentive compensation) for our named executive officers for the current year is reviewed and approved. This timing enables the Compensation Committee to evaluate the named executive officer's performance during the prior performance year, as well as determine performance targets for the new fiscal year in light of the previous year's performance. Payouts under the plan may range from 0% to 200% of target compensation.

The annual cash incentive program for 2020 included four financial performance metrics focused on annual top line revenue performance, profitability and cash flow generation:

- **Rent-A-Center Business Same Store Sales —** The Compensation Committee determined to include a consolidated same store sales target in the 2020 annual cash incentive plan in lieu of the corporate revenue target used for the 2019 annual cash incentive program. This reflects the Compensation Committee's belief that a portion of the cash bonus opportunity should be based on our revenue growth, but takes into account potential impacts to the Company's revenues for 2020 in light of the Company's refranchising strategy, such as our 2020 California refranchising transaction.

- **Preferred Lease (now known as Acima) Invoice Volumes —** Because of the different business model for our Preferred Lease retail partner business, the Compensation Committee determined that invoice volume growth was an appropriate metric for top line performance of this business segment. Invoice volumes represent the amount of purchases that Preferred Lease makes from retail partners of merchandise, which Preferred Lease then leases to its customers. Invoice volumes are considered to be a leading indicator to future revenues.

- **Adjusted EBITDA** — The Compensation Committee included an Adjusted EBITDA target in the annual cash incentive program because it believes Adjusted EBITDA generally represents an accurate indicator of our core financial performance and profitability over a one-year period of time, while excluding the impact of items such as interest and depreciation which can vary significantly and other adjustments that are not considered to reflect the performance of our core business operations.

- **Free Cash Flow —** The Compensation Committee determined to include Free Cash Flow as one of the financial performance metrics comprising the annual cash incentive program to continue focusing management on this element of our strategy, which allows us to not only invest in our future growth but also return capital to stockholders as part of our capital allocation strategy. Free Cash Flow is defined as cash flows from operating activities less capital expenditures.

The financial performance targets for the 2020 annual cash incentive program were established in February 2020 following a review of our financial projections developed pursuant to our strategic plan and objectives for 2020. In setting the performance targets under the 2020 annual cash incentive program, the Compensation Committee considered the level of actual achievement of the targets for the 2019 annual cash incentive program, the level of the Company's anticipated investment in its strategic initiatives for 2020, sensitivities for the key business drivers that may impact achievement of the targets and the Compensation Committee's goal to ensure a rigorous target-setting process. Based upon that review, the Compensation Committee established the following threshold, target and maximum payout achievement levels for each metric in the 2020 annual cash incentive program:

Metric	Performance Levels
Rent-A-Center Business same store sales	Threshold — Less than 0.0% growth Target — 1.35% to 1.65% growth Maximum — Greater than or equal to 3.0% growth
Preferred Lease (now known as Acima) invoice volume	Threshold — Less than $623.07 million Target — $685.38 to $699.23 million Maximum — Greater than or equal to $761.53 million
Adjusted EBITDA	Threshold — Less than $249.50 million Target — $274.45 to $277.22 million Maximum — Greater than or equal to $304.94 million
Free Cash Flow	Threshold — Less than $95.99 million Target — $117.59 million to $122.38 million Maximum — Greater than or equal to $143.97 million

Despite the impacts and uncertainties associated with the COVID-19 pandemic, the Compensation Committee did not adjust any of the 2020 bonus targets during 2020 and instead elected to assess bonus target performance as part of its determination of achievement levels in early 2021.

In February 2021, the Compensation Committee determined the level of achievement against the 2020 bonus plan targets:

Metric	Weighting (% of total bonus opportunity)	2020 Performance	Percent of 2020 Target Achieved	Payout for 2020 (% of Target)
Rent-A-Center Business segment same store sales	25%	9.0%	598.4%	200%
Acima segment invoice volume (formerly known as the Preferred Lease segment)	25%	$707 million (1)	102.1% (1)	120%
Adjusted EBITDA (2) (3)	40%	$344 million	124.1%	200%
Free Cash Flow (2) (3)	10%	$202 million	168.3%	200%

(1) Represents an adjustment to the invoice volume achievement calculation made by the Compensation Committee based on a detailed review of the estimated lost volumes due to the COVID-19 pandemic. The COVID-19 pandemic had an adverse impact on invoice volumes for our retail partner business due to our retail partners' supply chain disruptions and their substantial store closures for portions of 2020. This impact was beyond the control of our management team. As a result and because the bonus targets, including invoice volumes, were all established prior to the pandemic and were not subsequently adjusted during 2020, the Compensation Committee determined it was appropriate to adjust the achievement of the invoice volume metric from 91.3% to 102.1% to offset the estimated adverse impacts described above. This resulted in an overall 180% payout on the 2020 bonus plan, compared to 155% in the absence of the invoice volume adjustment.

(2) Adjusted EBITDA is a non-GAAP financial measure calculated as net earnings before interest, taxes, depreciation and amortization, as adjusted for certain gains and charges we view as extraordinary, unusual or non-recurring in nature and which we believe do not reflect our core business activities. Free Cash Flow is a non-GAAP financial measure calculated as cash flows from operating activities less capital expenditures.

(3) In reviewing our actual 2020 performance relative to the performance targets, the Compensation Committee determined that it would be appropriate, consistent with past practices, to adjust Adjusted EBITDA to exclude the impact of the bonus payout itself. No other adjustments were made to Adjusted EBITDA, and no adjustments were made to Free Cash Flow.

As a result, each executive officer in the 2020 annual cash incentive program received an amount equal to 180% of such person's target bonus amount. The actual amounts awarded to our named executive officers for their annual cash incentive bonus for 2020 performance are included under the column ''Non-Equity Incentive Plan Compensation'' in the table appearing in the section ''Compensation Tables — Summary Compensation Table'' below in this proxy statement.

Long-Term Incentive Compensation

Our equity incentive plans are administered by the Compensation Committee and are designed to enable the Compensation Committee to provide incentive compensation to our employees in the form of stock options, restricted stock and stock unit awards, other equity awards, and performance-based equity awards. The Compensation Committee believes that awarding our named executive officers non-cash, long-term equity incentive compensation, primarily in the form of long-term incentive awards which may increase or decrease in value depending on the satisfaction by us of pre-determined performance measures and/or an increase or decrease in the value of our common stock, more effectively aligns their interests with those of our stockholders. The Compensation Committee also believes that such awards will provide our named executive officers with an incentive to remain in their positions with us, since the determination as to whether a particular measure for our performance and/or an increase in the value of our common stock has been satisfied is typically made over an extended period of time.

Recent long-term incentive awards are made to our named executive officers pursuant to the 2016 Plan. Under the terms of the 2016 Plan, awards may be granted at times and upon vesting and other conditions as determined by the Compensation Committee, and may be made in the form of stock options, restricted stock and stock unit awards, other equity awards, and performance-based equity awards.

- **Stock Options** — Stock option awards under our equity incentive plans are granted at the fair market value per share of our common stock on the date the option is granted as determined by reference to the closing price for shares of our common stock on the Nasdaq Global Select Market on the last market trading day prior to the date the option is granted. The options granted to our named executive officers typically vest ratably over a four-year period, commencing one year from the date of grant, and expire after 10 years. Starting in 2021, the Compensation Committee eliminated stock options from the long-term incentive plan mix as discussed in this CD&A.
- **Restricted Stock Units and Performance Stock Units** — The restricted stock units granted by our Compensation Committee vest either after a set period of time or upon the achievement of specified goals for our performance over a period of time. Awards of restricted stock units with time-based vesting provide our named executive officers with a minimum level of value while also providing an additional incentive for such individuals to remain in their positions with us. Awards of restricted stock units with performance-based vesting provide an additional incentive for our named executive officers to remain in their positions with us in order to realize the benefit of such award and also focus them on a performance parameter which the Compensation Committee considers beneficial to increasing the long-term value of our Company.

The Compensation Committee determines the timing of the annual grants of equity awards to our named executive officers as well as the terms and restrictions applicable to such grants. The Compensation Committee approves generally in February of each year the annual grant to our executive officers in conjunction with its review and determination of each executive officer's compensation for the current year. Grants may also be made in connection with commencement of employment, promotions, or achieving certain tenure at Rent-A-Center.

In February 2020, the Compensation Committee approved the target award percentages for 2020 for each of our named executive officers. The following table highlights the named executive officers' target 2020 equity award values as a percentage of each executive's base salary and provides a comparison to the previous two years:

2020 Named Executive Officer
LTIP Target Award Percentages
(% of base salary, rounded to the nearest 1%)

Name	2018	2019	2020
Mitchell Fadel	250%	350%	415%
Maureen Short	75%	130%	130%
Ann Davids	85%	85%	85%
Jason Hogg	—	—	—(1)
Catherine Skula	85%	85%	85%(2)

(1) Mr. Hogg joined the Company in June 2020, several months after the Company's annual equity awards to executives. Mr. Hogg's 2020 LTIP award was made in connection with his hiring and took into account, among other considerations, the fact that Mr. Hogg would be forfeiting equity from a previous employer. Accordingly, his initial award in 2020 was not established as a specific percentage of his base salary.

(2) Ms. Skula's LTIP Target Award Percentage was increased from 85% to 90% of base salary in November 2020 in connection with her promotion to Executive Vice President — Chief Development Officer.

Consistent with prior years, the long-term incentive compensation awards for 2020 were comprised of three vehicles, with greater emphasis on the portion of the long-term incentive award which is contingent on relative stock price performance:

2020 LTIP Award Types

Award Type	Weighting
Performance Stock Units	60%
Restricted Stock Units	20%
Stock Options	20%

The Compensation Committee has adopted a relative TSR metric over a three-year measurement period as the vesting condition for grants of performance stock units under our long-term incentive compensation program. The Compensation Committee made this decision in order to tie the performance of our common stock to executive compensation and because the Compensation Committee believes that a relative measure is a more appropriate basis for measuring long-term performance than an absolute measure. The Compensation Committee also took into consideration the fact that our annual cash incentive program includes an annual Adjusted EBITDA metric. The Compensation Committee selected a three-year period over which to measure relative TSR based upon the time-period utilized with respect to awards made by similarly-situated public companies in the retail industry, as well as upon its belief that a three-year measurement period was appropriate to place an emphasis on our relative TSR over an extended period of time, as opposed to the single year measure which is utilized in our annual cash incentive program.

The Compensation Committee selected the S&P 1500 Specialty Retail Index as the comparison group for measuring our relative TSR over the applicable measurement period. The Compensation Committee selected this comparison group because it includes many of the Company's peers, represents the overall retail environment, and, in the determination of the Compensation Committee, was comprised of the companies most similar, in terms of operations and scope of operations, to the Company. The Compensation Committee adopted the following payout ranges applicable to the 2020 awards of performance-based restricted stock units:

Payout Chart

RCII's TSR Percentile Rank in the S&P 1500 Specialty Retail Index		RCII's TSR Actual Rank in the S&P 500 Specialty Retail Index		
>	≤	Low	High	Payout
90%	100%	1	7	200%
80%	90%	8	13	175%
70%	80%	14	19	150%
60%	70%	20	25	125%
50%	60%	26	31	100%
40%	50%	32	37	75%
30%	40%	38	43	50%
25%	30%	44	46	25%
0%	25%	47	61	0%

See the columns ''Stock Awards'' and ''Option Awards'' in the table appearing in the section ''Compensation Tables — Summary Compensation Table'' and the column ''Estimated Future Payouts Under Equity Incentive Plan Awards'' in the table appearing in the section ''Compensation Tables — Grants of Plan-Based Awards'' below in this proxy statement for threshold, target, and maximum amounts payable to our named executive officers under the 2020 long-term incentive performance-based awards.

In February 2021, the Compensation Committee determined the level of achievement of the minimum TSR condition with respect to the performance-based awards made in 2018, with a three-year measurement period. The Compensation Committee reviewed the Company's relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the period January 1, 2018 through December 31, 2020, and determined that our relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the three-year period ended December 31, 2020, ranked us 2 out of 60 companies in the S&P 1500 Specialty Retail Index, or the 98th percentile, which resulted in the vesting of 200% of the performance-based restricted stock units that were granted in 2018.

Say on Pay Results

In June 2020, we held a stockholder advisory vote on the compensation of our named executive officers, referred to as a say-on-pay vote. Our stockholders approved the compensation of our named executive officers, with 97.7% of the shares of common stock present and entitled to vote at the meeting cast in favor of our proposal. As noted above, our Compensation Committee believed this strong support expressed by our stockholders indicated a general endorsement of our compensation philosophy and pay-for-performance culture. Accordingly, the compensation decisions and changes implemented during the 2020 fiscal year were made keeping in mind this support. As a result, our Compensation Committee kept most facets of the executive compensation program consistent, with an emphasis on short- and long-term incentive compensation that rewards our executives for value creation for our stockholders.

Termination of Employment and Change-in-Control Arrangements

Arrangements with Named Executive Officers Other Than Mr. Fadel

We have entered into executive transition agreements with each of our named executive officers other than Mr. Fadel. Each executive transition agreement has similar terms and is intended to provide certain payments and benefits upon an involuntary termination of the named executive officer's employment or the occurrence of certain other circumstances that may affect the named executive officer.

Termination Not in Conjunction with a Change in Control

If the named executive officer's employment is terminated without ''cause'' or, with respect to Mr. Hogg, for ''good reason,'' the named executive officer will be entitled to receive:

- unpaid but earned base salary through the date of such termination;
- unless such termination occurs prior to April 1, a pro rata bonus calculated based upon (i) with respect to Mr. Hogg, the annual bonus earned by such named executive officer for the calendar year preceding the year of such termination, or (ii) with respect to Ms. Davids, Ms. Short and Ms. Skula, the annual bonus such named executive officer would have earned for the calendar year of termination, as determined in the Company's sole discretion and paid in a lump sum in cash in the normal course upon the Company's completion of annual bonus calculations (such amount, the ''Pro Rata Bonus'');
- for (i) Ms. Davids and Ms. Short, 1.0x, and (ii) Mr. Hogg and Ms. Skula, 1.5x, of the named executive officer's highest annual rate of salary during the 24 months preceding such termination, payable in equal monthly or more frequent installments by no later than the second December 31 following the calendar year of such termination;
- for Ms. Short and Ms. Skula, 1.0x and 1.5x, respectively, of the named executive officer's average annual bonus for the two calendar years preceding such termination; and
- continued health insurance coverage for the named executive officer and the named executive officer's spouse and covered dependents for up to (i) 12 months, for Ms. Davids and Ms. Short, or (ii) 18 months, for Mr. Hogg and Ms. Skula.

If the named executive officer's employment is terminated due to disability or death, the named executive officer will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- the Pro Rata Bonus applicable to such named executive officer; and
- continued health insurance coverage for the named executive officer and the named executive officer's spouse and covered dependents for up to 12 months.

If the named executive officer's employment is terminated for ''cause'' or if the named executive officer terminates his or her employment for any reason other than disability or death or, with respect to Mr. Hogg, without ''good reason,'' the named executive officer will be entitled to receive his or her unpaid but earned base salary through the date of termination (reduced by amounts owed by the named executive officer to us or our affiliates).

Termination in Conjunction With a Change In Control

If the named executive officer's employment is terminated within 24 months following a change in control of us without ''cause'' or by the named executive officer for ''good reason,'' the named executive officer will be entitled to receive the same severance payments and benefits as described above (not in connection with a change in control) with respect to a termination without ''cause,'' except that the named executive officer will be entitled to receive:

- for (i) Ms. Davids and Ms. Short, 1.5x (instead of 1.0x), and (ii) for Mr. Hogg and Ms. Skula, 2.0x (instead of 1.5x), of the named executive officer's highest annual rate of salary during the 24 months preceding such termination, payable in a lump sum in cash within 10 business days following the later of such termination or the change in control;
- for Ms. Short and Ms. Skula, 1.5x (instead of 1.0x) and 2.0x (instead of 1.5x), respectively, of the named executive officer's average annual bonus for the two calendar years preceding such termination, payable in a lump sum in cash within 10 business days following the later of such termination or the change in control; and
- continued health insurance coverage for the named executive officer and the named executive officer's spouse and covered dependents for an extended period of up to (i) 18 months (instead of 12 months) for Ms. Davids and Ms. Short and (ii) 24 months (rather than 18 months) for Mr. Hogg and Ms. Skula.

If the named executive officer's employment is terminated in connection with a change in control due to disability or death, or for ''cause'' or without ''good reason,'' the named executive officer will be entitled to receive the same severance payments and benefits as described above (not in connection with a change in control) with respect to a termination due to disability or death or for ''cause,'' respectively. If payments would subject the named executive officer to excise tax under section 4999 of the Code, or the Company would be denied a deduction under Section 280G of the Code, then the amounts otherwise payable to the named executive officer will be reduced by the minimum amount necessary to ensure the named executive officer will not be subject to such excise tax and the Company will not be denied any such deduction.

Under each of the executive transition agreements, a ''change in control'' would generally occur upon any of the following:

- any person becomes the beneficial owner of 40% or more of the combined voting power of our then outstanding voting securities;
- a consolidation, merger or reorganization of us, unless (i) our stockholders immediately prior to such transaction own at least a majority of the voting power of the outstanding voting securities of the resulting entity, (ii) the members of our Board immediately prior to the execution of the agreement providing for such a transaction constitute a majority of the board of directors of the surviving corporation or of its majority stockholder, and (iii) no person beneficially owns more than 40% of the combined voting power of the then outstanding voting securities of the surviving corporation other than a person who is (a) us or a subsidiary of us, (b) an employee benefit plan maintained by us, the surviving corporation or any subsidiary, or (c) the beneficial owner of 40% or more of the combined voting power of our outstanding voting securities immediately prior to such transaction;
- individuals who constitute our entire Board (the ''Incumbent Board'') cease to constitute a majority of our Board, provided that anyone who becomes a director and whose appointment or nomination for election was approved by at least two-thirds of our directors at the time shall be considered as though such individual were a member of the Incumbent Board; or
- a complete liquidation or dissolution of us, or a sale or other disposition of all or substantially all of our assets (other than to an entity described in the second bullet point above).

Loyalty and Confidentiality Agreements executed in connection with our executive transition agreements provide non-competition, non-solicitation and release provisions for the benefit of the Company that remain in effect during the period of employment and an additional period of two years thereafter.

Arrangements with Mr. Fadel

Pursuant to Mr. Fadel's employment agreement, if we terminate Mr. Fadel's employment due to his disability or death, Mr. Fadel will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- a pro rata bonus calculated based upon Mr. Fadel's bonus amount from the previous year; and
- continued health insurance coverage for Mr. Fadel and Mr. Fadel's spouse and covered dependents for up to 24 months.

If we terminate Mr. Fadel's employment for ''cause,'' or if Mr. Fadel terminates his employment with us for any reason other than death, disability or for ''good reason,'' Mr. Fadel will be entitled to receive his unpaid but earned base salary through the date of termination (reduced by amounts owed by Mr. Fadel to us or our affiliates).

If Mr. Fadel's employment is terminated by us without ''cause'' (as defined in the employment agreement) or by Mr. Fadel for ''good reason,'' Mr. Fadel will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- a pro rata bonus calculated based upon Mr. Fadel's bonus amount from the previous year;
- two times the sum of Mr. Fadel's (x) highest annual rate of salary during the previous 24 months and (y) his target cash bonus amount for the calendar year in which the termination occurs, payable in equal monthly installments over a period of 24 months; and
- continued health insurance coverage for Mr. Fadel and Mr. Fadel's spouse and covered dependents for up to 24 months.

If we terminate Mr. Fadel's employment without ''cause'' or if Mr. Fadel terminates his employment for ''good reason,'' within the period beginning six months prior to a change in control or, if such change in control results in a person beneficially owning 40% or more of the voting power of the Company or is pursuant to a consolidation, merger or reorganization (subject to certain exceptions), beginning on the date of the definitive agreement pursuant to which the change in control is consummated and ending on the first anniversary of the date of the change in control, then Mr. Fadel will be entitled to receive in a lump sum the same aggregate severance payments and benefits as described above for a termination not in connection with a change in control. The Compensation Committee or the Board may condition the payment of severance or benefits on the execution and delivery by Mr. Fadel of a general release in favor of us, our affiliates and our officers, directors, and employees, provided that no such release will be required for the payment to Mr. Fadel of accrued compensation. If payments would subject Mr. Fadel to excise tax under section 4999 of the Code, or the Company would be denied a deduction under Section 280G of the Code, then the amounts otherwise payable to Mr. Fadel will be reduced by the minimum amount necessary to ensure Mr. Fadel will not be subject to such excise tax and the Company will not be denied any such deduction.

Mr. Fadel is also subject to a Loyalty and Confidentiality Agreement which provides non-competition, non-solicitation and release provisions for the benefit of the Company that remain in effect during the period of employment and an additional period of two years thereafter.

Arrangements With Respect to Long-Term Incentive Plans

Pursuant to stock option agreements under the 2016 Plan and certain prior long-term incentive plans, if the individual's employment with us is terminated because of death or disability, any options that are vested and exercisable on the date of termination will remain exercisable for 12 months thereafter, but not beyond the term of the agreement. If the individual's employment is terminated by us for ''cause,'' then the options (whether or not then vested and exercisable) will immediately terminate and cease to be exercisable. If the individual's employment with us is terminated for any other reason, any options that are vested and exercisable as of the date of termination will remain exercisable for three months thereafter, but not beyond the term of the agreement.

Pursuant to the 2016 Plan and certain prior long-term incentive plans, each holder of an option to purchase shares of our common stock may exercise such option immediately prior to an ''exchange transaction,'' regardless of whether currently vested, and any outstanding options not exercised before the exchange transaction shall terminate. However, if, as part of an exchange transaction, our stockholders receive capital stock of another corporation in exchange for our common stock, and if our Board so directs, then all outstanding options shall be converted into options to purchase shares of such stock, with the amount and price to be determined by adjusting the amount and price of the options granted under the 2016 Plan and certain prior long-term incentive plans, as applicable, on the same basis as the determination of the number of shares of exchange stock the holders of our outstanding common stock are entitled to receive in the exchange transaction. In addition, unless our Board determines otherwise, the vesting conditions with respect to the converted options shall be substantially the same as those set forth in the original option agreement. The Board may accelerate the vesting of stock awards and other awards, provide for cash settlement of and/or make such other adjustments to any outstanding award as it deems appropriate in the context of an exchange transaction.

Under the 2016 Plan and certain prior long-term incentive plans, the term ''exchange transaction'' means a merger (other than in which the holders of our common stock immediately prior thereto have the same proportionate ownership of common stock in the surviving corporation immediately thereafter), consolidation, acquisition or disposition of property or stock, separation, reorganization (other than a reincorporation or the creation of a holding company), liquidation of us or any other similar transaction or event so designated by our Board, as a result of which our stockholders receive cash, stock or other property in exchange for or in connection with their shares of our common stock.

Pursuant to stock compensation agreements under the 2016 Plan and certain prior long-term incentive plans, if the individual's employment with us is terminated because of death or disability, or there is a change in ownership of us, then any unvested restricted stock units will vest on the date of such termination of employment or immediately prior to the consummation of the change in ownership of us, as the case may be. However, any unvested restricted stock units do not vest by reason of a change in ownership unless the individual remains continuously employed by us until such change in ownership is complete or the individual's employment is sooner terminated by us in connection with such change in ownership. In addition, upon the termination of the individual's employment or other service with us for any reason other than disability or death, any unvested restricted stock units will thereupon terminate and be canceled.

Under each of the stock compensation agreements, the term ''change in ownership'' is defined as any transaction or series of transactions as a result of which any one person or group of persons acquires (i) ownership of our common stock that, together with the common stock previously held by such person, constitutes more than 50% of the total fair market value or total voting power of such stock, or (ii) ownership of our assets having a total gross fair market value at least equal to 80% of the total gross fair market value of all of the assets immediately prior to such transaction or series of transactions.

Policies and Risk Mitigation

Compensation-Related Risk

The Compensation Committee believes that the design of our compensation programs, including our executive compensation program, does not encourage our executives or employees to take unnecessary and excessive risks and that the risks arising from these programs are not reasonably likely to have a material adverse effect on us. The Compensation Committee considered the following factors in making that determination:

- The allocation among the components of direct annual compensation provides an appropriate balance between annual and long-term incentives and between fixed and performance-based compensation.
- The performance measures and the multi-year vesting features of the long-term equity incentive compensation component encourage participants to seek sustainable growth and value creation.
- Inclusion of share-based compensation through the long-term equity incentive compensation component encourages appropriate decision-making that is aligned with the long-term interests of our stockholders.
- Our annual cash incentive program and the awards of restricted stock with performance-based vesting contain provisions with respect to our achievement of the applicable performance target such that each participant may receive (1) an additional payout pursuant to such award in the event that we exceed the applicable performance target, and (2) a portion of the target payout pursuant to such award in the event that we approach, yet fail to achieve, the target level of financial performance.
- The various governance policies we have adopted to align the interests of our top management with those of our stockholders and to motivate sustainable growth, including stock ownership guidelines, hedging and pledging restrictions and our Clawback Policy, as described below.
- We maintain a values-driven, ethics-based culture supported by a strong tone at the top.

Stock Ownership Guidelines

We believe that our Chief Executive Officer, executive vice presidents, senior vice presidents and vice presidents should have a meaningful financial stake in the Company to ensure that their interests are aligned with those of our stockholders. To that end, in December 2020, the Board adopted new equity ownership guidelines to define our expectations for our Chief Executive Officer, executive vice presidents, senior vice presidents and vice presidents, which replaced our prior equity ownership guidelines. Under these new guidelines, our Chief Executive Officer, executive vice presidents, senior vice presidents and vice presidents are expected to own shares of our common stock having a value equal to a designated multiple of his or her annual base salary within five years of the later of (1) December 1, 2020 and (2) the date on which he or she was appointed to his or her position.

Position	Ownership Requirement
Chief Executive Officer	5 times annual base salary
Executive Vice President	3 times annual base salary
Senior Vice President or Vice President	1 times annual base salary

Shares of our common stock that count toward meeting the foregoing equity ownership requirements include:

- shares of our common stock directly or indirectly beneficially owned outright, including as a result of fully vested awards from previous grants to the executive by the Company;
- shares of our common stock held through any Company benefit plan, including the Company's 401(k) plan, Non-Qualified Deferred Compensation Plan or any employee stock purchase plan; and
- unvested time-based restricted stock awards or restricted stock units granted to the executive by the Company.

Neither (i) performance-based stock awards or performance stock units, nor (ii) unexercised stock options (whether vested or unvested) count toward meeting the equity ownership requirements.

As of December 31, 2020, based on the closing price of our common stock on the Nasdaq Global Select Market of $38.29 per share as of such date, each of Ms. Short and Ms. Skula satisfied the new equity ownership guidelines. Each of our named executive officers is required to comply with the ownership guidelines no later than December 1, 2025.

Hedging and Pledging Restrictions

Our insider trading policy prohibits our directors, officers and employees, and members of their households, certain of their family members and certain other natural or legal persons or entities whose (i) management responsibilities are discharged by, (ii) are directly or indirectly controlled by or (iii) whose economic interests are substantially equivalent to those of any of the foregoing persons, from engaging in hedging, monetization or options transactions related to our securities or transactions involving any derivative security of the Company or other financial instruments that provide the economic equivalent of ownership of our common stock or an opportunity, whether direct or indirect, to profit from any change in the value of our common stock, such as prepaid variable forward contracts, puts, calls, equity swaps, credit default swaps and collars.

In addition, our insider trading policy prohibits (i) short sales of any securities of the Company, including through any ''sale against the box'' (sales with delayed delivery) and (ii) the holding of securities of the Company in a margin account or pledging securities of the Company as collateral for a loan, in each case unless they are treated as non-marginable by the brokerage firm.

Clawback Policy

Our Board has adopted a compensation recovery (''clawback'') policy which provides that, in the event of a restatement of our financial statements due to our material noncompliance with any financial reporting requirement under the U.S. federal securities laws (other than restatements of financial results that are the direct result of changes in accounting standards) (a ''clawback event''), we may seek recoupment, repayment and/or forfeiture of all or any portion of any annual or long-term cash, equity or equity-based incentive or bonus compensation outstanding and unpaid or paid and received during the three-year period preceding the date of the clawback event.

CEO Pay Ratio

Below sets forth our reasonable estimate, calculated in a manner consistent with the requirements of Item 402(u) of Regulation S-K, of the ratio of the annual total compensation for fiscal year 2020 of our current Chief Executive Officer to that of the median of the annual total compensation for all of our other employees (the ‘‘CEO Pay Ratio’’). Please note that due to the flexibility in estimates, assumptions and adjustments permitted by the SEC in calculating such ratio, the CEO Pay Ratio may not be comparable to those presented by other companies, even other companies operating in the same industries as Rent-A-Center.

We identified our median employee using our employee population (excluding our Chief Executive Officer) as of December 31, 2020, which consisted of approximately 13,648 full-time, part-time, seasonal and temporary workers, of which approximately 12,369 (90.6%) were located in the United States and approximately 1,279 (9.4%) were located in Mexico. As of December 31, 2020, approximately 50 (0.4%) employees were employed on a part-time basis and approximately 1,750 (12.9%) were paid on an hourly (rather than salaried) basis. In order to attract and retain employees, we pay what we believe to be competitive rates in each market where we operate.

We selected the median employee first by using a consistently applied compensation measure of annual base pay, which reflects (i) for salaried employees, base salary, and (ii) for hourly employees, annualized base hourly compensation assuming that full-time and part-time workers work 2,080 and 1,040 hours per year, respectively, which calculation excluded any wages in respect of guaranteed overtime. After narrowing the population of potential median employees to normalize for potential drivers of pay differential (e.g., based on factors such as bonus eligibility and active status of employment), our median employee was randomly selected from a pool of 83 individuals. The annual base pay of our employees located in Mexico was converted to U.S. dollars using an exchange rate of 19.913 Mexican pesos to $1.00 U.S. dollar, reflecting the exchange rate reported by the U.S. Department of the Treasury as of December 31, 2020. We did not make any cost of living adjustments to annual base pay in identifying our median employee.

Our median employee identified using the assumptions and methodologies described above was located in Florida and served in an hourly position as a Customer Account Representative. Our median employee was furloughed for a period of approximately 1.5 months during fiscal year 2020 in connection with our response measures related to the COVID-19 pandemic and temporary and partial operational closures throughout the U.S. and Mexico.

The 2020 annual total compensation of our median employee, calculated using the same methodology used to calculate the same metric for our named executive officers in the Summary Compensation Table in this proxy statement, was $33,055. Comparing this to our Chief Executive Officer’s 2020 annual total compensation of $9,217,950, we estimate that the CEO Pay Ratio was approximately 279:1. For informational purposes only (and not as a substitute for the foregoing ratio), the estimated 2020 annual total compensation of our median employee would have been approximately $37,444 on an annualized basis had such employee not been furloughed, which would have yielded an estimated CEO Pay Ratio of approximately 246:1.

Compensation Committee Interlocks and Insider Participation

Messrs. Gade, Hetrick and Lewis each served as members of the Compensation Committee for all or a portion of 2020. Each such member is independent and no member of the Compensation Committee (1) has ever been employed by us, as an officer or otherwise, or (2) has or had any relationships requiring disclosure in this proxy statement pursuant to Item 404(a) of Regulation S-K.

In addition, during 2020, none of our executive officers served as a member of the compensation or similar committee or as a member of the board of directors of any other entity having an executive officer that also served on the Compensation Committee or Board of Rent-A-Center.

Section 162(m)

Section 162(m) of the Internal Revenue Code (the ''Code'') generally prohibits a federal income tax deduction to public companies for compensation over $1,000,000 paid to a ''covered employee.'' A ''covered employee'' includes (a) the Chief Executive Officer, (b) the Chief Financial Officer, (c) the three other most highly compensated executive officers, and (d) any individual who was a covered employee for any taxable year beginning after December 31, 2016. The Compensation Committee is not limited to paying compensation that is fully deductible and may determine it is appropriate to provide compensation that may exceed deductibility limits in order to recognize performance, meet market demands, retain key executives, and take into account other appropriate considerations.

Compensation Committee Report

The material in this Report is not ''soliciting material'', is not deemed ''filed'' with the SEC and is not to be incorporated by reference into any filing under the Securities Act of 1933 (the ''Securities Act'') or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation by reference language in such filing.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management and, based upon such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the proxy statement on Schedule 14A related to the 2021 Annual Meeting of Stockholders, for filing with the SEC.

COMPENSATION COMMITTEE

Christopher Hetrick, Chairman
Michael Gade
Harold Lewis
B.C. Silver

COMPENSATION TABLES

The following compensation tables in this proxy statement have been prepared pursuant to SEC rules. Although some amounts (e.g., salary and non-equity incentive plan compensation) represent actual dollars paid to an executive, other amounts are estimates based on certain assumptions about future circumstances (e.g., payments upon termination of an executive's employment) or may represent dollar amounts recognized for financial statement reporting purposes in accordance with accounting rules, but do not represent actual dollars received by the executive (e.g., dollar values of stock awards and option awards). The footnotes and other explanations to the Summary Compensation table and the other tables herein contain important estimates, assumptions and other information regarding the amounts set forth in the tables and should be considered together with the quantitative information in the tables.

Summary Compensation Table

The following table summarizes the compensation earned by our named executive officers in fiscal year 2020, as well as the compensation earned by such individuals in each of fiscal year 2019 and fiscal year 2018, if serving as an executive officer during that time. Our named executive officers were not entitled to receive payments which would be characterized as ''Bonus'' payments for purposes of the Summary Compensation Table for 2020, 2019 and 2018.

Name and Principal Position	Year	Salary	Stock Awards[1]	Option Awards[1]	Non-Equity Incentive Plan Compensation[2]	All Other Compensation[3]	Total
Mitchell Fadel	2020	$998,077	$4,882,607	$829,998	$2,430,000	$ 77,268	$9,217,950
Chief Executive Officer	2019	$953,846	$5,222,035	$700,002	$1,690,000	$ 99,522	$8,665,405
	2018	$800,000	$2,156,237	$388,141	$1,488,000	$ 29,632	$4,862,010
Maureen Short	2020	$434,665	$ 636,749	$108,237	$ 476,580	$ 42,391	$1,698,623
Chief Financial Officer	2019	$406,902	$ 807,439	$201,537	$ 386,951	$ 39,805	$1,842,634
	2018	$362,000	$ 292,711	$ 52,690	$ 302,994	$ 30,444	$1,040,839
Ann Davids	2020	$347,070	$ 339,928	$ 57,782	$ 315,087	$ 36,348	$1,096,215
Executive Vice President —	2019	$337,615	$ 431,084	$ 57,781	$ 287,216	$ 33,258	$1,146,954
Chief Customer and Marketing Officer	2018	$276,692	$ 302,413	$ 54,436	$ 306,900	$ 45,551	$ 679,092
Jason Hogg[4]	2020	$311,538	$3,499,998	—	$1,080,000	$297,931	$5,189,467
Executive Vice President — Acima							
Catherine Skula	2020	$335,887	$ 335,119	$ 56,965	$ 306,376	$ 36,673	$1,071,019
Executive Vice President —	2019	$332,846	$ 424,979	$ 56,969	$ 283,158	$ 36,379	$1,134,331
Chief Development Officer	2018	$325,338	$ 298,139	$ 91,669	$ 302,564	$ 40,547	$1,058,257

(1) The amounts reflected in this column are the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for each award of stock option, restricted stock unit and performance stock unit awards in 2020, 2019 and 2018 to the applicable named executive officer. Assumptions used in the calculation of these amounts are included in Note O to our audited financial statements for our fiscal year ended December 31, 2020, included in our 2020 Form 10-K and our Annual Reports on Form 10-K for prior years.

For performance stock unit awards granted in February 2020, the maximum performance shares payable, and corresponding maximum aggregate value based on the grant date fair value of such awards, are (i) 268,030 shares and $8,105,227 for Mr. Fadel, (ii) 34,954 shares and $1,057,009 for Ms. Short, (iii) 18,660 shares and $564,278 for Ms. Davids, (iv) 262,960 shares and $6,999,995 for Mr. Hogg and (v) 18,396 shares and $556,295 for Ms. Skula.

(2) Represents the cash awards which were payable under our annual cash incentive program with respect to services for the year indicated.

(3) For 2020, represents the compensation as described in the ''All Other Compensation'' table below.

(4) Mr. Hogg joined the Company and was named Executive Vice President — Preferred Lease (which role has been retitled to Executive Vice President — Acima) effective as of June 22, 2020, several months after the Company's annual equity awards to executives. Mr. Hogg's 2020 LTIP award and short-term incentive award were made in connection with his hiring and took into account, among other considerations, the fact that Mr. Hogg would be forfeiting equity from a previous employer.

All Other Compensation

The following table provides information regarding each component of compensation for 2020 included in the All Other Compensation column in the Summary Compensation Table above.

Name	Company Matching Contributions(1)	Value of Insurance Premiums(2)	Relocation(3)	Other(4)	Total
Mitchell Fadel	$38,904	$30,836	—	$7,528	$ 77,268
Maureen Short	$24,423	$13,845	—	$4,123	$ 42,391
Ann Davids	$17,533	$15,698	—	$3,117	$ 36,348
Jason Hogg	$ 346	$ 3,489	$293,723	$ 372	$297,931
Catherine Skula	$13,827	$17,832	—	$5,014	$ 36,673

(1) *Represents contributions or other allocations made by us to our 401(k) Retirement Savings Plan and/or Deferred Compensation Plan.*

(2) *Represents premiums paid by the Company for medical, long-term disability and life insurance.*

(3) *Represents reimbursements of relocation-related expenses, which may include the costs of housing, furniture, travel and similar expenses, gross of related taxes of $71,892.*

(4) *Represents fees paid by us for an annual executive physical examination and employee assistance program premiums.*

Grants of Plan-Based Awards

The table below sets forth information about plan-based awards granted to the named executive officers during 2020 under the 2020 annual cash incentive program and the 2016 Plan.

Name	Grant Date	Committee Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units(3)	All Other Option Awards: Number of Securities Underlying Options(4)	Exercise or Base Price of Option Awards(5)	Closing Price on Grant Date	Grant Date Fair Value of Stock and Option Awards
			Threshold	Target	Maximum	Threshold	Target	Maximum					
Mitchell Fadel													
Short-Term Incentive	—	3/4/20	—	$1,350,000	$2,700,000	—	—	—	—	—	—	—	—
Restricted Stock Units	2/26/20	2/13/20	—	—	—	—	—	—	33,508	—	—	$23.50	$ 829,993
Performance Stock Units	2/26/20	2/13/20	—	—	—	—	134,015	268,030	—	—	—	$23.50	$4,052,614
Stock Options	2/26/20	2/13/20	—	—	—	—	—	—	—	120,991	$24.77	$23.50	$ 829,998
Maureen Short						—							
Short-Term Incentive	—	3/4/20	—	$ 264,767	$ 529,533	—	—	—	—	—	—	—	—
Restricted Stock Units	2/26/20	2/13/20	—	—	—	—	—	—	4,370	—	—	$23.50	$ 108,245
Performance Stock Units	2/26/20	2/13/20	—	—	—	—	17,477	34,954	—	—	—	$23.50	$ 528,504
Stock Options	2/26/20	2/13/20	—	—	—	—	—	—	—	15,778	$24.77	$23.50	$ 108,237
Ann Davids						—							
Short-Term Incentive	—	3/4/20	—	$ 175,049	$ 350,097	—	—	—	—	—	—	—	—
Restricted Stock Units	2/26/20	2/13/20	—	—	—	—	—	—	2,333	—	—	$23.50	$ 57,788
Performance Stock Units	2/26/20	2/13/20	—	—	—	—	9,330	18,660	—	—	—	$23.50	$ 282,139
Stock Options	2/26/20	2/13/20	—	—	—	—	—	—	—	8,423	$24.77	$23.50	$ 57,782
Jason Hogg						—							
Short-Term Incentive(6)	—	4/20/20	—	$ 600,000	$1,200,000	—	—	—	—	—	—	—	—
Restricted Stock Units	—	—	—	—	—	—	—	—	—	—	—	—	—
Performance Stock Units(6)	7/1/2020	4/20/20	—	—	—	131,480	131,480	262,960	—	—	—	$26.61	$3,499,998
Stock Options	—	—	—	—	—	—	—	—	—	—	—	—	—
Catherine Skula						—							
Short-Term Incentive	—	3/4/20	—	$ 192,500	$ 385,000	—	—	—	—	—	—	—	—
Restricted Stock Units	2/26/20	2/13/20	—	—	—	—	—	—	2,300	—	—	$23.50	$ 56,971
Performance Stock Units	2/26/20	2/13/20	—	—	—	—	9,198	18,396	—	—	—	$23.50	$ 278,148
Stock Options	2/26/20	2/13/20	—	—	—	—	—	—	—	8,304	$24.77	$23.50	$ 56,965

(1) *These columns show the potential value of the payout of the annual cash incentive bonuses for 2020 performance for each named executive officer if the threshold, target and maximum performance levels are achieved. The potential payout is performance-based and driven by company performance. The actual amount of the annual cash incentive bonuses paid for 2020 performance is shown in the Summary Compensation Table under the "Non-Equity Incentive Plan Compensation" column.*

(2) *For all named executive officers other than Mr. Hogg, represents restricted stock units which vest depending on our relative TSR performance over a three-year measurement period as compared to the S&P 1500 Specialty Retail Index and the named executive officer remains an employee through the end of such measurement period. For Mr. Hogg, (1) one-half represents the restricted stock units described by the prior sentence, subject to a minimum payout of 100%, and (2) one-half represents restricted stock units described by the prior sentence, but subject to a two-year (rather than three-year) measurement period and a minimum payout of 100%. The issuance of the stock underlying the performance-based restricted stock units granted to our named executive officers will range from a minimum of zero shares (other than for Mr. Hogg, as described above) if our relative TSR performance is below the 25th percentile, to the maximum number of shares if our relative TSR performance ranks at least the 90th percentile.*

(3) *Represents restricted stock units which vest upon completion of three-years of continuous employment with us from February 26, 2020.*

(4) *Represents options to purchase shares of our common stock which vest ratably over a four-year period.*

(5) *Calculated by reference to the closing price for shares of our common stock on the Nasdaq Global Select Market on the last trading day before the date of grant, in accordance with the applicable plan.*

(6) *Mr. Hogg joined the Company effective as of June 22, 2020. Mr. Hogg's 2020 LTIP award and short-term incentive award were made in connection with his hiring and took into account, among other considerations, the fact that Mr. Hogg would be forfeiting equity from a previous employer.*

Outstanding Equity Awards at Fiscal Year End

The following table provides information regarding stock options and restricted stock units held by the named executive officers that were outstanding at December 31, 2020.

	OPTION AWARDS				STOCK AWARDS	
Name	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options - Unexercisable	Option Exercise Price	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(1)
Mitchell Fadel	53,909	53,908(2)	$ 8.22	2/23/2028	48,662(7)	$1,863,268
	18,757	56,270(3)	$20.87	4/1/2029	33,541(8)	$1,284,285
	—	120,991(4)	$24.77	2/26/2030	33,508(9)	$1,283,021
					194,489(10)	$7,446,984
					134,185(11)	$5,137,944
					134,015(12)	$5,131,434
Maureen Short	1,642	—	$37.19	1/31/2022	6,606(7)	$ 252,944
	2,126	—	$34.77	1/31/2023	5,186(8)	$ 198,572
	5,066	—	$25.03	1/31/2024	4,370(9)	$ 167,327
	6,088	—	$29.31	2/6/2025	26,402(10)	$1,010,933
	10,527	—	$10.34	2/5/2026	20,748(11)	$ 794,441
	16,355	5,452(5)	$ 8.32	2/16/2027	17,477(12)	$ 669,194
	7,318	7,318(2)	$ 8.22	2/23/2028		
	2,900	8,701(3)	$20.87	4/1/2029		
	—	15,778(4)	$24.77	2/26/2030		
Ann Davids	7,561	7,560(2)	$ 8.22	2/23/2028	6,825(7)	$ 261,329
	1,548	4,645(3)	$20.87	4/1/2029	2,769(8)	$ 106,025
	—	8,423(4)	$24.77	2/26/2030	2,333(9)	$ 89,331
					27,277(10)	$1,044,436
					11,077(11)	$ 424,138
					9,330(12)	$ 357,246
Jason Hogg					65,740(13)	$2,517,185
					65,740(12)	$2,517,185
Catherine Skula	2,849	—	$37.19	1/31/2022	6,728(7)	$ 257,615
	3,585	—	$34.77	1/31/2023	2,730(8)	$ 104,532
	—	4,454(5)	$ 8.32	2/16/2027	2,300(9)	$ 88,067
	—	7,454(2)	$ 8.22	2/23/2028	26,892(10)	$1,029,695
	—	5,000(6)	$ 8.63	4/2/2028	10,920(11)	$ 418,127
	—	4,579(3)	$20.87	4/1/2029	9,198(12)	$ 352,191
	—	8,304(4)	$24.77	2/26/2030		

(1) Calculated by reference to the closing price for shares of our common stock on the Nasdaq Global Select Market on December 31, 2020, which was $38.29.

(2) These options to purchase shares of our common stock vest in equal parts on each of February 23, 2021 and February 23, 2022.

(3) These options to purchase shares of our common stock vest in equal parts on each of April 1, 2021, April 1, 2022 and April 1, 2023.

(4) These options to purchase shares of our common stock vest in equal parts on each of February 26, 2022, February 26, 2023, February 26, 2024 and February 26, 2025.

(5) These options to purchase shares of our common stock vested on February 16, 2021.

(6) These options to purchase shares of our common stock vest in equal parts on each of April 2, 2021 and April 2, 2022.

(7) Represents the number of shares of our common stock that vested and became issuable pursuant to the time-based restricted stock unit awards upon the named executive officer's completion of three years of continuous employment with us from February 23, 2018.

(8) Represents the number of shares of our common stock that will vest and become issuable pursuant to the time-based restricted stock unit awards upon the named executive officer's completion of three years of continuous employment with us from April 1, 2019.

(9) Represents the number of shares of our common stock that will vest and become issuable pursuant to the time-based restricted stock unit awards upon the named executive officer's completion of three years of continuous employment with us from February 26, 2020.

(10) Represents the number of shares of our common stock that vested and became issuable pursuant to the performance-based restricted stock unit awards based on our relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the three-year period ended December 31, 2020, so long as the named executive officer remained an employee through December 31, 2020. Our relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the three-year period ended December 31, 2020, ranked at the 98th percentile, which resulted in 200% of the shares vesting.

(11) Represents the number of shares of our common stock that will vest and become issuable pursuant to the performance-based restricted stock unit awards based on our relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the three-year period ending December 31, 2021, and the named executive officer remains an employee through December 31, 2021.

(12) Represents the number of shares of our common stock that will vest and become issuable pursuant to the performance-based restricted stock unit awards based on our relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the three-year period ending December 31, 2022, and the named executive officer remains an employee through December 31, 2022.

(13) Represents the number of shares of our common stock that will vest and become issuable pursuant to the performance-based restricted stock unit awards based on our relative TSR performance as compared to the S&P 1500 Specialty Retail Index for the two-year period ending December 31, 2021, and the named executive officer remains an employee through December 31, 2021.

Option Exercises and Stock Vested

The following table reflects certain information with respect to options exercised by our named executive officers during the 2020 fiscal year, as well as applicable stock awards that vested, during the 2020 fiscal year:

	Option Awards		**Stock Awards**	
	Number of Shares Acquired on Exercise	**Value Realized on Exercise**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting**
Mitchell Fadel	—	—	—	—
Maureen Short	6,525	$111,269	58,738	$1,642,902
Ann Davids	—	—	—	—
Jason Hogg	—	—	—	—
Catherine Skula	44,910	$753,683	47,990	$1,342,280

Non-Qualified Deferred Compensation

The Rent-A-Center, Inc. Deferred Compensation Plan is an unfunded, non-qualified deferred compensation plan for a select group of our key management personnel and highly compensated employees. The Deferred Compensation Plan first became available to eligible employees in July 2007, with deferral elections taking effect as of August 3, 2007. The Deferred Compensation Plan allows participants to defer up to 50% of their base compensation and up to 100% of any bonus compensation. Participants may invest the amounts deferred in measurement funds that are the same funds offered as the investment options in our 401(k) Retirement Savings Plan. We may make discretionary contributions to the Deferred Compensation Plan, which are subject to a two-year graded vesting schedule based on the participant's years of service with us. For 2020, we made matching contributions in the Deferred Compensation Plan of 50% of the employee's contribution to the plan up to an amount not to exceed 6% of such employee's compensation, which is the same matching policy as under our 401(k) Retirement Savings Plan. We are obligated to pay the deferred compensation amounts in the future in accordance with the terms of the Deferred Compensation Plan.

The following table provides information for the named executive officers regarding contributions, earnings and balances for our Deferred Compensation Plan:

Name	Executive Contributions in FY 2020(1)	Registrant Contributions in FY 2020(1)(2)	Aggregate Earnings in FY 2020	Aggregate Withdrawals/ Distributions	Aggregate Balance at FYE 2020(3)
Mitchell Fadel	$ 56,417	$25,904	$11,033	—	$370,422
Maureen Short	$146,094	$21,280	$24,508	—	$520,711
Ann Davids	$ 22,719	$10,086	$ 2,604	—	$ 63,622
Jason Hogg	—	—	—	—	—
Catherine Skula	$ 21,917	$10,959	$ 7,330	—	$496,275

(1) The entirety of the executive contributions and registrant contributions are reported in the ''Summary Compensation Table'' above as compensation of the named executive officer for the year ended December 31, 2020.

(2) Represents matching contributions or other allocations made by us under our Deferred Compensation Plan which amount was also reported as compensation in the table appearing in the section ''Compensation Tables—Summary Compensation Table'' above in this proxy statement.

(3) Of these amounts, the following aggregate amounts are reported in the ''Summary Compensation Table'' above as compensation of the named executive officer for the years ended December 31, 2020, 2019 and 2018: Mr. Fadel—$175,016; Ms. Short—$260,406; Ms. Davids—$58,008; Mr. Hogg—$0; and Ms. Skula—$72,648.

No Pension Benefits

We do not sponsor or maintain any plans that provide for specified retirement payments or benefits, such as tax-qualified defined benefit plans or supplemental executive retirement plans.

Potential Payments and Benefits Upon Termination Without a Change in Control

The following table provides quantitative disclosure of the estimated payments that would be made to our named executive officers currently employed by us under their severance agreements, as well as the amounts our named executive officers would receive upon the exercise of the equity and cash awards held by them on December 31, 2020, the last business day of our fiscal 2020, assuming that:

- each named executive officer's employment with us was terminated on December 31, 2020, and was not in connection with an event which constituted a ''change in control'' or an ''exchange transaction'' under any agreement or plan described above;
- amounts payable to each named executive officer would not subject such person to excise tax under Section 4999 of the Code and the Company would not be denied a deduction under Section 280G of the Code;
- the base salary earned by each named executive officer for his or her services to us through December 31, 2020 has been fully paid to such named executive officer;
- the Board determined that the annual bonus for 2020 that would have been earned by each of Ms. Davids, Ms. Short and Ms. Skula was equal to the actual bonus awarded to such named executive officer for 2020;

- to the extent not otherwise terminated in connection with the named executive officer's termination, each of our named executive officers exercised any previously unexercised, vested options and sold the underlying shares at the closing price for shares of our common stock on the Nasdaq Global Select Market on December 31, 2020, which was $38.29; and
- to the extent not otherwise terminated in connection with the named executive officer's termination, each of our named executive officers sold the shares of our common stock underlying their previously unvested restricted stock units at the closing price for shares of our common stock on the Nasdaq Global Select Market on December 31, 2020.

Name	Cash Severance Payout	Continuation of Medical Benefits	Acceleration and Continuation of Outstanding Awards	Total Termination Benefits
Mitchell Fadel				
Termination by Us without ''Cause'' or for ''Good Reason''	$6,390,000	$28,080	$ 1,947,791	$ 8,365,871
Termination by Us for ''Cause''	—	—	—	—
Termination by Us due to Mr. Fadel's disability or death	$1,690,000	$28,080	$30,279,552	$31,997,632
Termination by Mr. Fadel for Reason other than disability, death or for ''Good Reason''	—	—	$ 1,947,791	$ 1,947,791
Maureen Short				
Termination by Us without ''Cause''	$1,262,830	$11,904	$ 1,229,644	$ 2,504,378
Termination by Us for ''Cause''	—	—	—	—
Termination by Us due to Ms. Short's disability or death	$ 476,580	$11,904	$ 6,431,688	$ 6,920,172
Termination by Ms. Short for Reason other than disability or death	—	—	$ 1,229,644	$ 1,229,644
Ann Davids				
Termination by Us without ''Cause''	$ 665,184	$14,040	$ 254,325	$ 933,549
Termination by Us for ''Cause''	—	—	—	—
Termination by Us due to Ms. Davids' disability or death	$ 315,087	$14,040	$ 3,213,280	$ 3,542,407
Termination by Ms. Davids for Reason other than disability or death	—	—	$ 254,325	$ 254,325
Jason Hogg(1)				
Termination by Us without ''Cause'' or for ''Good Reason''	$ 900,000	$29,304	—	$ 929,304
Termination by Us for ''Cause''	—	—	—	—
Termination by Us due to Mr. Hogg's disability or death	—	$19,536	$ 5,034,369	$ 5,053,905
Termination by Mr. Hogg for Reason other than disability or death or for ''Good Reason''	—	—	—	—
Catherine Skula				
Termination by Us without ''Cause''	$1,270,668	$29,304	$ 15,753	$ 1,315,725
Termination by Us for ''Cause''	—	—	—	—
Termination by Us due to Ms. Skula's disability or death	$ 306,376	$19,536	$ 2,979,697	$ 3,305,609
Termination by Ms. Skula for Reason other than disability or death	—	—	$ 15,753	$ 15,753

(1) Mr. Hogg joined the Company in June 2020 and his Pro Rata Bonus is based on the bonus earned during the calendar year preceding the year of termination. As a result, had Mr. Hogg's employment been terminated effective as of December 31, 2020, Mr. Hogg would not have been entitled to receive any Pro Rata Bonus.

Potential Payments and Benefits Upon Termination With a Change in Control

The following table provides quantitative disclosure of the estimated payments that would be made to our named executive officers under their employment agreement or severance agreements, as well as the amounts our named executive officers would receive upon the exercise of the equity and cash awards held by them on December 31, 2020, the last business day of our fiscal 2020, assuming that:

- each named executive officer's employment with us was terminated on December 31, 2020, and was in connection with an event which constituted a ''change in control'' or an ''exchange transaction'' under any agreement or plan described above;
- amounts payable to each named executive officer would not subject such person to excise tax under Section 4999 of the Code and the Company would not be denied a deduction under Section 280G of the Code;
- the base salary earned by each named executive officer for his or her services to us through December 31, 2020 has been fully paid to such named executive officer;
- the Board determined that the annual bonus for 2020 that would have been earned by each of Ms. Davids, Ms. Short and Ms. Skula was equal to the actual bonus awarded to such named executive officer for 2020;
- with respect to options awarded pursuant to the 2016 Plan and certain prior equity plans, the Board does not direct such outstanding options to be converted into options to purchase shares of the exchange stock;
- to the extent not otherwise terminated in connection with the named executive officer's termination, each of our named executive officers exercised any previously unexercised options and sold the underlying shares at the closing price for shares of our common stock on the Nasdaq Global Select Market on December 31, 2020; and
- to the extent not otherwise terminated in connection with the named executive officer's termination, each of our named executive officers sold the shares of our common stock underlying their previously unvested restricted stock units at the closing price for shares of our common stock on the Nasdaq Global Select Market on December 31, 2020.

Name	Cash Severance Payout	Continuation of Medical Benefits	Acceleration and Continuation of Outstanding Awards	Total Termination Benefits
Mitchell Fadel				
Termination by Us without "Cause" or by Mr. Fadel for "Good Reason"	$6,390,000	$28,080	—	$ 6,418,080
Termination by Us due to Mr. Fadel's disability or death	$1,690,000	$28,080	$34,516,588	$36,234,668
Termination by Us for "Cause" or by Mr. Fadel without "Good Reason"	—	—	—	—
Benefits upon Change in Control	—	—	$34,516,588	$34,516,588
Maureen Short				
Termination by Us without "Cause" or by Ms. Short for "Good Reason"	$1,655,955	$17,856	—	$ 1,673,811
Termination by Us due to Ms. Short's disability or death	$ 476,580	$11,904	$ 7,310,677	$ 7,799,161
Termination by Us for "Cause" or by Ms. Short without "Good Reason"	—	—	—	—
Benefits upon Change in Control	—	—	$ 7,310,677	$ 7,310,677
Ann Davids				
Termination by Us without "Cause" or by Ms. Davids for "Good Reason"	$ 840,233	$21,060	—	$ 861,293
Termination by Us due to Ms. Davids' disability or death	$ 315,087	$14,040	$ 3,635,404	$ 3,964,531
Termination by Us for "Cause" or by Ms. Davids without "Good Reason"	—	—	—	—
Benefits upon Change in Control	—	—	$ 3,635,404	$ 3,635,404
Jason Hogg(1)				
Termination by Us without "Cause" or by Mr. Hogg for "Good Reason"	$1,200,000	$39,072	—	$ 1,239,072
Termination by Us due to Mr. Hogg's disability or death	—	$19,536	$ 5,034,369	$ 5,053,905
Termination by Us for "Cause" or by Mr. Hogg without "Good Reason"	—	—	—	—
Benefits upon Change in Control	—	—	$ 5,034,369	$ 5,034,369
Catherine Skula				
Termination by Us without "Cause" or by Ms. Skula for "Good Reason"	$1,592,098	$39,072	—	$ 1,631,170
Termination by Us due to Ms. Skula's disability or death	$ 306,376	$19,536	$ 3,677,662	$ 4,003,574
Termination by Us for "Cause" or by Ms. Skula without "Good Reason"	—	—	—	—
Benefits upon Change in Control	—	—	$ 3,677,662	$ 3,677,662

(1) Mr. Hogg joined the Company in June 2020 and his Pro Rata Bonus is based on the bonus earned during the calendar year preceding the year of termination. As a result, had Mr. Hogg's employment been terminated effective as of December 31, 2020, Mr. Hogg would not have been entitled to receive any Pro Rata Bonus.

Potential Realizable Value of Outstanding Awards Upon a Change in Control Without Termination

Under our long-term incentive plans, in the event of a ''change in control'' of us or an ''exchange transaction'' involving us, the vesting of outstanding awards may be accelerated regardless of whether the employment of the holder is terminated in connection therewith. The following table provides quantitative disclosure of the potential realizable value of outstanding awards granted to the named executive officers currently employed by us pursuant to our long-term incentive plans assuming that:

- an event which constituted a ''change in control'' and an ''exchange transaction'' under each of the agreements and plans described above was consummated on December 31, 2020;
- amounts payable to each named executive officer would not subject such person to excise tax under Section 4999 of the Code and the Company would not be denied a deduction under Section 280G of the Code;
- with respect to options awarded pursuant to the 2016 Plan and certain prior equity plans, the Board does not direct such outstanding options to be converted into options to purchase shares of the exchange stock;
- each named executive officer exercised any previously unexercised options and sold the underlying shares at the closing price for shares of our common stock on the Nasdaq Global Select Market on December 31, 2020; and
- each named executive officer sold the shares of our common stock underlying their previously unvested restricted stock units at the closing price for shares of our common stock on the Nasdaq Global Select Market on December 31, 2020.

Name	Potential Realizable Value(1)
Mitchell Fadel	$34,516,588
Maureen Short	$ 7,310,677
Ann Davids	$ 3,635,404
Jason Hogg	$ 5,034,369
Catherine Skula	$ 3,677,662

(1) Calculated by reference to the closing price for shares of our common stock on The Nasdaq Global Select Market on December 31, 2020, the last business day of fiscal 2020, which was $38.29.

Equity Compensation Plan Information

The following table sets forth certain information concerning all equity compensation plans previously approved by our stockholders and all equity compensation plans not previously approved by our stockholders as of December 31, 2020.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights[(1)]	Number of securities remaining available for future issuance under equity compensation plan[(2)]
Equity compensation plans approved by security holders	3,262,814	$22.91	—[(3)]
Equity compensation plans not approved by security holders	—	—	—
Total	3,262,814	$22.91	—

(1) Reflects the weighted-average exercise price of outstanding options as of December 31, 2020. The weighted average grant date fair value of outstanding restricted stock units and performance stock units as of December 31, 2020 was $20.09.

(2) Pursuant to the terms of the plans, when an optionee leaves our employ, unvested options granted to that employee terminate and become available for re-issuance. Vested options not exercised within 90 days from the date the optionee leaves our employ terminate and become available for re-issuance.

(3) As of December 31, 2020, no additional securities remained available for issuance under the 2016 Plan or any other equity compensation plan of the Company. The Company seeks stockholder approval of additional equity issuances under the 2021 Plan as described in "Proposal Four: Approval of the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan" below.

PROPOSAL THREE: ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are seeking stockholder approval of our executive compensation program and practices as disclosed in this proxy statement. As described above in the ''Compensation Discussion and Analysis'' section of this proxy statement, the Compensation Committee has structured our executive compensation program to achieve the following key objectives:

- attract, retain and motivate senior executives with competitive compensation opportunities;
- balance short-term and long-term strategic goals;
- align our executive compensation program with the core values identified in our mission statement which focuses on improving the quality of life for our co-workers and our customers; and
- reward achievement of our financial and non-financial goals.

We urge stockholders to read the section ''Compensation Discussion and Analysis'' above in this proxy statement, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the compensation tables and related narrative disclosures in the section ''Compensation Tables'' above in this proxy statement, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board believe that the policies and procedures articulated in the ''Compensation Discussion and Analysis'' are effective in achieving our goals and that the compensation of our named executive officers reported in this proxy statement has contributed to our recent and long-term success.

In accordance with Section 14A of the Exchange Act, and as a matter of good corporate governance, we are asking stockholders to approve the following advisory resolution at the 2021 Annual Meeting:

''RESOLVED, that the stockholders of Rent-A-Center, Inc. (the ''Company'') approve, on an advisory basis, the compensation of the Company's named executive officers for the year ended December 31, 2020, as disclosed in the 2021 Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission (including Item 402 of Regulation S-K), including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and narrative disclosure.''

This advisory resolution, commonly referred to as a ''say-on-pay'' resolution, is non-binding on the Board. Although non-binding, the Board and the Compensation Committee will carefully take into account the outcome of the vote when considering future compensation arrangements for our named executive officers.

The affirmative vote of a majority of the shares of common stock present online or represented by proxy and entitled to be voted on the proposal at the meeting is required for approval of this advisory resolution.

Our Board recommends that you vote ''FOR'' approval of the advisory resolution on executive compensation.

PROPOSAL FOUR: APPROVAL OF THE RENT-A-CENTER, INC. 2021 LONG-TERM INCENTIVE PLAN

We are asking stockholders to approve the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan (the ''2021 Plan'').

On March 23, 2021, upon the recommendation of the Compensation Committee, the Board adopted, subject to stockholder approval, the 2021 Plan and has directed that it be submitted for the approval of the stockholders. If approved by stockholders, the 2021 Plan will replace the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (the ''2016 Plan'') with respect to awards granted after the date such stockholder approval is received (the ''Effective Date'') and any awards that remain outstanding under the 2016 Plan as of the Effective Date will be settled under the 2021 Plan, subject to their original terms and conditions.

As discussed further in the CD&A, long-term incentive compensation, delivered in the form of restricted stock units and performance stock units, is a primary component of our executive compensation program. These equity-based awards motivate and reward achievement of long-term growth and align the interests of our employees with those of our stockholders.

In February 2021, the Compensation Committee approved the grant of restricted stock units and performance stock units to certain of our eligible employees (the ''February 2021 Awards''). However, because there were not enough shares reserved under the 2016 Plan to be issued upon satisfaction of the conditions to vesting of these equity awards, the share-settlement of the February 2021 Awards is contingent on stockholder approval of the 2021 Plan. Accordingly, if stockholder approval of the 2021 Plan is obtained, the February 2021 Awards will be settled in shares of our stock in accordance with their terms. If stockholder approval of the 2021 Plan is not obtained, then the February 2021 Awards will be settled for an amount of cash based on the fair market value of one share of our stock.

We recommend that stockholders approve the 2021 Plan to permit the continued use of equity-based compensation. If the 2021 Plan is not approved, we will be unable to maintain our current equity grant practices and will be at a significant competitive disadvantage in attracting, retaining and motivating the talented individuals who contribute to our success. Moreover, we may need to replace equity-based components of our compensation structure with cash, which would increase cash compensation expense and reduce alignment with stockholder interests.

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to be voted on the proposal at the meeting is required for approval of the 2021 Plan.

Our Board of Directors recommends that you vote ''FOR'' approval of the 2021 Plan.

Highlights of the 2021 Plan

The terms of the 2021 Plan are generally consistent with the terms of the 2016 Plan, except that the 2021 Plan:

Authorizes Shares	Authorizes for issuance 5,000,000 shares.
Establishes 1:1 Share Counting	Provides that each award (regardless of type) counts 1:1 against the share reserve (as compared to share-counting provisions under the 2016 Plan (1:1 for options and 2:1 for full-value awards).
Restricts Dividend Payments on Unvested Awards	Requires that any dividends or dividend equivalent rights granted in connection with any type of award will be subject to the same vesting terms and conditions as the underlying award.
No Liberal Share Recycling	Provides that shares delivered to pay the exercise price or to satisfy tax withholding obligations may not be reused for future awards.
Implements Director Limits	Implements annual limits on the amount of compensation that may be granted to non-employee directors under the 2021 Plan.
Establishes Double Trigger Change in Control	Establishes double-trigger vesting of awards upon a qualifying termination in connection with a change in control.
Provides for Clawback Policy Implementation	Stipulates that the Compensation Committee has the authority to implement any clawback or recoupment policies that the Company has in place from time to time.
Removes References to Section 162(m) of the Internal Revenue Code	Removes terms related to Section 162(m) of the Internal Revenue Code that have become obsolete as a result of the federal tax reform legislation enacted in December 2017.

Governance Best Practices. In addition to the above, the 2021 Plan maintains, or enhances, features and practices of the 2016 Plan that promote good governance and protect stockholders' interests, including:

- ***No ''liberal'' change in control definition.*** The change in control definition in the 2021 Plan is not ''liberal'' and, for example, would not occur merely upon stockholder approval of a merger transaction. A change in control must actually occur in order for the change in control provisions in the 2021 Plan to be triggered.
- ***No tax gross-ups.*** No participant is entitled under the 2021 Plan to any tax gross-up payments for any excise tax pursuant to Sections 280G or 4999 of the Code that may be incurred in connection with awards under the plan.

- ***Stock-ownership guidelines.*** Our Chief Executive Officer and our other named executive officers are subject to stock ownership guidelines as described in ''Compensation Discussion and Analysis — Policies and Risk Mitigation — Stock Ownership Guidelines'' earlier in this proxy statement.
- ***No repricings or cash buyout of ''underwater'' awards.*** Neither a repricing of options or stock appreciation right (''SAR'') awards, nor a cash buyout of underwater options or SARs, is permitted without stockholder approval, except for adjustments with respect to a change in control or an equitable adjustment in connection with certain corporate transactions.
- ***No evergreen provision.*** The 2021 Plan does not contain an ''evergreen'' feature pursuant to which the shares authorized for issuance under the plan can be increased automatically without stockholder approval.
- ***No ''reload'' options or stock appreciation rights.*** The 2021 Plan does not permit the use of reload options or stock appreciation rights which provide that the exercise of a stock option or stock appreciation right can automatically trigger the grant of a new stock option or stock appreciation right.
- ***No Transferability.*** Awards generally may not be transferred, except by the laws of decent and distribution.

Grant Practices and Key Data. When determining the number of shares authorized for issuance under the 2021 Plan, the Board and the Compensation Committee carefully considered the potential dilution to our current stockholders and projected future share usage needs for the Company to be able to make competitive grants to participants. Specifically, the Board and the Compensation Committee considered a number of factors, including our conservative historical and projected share usage. Burn rate (which is defined as the gross number of equity-based awards granted during a calendar year divided by the weighted average number of shares of common stock outstanding during the year) is a measure of share utilization in equity plans and an important factor for investors concerned about shareholder dilution. Under the Company's current equity incentive program implemented in 2020, our annual burn rate for 2020 was 1.96%. Our annual equity grants made in February 2021 were consistent with this program. Based on our conservative usage of shares authorized for issuance under the 2016 Plan and our reasonable expectation of future equity usage, we believe that the number of shares being requested for authorization under the 2021 Plan will last 4 to 5 years, depending on factors such as stock price movement, participation levels and corporate activities that could impact our grant practices.

Key Terms of the 2021 Plan

The following summary of the material terms of the 2021 Plan is qualified in its entirety by reference to the complete text of the 2021 Plan, which is attached hereto as Annex A. Capitalized terms used in this proposal that are not otherwise defined have the meanings given to them in the 2021 Plan.

Purpose

The purpose of the 2021 Plan is to foster the ability of the Company and its subsidiaries to attract, motivate and retain key personnel and enhance stockholder value through the use of certain equity and cash incentive compensation opportunities.

Eligibility

Awards under the 2021 Plan may be made to any present or future directors, officers, employees, consultants and other personnel of the Company or a subsidiary. As of December 31, 2020, it is expected that approximately 13,648 officers, employees, consultants and other personnel of the Company and all six of our non-employee directors who are expected to continue to serve as directors following the 2021 Annual Meeting will be eligible to participate in the 2021 Plan.

Shares Subject to the 2021 Plan

If approved, the 2021 Plan would authorize us to issue a total of 5,000,000 shares of common stock. Up to 5,000,000 shares of common stock may be issued under the 2021 Plan covering a stock option granted as an ''incentive stock option'' (within the meaning of Section 422 of the Internal Revenue Code of 1986).

Shares of common stock subject to an award that is forfeited, expires, terminates or is settled for cash (in whole or in part), to the extent of such forfeiture, expiration, termination or cash settlement will be available for future grants of awards under the 2021 Plan and will be added back in the same number of shares of common stock as were deducted in respect of such award. The payment of dividend equivalent rights in cash in conjunction with any outstanding awards will not be counted against the shares of common stock available for issuance under the 2021 Plan. Shares of common stock tendered by an award holder, repurchased by the Company using proceeds from the exercise of stock options, reserved for issuance upon grant of stock-settled stock appreciation rights to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the stock appreciation rights or withheld by the Company in payment of the exercise price of a stock option or to satisfy any tax withholding obligation for an award will not again be available for awards under the 2021 Plan.

Limitations on Director Awards

The maximum value of awards that can be granted during any calendar year to any non-employee director, solely with respect to his or her service as a member of the board, is $800,000.

Minimum Vesting Requirements

No awards granted under the 2021 Plan shall vest or be exercisable (in the case of stock options and stock appreciation rights) earlier than the date that is one year following the date the award is granted; provided, however, (1) the Compensation Committee may provide that such restrictions may lapse or be waived upon the recipient's death or disability or termination of service, or in connection with a change in control, (2) awards that result in the issuance of an aggregate of up to five percent (5%) of the shares of common stock that may be authorized for grant (as such authorized number of shares of common stock may be adjusted as provided under the terms of the 2021 Plan) may be granted without respect to such minimum vesting provision, and (3) awards may be granted to non-employee directors without respect to such minimum vesting provision.

Administration

The 2021 Plan will generally be administered by the Compensation Committee. The Compensation Committee will have the full power and authority to: (1) select the persons to whom awards under the 2021 Plan will be made and when such awards will be made, (2) prescribe the types of awards to be granted and the terms and conditions of each such award and make amendments thereto, (3) construe, interpret and apply the provisions of the 2021 Plan and of any award agreement evidencing an award hereunder (each, an ''Award Agreement'') or other document governing the terms of an award made under the 2021 Plan, (4) make any and all determinations and take any and all other actions as it deems necessary or desirable in order to carry out the terms of the 2021 Plan and any award, (5) prescribe, amend and rescind rules and regulations relating to the 2021 Plan, including rules governing the Compensation Committee's own operations, or rules applicable to award holders, (6) correct any defect, supply any omission and reconcile any inconsistency in the 2021 Plan, (7) accelerate the time or times at which (a) the award becomes vested, unrestricted or may be exercised or (b) shares of common stock are delivered under the award, (8) waive or amend any goals, restrictions, vesting provisions or conditions set forth in any Award Agreement, or impose new goals, restrictions, vesting provisions and conditions, (9) determine at any time whether awards may be settled in cash, shares of common stock, other securities or other property and (10) exercise all powers granted to it under the 2021 Plan.

Types of Awards

The types of awards that may be granted under the 2021 Plan are:

- ***Stock Options.*** The 2021 Plan permits the granting of stock options at such times and upon such vesting and other conditions as determined by the Compensation Committee. The purchase price per share of common stock covered by an option granted under the 2021 Plan may not be less than the Fair Market Value per share of common stock on the date the option is granted. The exercise price under an option which is intended to qualify as an ''incentive stock option'' granted to an employee who is a 10% stockholder may not be less than 110% of the Fair Market Value per share on the date the option is granted. Unless sooner terminated in accordance with its terms, an option will automatically expire on the tenth anniversary of the date it is granted (the fifth anniversary of the date it is granted in the case of an option which is intended to qualify as an ''incentive stock option'' granted to an employee who is a 10% stockholder).
- ***Stock Awards.*** The 2021 Plan permits the granting of restricted stock, deferred stock, stock units (whether in the form of restricted stock units or DSUs), stock bonus and other stock awards to such persons, at such times and upon such vesting and other conditions and restrictions as the Compensation Committee may determine. Unless otherwise determined by the Compensation Committee and set forth in the applicable Award Agreement, (1) the holder of a stock award will not be entitled to receive dividend payments (or, in the case of an award of stock units, dividend equivalent payments) with respect to the shares covered by the award and (2) the holder of shares of restricted stock may exercise voting rights pertaining to such shares.
- ***Other Equity-Based Awards.*** Under the 2021 Plan, the Compensation Committee may grant stock appreciation rights, dividend equivalent payment rights, phantom shares, phantom stock units, bonus shares and other forms of equity-based awards to eligible persons, subject to such terms and conditions as it may establish; *provided, however* that no dividend or dividend equivalent payment rights shall be attributable to awards of stock appreciation rights or stock options. The base price for a stock appreciation right granted under the 2021 Plan may not be less than the Fair Market Value per share of stock covered by the award at the time it is granted. Unless sooner terminated in accordance with its terms, a stock appreciation right will automatically expire on the tenth anniversary of the date it is granted. Awards made pursuant to this section may entail the transfer of shares of common stock to a participant or the payment in cash or other property determined with reference to shares of common stock.
- ***Cash Awards.*** Under the 2021 Plan, the Compensation Committee may grant awards in cash with the amount of the eventual payment subject to future service and such other restrictions and conditions as may be established by the Compensation Committee and set forth in the underlying agreement, including, but not limited to, continuous service with the Company and its subsidiaries, achievement of specific business objectives, increases in specified indices, attaining specified growth rates and other measurements of performance.

Performance-Based Equity and Cash Awards

Under the 2021 Plan, the Compensation Committee may condition the grant, exercise, vesting or settlement of equity-based awards or annual or long-term cash incentive awards on the achievement of specified performance goals over any time period specified by the Compensation Committee. Any performance goal established in connection with an award granted under the 2021 Plan may be based on any subjective or objective performance goal determined by the Compensation Committee in its discretion. The Compensation Committee, in its discretion, may determine to adjust any performance goals applicable to an award.

Dividends and Dividend Equivalents

To the extent dividends or dividend equivalents are included in an Award Agreement for an applicable award, the right to receive such dividends and dividend equivalent rights shall be subject to the same performance-based vesting conditions and/or service-vesting conditions, as applicable, as the underlying award, and no dividends or dividend equivalents shall be released to the award holder until the award to which they pertain has vested. For the avoidance of doubt, no dividends or dividend equivalent rights may be granted in connection with stock options or stock appreciation rights granted under the 2021 Plan.

Change in Control

If an award holder's employment or other service is terminated by the Company or any successor entity thereto without ''cause'' or by the award holder for ''good reason'' (as each such term is defined in the applicable Award Agreement or an award holder's executive transition agreement or employment agreement, if applicable) upon or within two (2) years after a ''change in control'' (as defined in the 2021 Plan), (1) each award granted to such award holder prior to such change in control will become fully vested (including the lapsing of all restrictions and conditions) and, as applicable, exercisable as of the date of such termination of employment or other service, and (2) any shares deliverable pursuant to stock units will be delivered promptly (but no later than fifteen (15) days) following such termination.

As of the change in control date, any outstanding performance-based awards will be deemed earned at the greater of the target level and the actual performance level through the change in control date for all open performance periods and will cease to be subject to any further performance conditions but will continue to be subject to time-based vesting following the change in control in accordance with the original vesting and/or performance period and subject to the provisions of clause (1) in the paragraph above.

Amendment and Termination

The Board may amend or terminate the 2021 Plan; *provided, however*, that no such action may adversely affect a holder's rights under an outstanding award without his or her written consent. Any amendment that would increase the aggregate number of shares of common stock issuable under the 2021 Plan, the maximum number of shares with respect to which options, stock appreciation rights or other equity awards may be granted to any employee in any calendar year, or that would modify the class of persons eligible to receive awards shall be subject to the approval of the Company's stockholders. The Compensation Committee may amend the terms of any agreement or award made under the 2021 at any time and from time to time, provided, however, that any amendment which would adversely affect a holder's rights under an outstanding award may not be made without his or her consent.

Clawback

Awards under the 2021 Plan will be subject to the Company's clawback policy described under ''Compensation Discussion and Analysis — Policies and Risk Mitigation — Clawback Policy'', or any other clawback or recapture policy that the Company may adopt from time to time to the extent provided in such policy, and, in accordance with such policy, may be subject to the requirement that the awards be repaid to the Company after they have been distributed to the award holder.

U.S. Federal Income Tax Consequences

The following is a brief description of the U.S. federal income tax consequences generally arising with respect to grants of awards under the 2021 Plan. This description is not intended to, and does not, provide or supplement tax advice to award participants. Participants are advised to consult with their own independent tax advisors with respect to the specific tax consequences that, in light of their particular circumstances, might arise in connection with their receipt of awards under the 2021 Plan, including any state, local or foreign tax consequences and the effect, if any, of gift, estate and inheritance taxes.

Incentive Stock Options

A participant will not recognize taxable income upon exercising an incentive stock option (an ''ISO''), provided that the participant was, without a break in service, an employee of the Company or one of its subsidiaries during the period beginning on the date of the grant of the option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Internal Revenue Code). Notwithstanding the foregoing, the alternative minimum tax may apply. Upon a disposition of shares acquired upon exercise of an ISO before the end of the applicable ISO holding periods, the participant generally will recognize ordinary income equal to the lesser of (a) the excess of the fair market value of the shares at the date of exercise of the ISO over the exercise price or (b) the amount realized upon the disposition of the ISO shares over the exercise price. Otherwise, a participant's disposition of shares acquired upon the exercise of an ISO for which the statutory holding periods (defined as on or after the later of (i) the second anniversary of the date of grant of the ISO and (ii) the first anniversary of the date of exercise of the ISO) are met generally will result in long-term capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares (the tax basis in the acquired shares of shares for which the ISO holding periods are met generally being the exercise price of the ISO).

Non-Qualified Stock Options and Stock Appreciation Rights

The grant of a non-qualified stock option (i.e., an option other than an ISO) or SAR will create no tax consequences at the grant date for the participant or the Company. Upon exercising such an option or SAR, the participant will recognize ordinary income equal to the excess of the fair market value of the vested shares (and/or cash or other property) acquired on the date of exercise over the exercise price and will be subject to FICA (Social Security and Medicare) tax in respect of such amounts. A participant's disposition of shares acquired upon the exercise of a non-qualified stock option or SAR generally will result in long- or short-term capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares (the tax basis in the acquired shares generally being the exercise price plus any amount recognized as ordinary income in connection with the exercise of the option).

Restricted Shares

A participant of restricted shares generally will not be subject to income taxation at grant. Instead, upon lapse of the restrictions, the participant will recognize ordinary income equal to the fair market value of the shares on the date of lapse. The participant's tax basis in the shares received will be equal to the fair market value of the shares on the date the restrictions lapse, and the participant's holding period in such shares begins on the day after the restrictions lapse.

Restricted Stock Units

A participant of a restricted stock unit (whether time-vested or subject to achievement of performance goals) will not be subject to income taxation at grant. Instead, the participant will be subject to income tax at ordinary rates on the fair market value of the shares (or the amount of cash) received on the date of delivery. The recipient will be subject to FICA (Social Security and Medicare) tax at the time any portion of such award is deemed vested for tax purposes. The fair market value of the shares (if any) received on the delivery date will be the participant's tax basis for purposes of determining any subsequent gain or loss from the sale of the shares, and the recipient's holding period with respect to such shares will begin at the delivery date. Gain or loss resulting from any sale of shares delivered to a participant will be treated as long- or short-term capital gain or loss depending on the holding period. If any dividend equivalent amounts are provided to the participant, they will be includible in the participant's income as additional compensation (and not as dividend income) and will be subject to income and employment tax withholding.

Disposition of Shares

Unless stated otherwise above, upon the subsequent disposition of shares acquired under any of the preceding awards, a participant will recognize capital gain or loss based upon the difference between the amount realized on such disposition and the participant's basis in the shares, and such amount will be long-term capital gain or loss if such shares were held for more than 12 months. Capital gain is generally taxed at a maximum rate of 20% if the property is held more than one year.

Cash Awards

A participant who receives a cash award will not recognize any taxable income for federal income tax purposes at grant, provided that no cash is actually paid at the time of grant. Upon the payment of any cash in satisfaction of the cash incentive award, the participant will realize ordinary income in an amount equal to the cash award received and the Company will be entitled to a corresponding deduction.

Deduction

The Company generally will be entitled to a tax deduction equal to the amount recognized as ordinary income by the recipient in connection with the delivery of shares pursuant to a restricted stock unit or a performance stock unit, the exercise of an option or SAR or the lapse of restrictions on restricted shares. The Company will not be entitled to any tax deduction with respect to an ISO if the recipient holds the shares for the ISO holding periods prior to disposition of shares and is generally not entitled to a tax deduction for any award with respect to any amount that represents compensation in excess of $1 million paid to ‘‘covered employees’’ under Section 162(m) of the Internal Revenue Code.

New Plan Benefits

Awards granted under the 2021 LTIP will be subject to the Compensation Committee's discretion and, other than the February 2021 Awards, the Compensation Committee has not determined awards under the 2021 LTIP or who might receive them. As a result, the additional benefits that will be awarded or paid under the 2021 LTIP are not currently determinable. The February 2021 Awards and DSUs awarded in respect of 2020 service would not have changed in the 2021 LTIP had it been in place instead of the 2016 LTIP and are set forth in the following table.

NEW PLAN BENEFITS
Rent-A-Center, Inc. 2021 Long-Term Incentive Plan

Name and Position	Dollar Value ($)(1)	Number of Restricted Stock Units	Number of Performance Stock Units(2)	Number of Deferred Stock Units
Mitchell Fadel *Chief Executive Officer*	$5,935,591	24,995	77,768	—
Maureen Short *Executive Vice President — Chief Financial Officer*	$845,144	3,559	11,073	—
Ann Davids *Executive Vice President — Chief Customer and Marketing Officer*	$398,544	1,678	5,222	—
Jason Hogg *Executive Vice President — Acima*	$2,031,592	8,555	26,618	—
Catherine Skula *Executive Vice President — Chief Development Officer*	$421,879	1,777	5,527	—
All current executive officers, as a group (7 persons)	$10,539,756	44,384	138,091	—
All non-employee directors, as a group (6 persons)(3)	$1,222,034	—	—	41,293
All non-executive officer employees, as a group	$9,870,606	70,761	100,129	—

(1) *For all employees, the dollar value reflects the number of restricted stock units and performance stock units granted in February 2021 multiplied by $57.76, which was the closing price of our common stock on the Nasdaq Global Select Market on the date of grant. For non-employee directors, the dollar value reflects the value of DSUs awarded in respect of 2020 service, as described in "Corporate Governance — Director Compensation."*

(2) *For all employees, the number of shares underlying the performance stock units reflects target payout. At maximum payout, the number of shares would increase by 100%. For additional information about how performance stock units are earned, see "Compensation Discussion and Analysis — Executive Summary — 2020 Executive Compensation Highlights."*

(3) *Includes DSUs awarded to Mr. Gade, who will retire from the Board following the 2021 Annual Meeting, in respect of his 2020 service. The group excludes Mr. Silver, who was appointed to the Board in January 2021 and did not receive any compensation in respect of 2020.*

PROPOSAL FIVE: APPROVAL OF THE DECLASSIFICATION AMENDMENTS

Upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors adopted, subject to stockholder approval, the Declassification Amendments, which consist of amendments to Article FIFTH of the Company's Certificate of Incorporation to effectuate the declassification of the Board of Directors following the 2021 Annual Meeting.

To facilitate the declassification of the Board of Directors in a timely matter (following approval of the Declassification Amendments by stockholders), each current member of the Board (other than Mr. Gade, who will retire following the 2021 Annual Meeting) — including the Class III director nominees nominated by the Board in this proxy statement for election at the 2021 Annual Meeting (the ''Class III Director Nominees'') should they be elected at the 2021 Annual Meeting — has previously committed to tender his or her resignation following the 2021 Annual Meeting if he or she is a member of the Board at that time, and each such director (including the Class III Director Nominees should they be elected at the 2021 Annual Meeting) will subsequently be reappointed to the declassified Board by the remaining members of the Board such that each member of the Board will serve a one-year term following the 2021 Annual Meeting and stand for election annually, beginning at the Company's 2022 annual meeting of stockholders (the ''Accelerated Declassification Plan'').

Description of the Proposed Declassification Amendments

Currently, the Company's Certificate of Incorporation provides that the Board be divided into three classes with the number of directors in each class being as nearly equal as reasonably possible. Accordingly, approximately one-third of the directors are elected annually, each serving a three-year term.

The proposed Declassification Amendments provide that each director elected at each annual meeting of stockholders, beginning with the 2022 Annual Meeting, will serve a one-year term expiring at the following annual meeting of stockholders and until his or her respective successor is duly elected and qualified, or until his or her earlier death, resignation, disqualification or removal.

Accordingly, if the proposed Declassification Amendments are approved by stockholders, as soon as practicable following the 2021 annual meeting, each director will, according to the Accelerated Declassification Plan, tender his or her resignation and will subsequently be reappointed to the declassified Board by the remaining members of the Board such that each member of the Board will serve a one-year term following the 2021 Annual Meeting and stand for election annually, beginning at the Company's 2022 annual meeting of stockholders and until his or her successor is duly elected and qualified or until his or her earlier death, resignation, disqualification or removal.

Under the Company's existing Certificate of Incorporation, and Delaware law (unless the certificate of incorporation provides otherwise), directors of companies that have a classified board of directors may be removed only for cause. Delaware law requires that directors of companies that do not have a classified board must be removable with or without cause. Accordingly, if the proposed Declassification Amendments are approved, any director elected at or after the 2021 Annual Meeting (after giving effect to the Accelerated Declassification Plan) may be removed from office at any time, with or without cause, by the affirmative vote of the holders of a majority of the shares then entitled to vote at an election of directors, voting together as a single class.

Reasons for Declassifying the Board of Directors

The Board considered a number of factors that favor continuing with a classified board structure, as well as a number of factors that favor adopting a declassified board structure. Ultimately, after weighing the various factors, the Board determined that it would be in the best interests of the Company and its stockholders to declassify the Board by amending the Certificate of Incorporation as set forth in Annex B to give effect to the Declassification Amendments.

A classified board structure has a number of advantages. It allows a majority of the board to remain in place from year to year, which promotes continuity and stability and encourages the board to plan for long-term goals. Further, at any one time, approximately two-thirds of the elected board has experience with the business and operations of the company it manages.

The Board also recognizes that a classified board structure can be viewed as diminishing a board's accountability to stockholders, because such structure does not enable stockholders to express a view on each director's performance by means of an annual vote. Annual voting allows stockholders to express their views on the individual performance of each director and on the entire board of directors more frequently than with a classified board structure, which provides stockholders a more active role in shaping and implementing corporate governance policies. Moreover, many institutional investors believe that the election of directors is the primary means for stockholders to influence corporate governance policies and to hold management accountable for implementing those policies. Public companies with classified boards also face increased scrutiny from proxy advisory firms.

After weighing the factors above, among others, the Board determined that retaining a classified board structure is no longer in the best interests of the Company and its stockholders. For this reason, the Board approved and declared advisable an amendment to the Company's Certificate of Incorporation giving effect to the Declassification Amendments, a form of which is attached hereto and incorporated by reference herein as Annex B, and recommends that our stockholders vote to approve the adoption of such Declassification Amendments.

If the stockholders approve the adoption of the Declassification Amendments, such amendments to our Certificate of Incorporation will become effective upon the filing of a Certificate of Amendment (giving effect to the Declassification Amendments) with the Secretary of State of the State of Delaware. We intend to file the Certificate of Amendment to effect the Declassification Amendments as soon as practicable following the 2021 Annual Meeting after the requisite vote for this proposal is obtained. After the filing of the Certificate of Amendment and implementing the Accelerated Declassification Plan, every director will stand for election at the 2022 annual meeting of stockholders (and thereafter) for one-year terms.

Vote Required

Approval of the adoption of the Declassification Amendments to eliminate the classified Board requires the affirmative vote of the holders of at least eighty percent (80%) of the common stock of the Company issued and outstanding as of the record date for the 2021 Annual Meeting.

Our Board of Directors recommends that you vote ''FOR'' the approval of the Declassification Amendments.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the common stock ownership for each of our directors, each of the named executive officers, all of our directors and executive officers as a group, and each of our known holders of 5% of our common stock. Beneficial ownership is determined in accordance with SEC rules and regulations. Unless otherwise indicated and subject to community property laws where applicable, we believe that each of the stockholders named in the table below has sole voting and investment control with respect to the shares indicated as beneficially owned. Information in the table is as of April 5, 2021, unless otherwise indicated.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Stock
Jeffrey Brown	101,819(1)	*
Ann Davids	40,546	*
Mitchell Fadel	415,230(2)	*
Michael Gade	61,737(3)	*
Christopher Hetrick	46,212(4)	*
Jason Hogg	—	*
Harold Lewis	9,689(5)	*
Glenn Marino	7,935(5)	*
Carol McFate	12,912(5)	*
Maureen Short	135,936	*
B.C. Silver	2,778(5)	*
Catherine Skula	94,161(6)	*
All executive officers and directors as a group (14 total)	**976,721**	**1.5%**
BlackRock, Inc.	7,735,401(7)	11.7%
The Vanguard Group	7,214,667(8)	10.9%

* *Less than 1%.*

(1) *Includes 54,054 DSUs.*

(2) *Includes 5,256 DSUs.*

(3) *Includes 57,737 DSUs. Mr. Gade has determined not to stand for re-election at the 2021 Annual Meeting and will retire as a director at that time.*

(4) *Includes 32,487 DSUs and 13,725 shares of our common stock owned by Mr. Hetrick in his personal capacity. In addition, as an affiliate of Engaged Capital, LLC, Mr. Hetrick may be deemed to be a member of a Section 13(d) group that may be deemed to collectively beneficially own 2,918,609 shares held by funds affiliated with Engaged Capital, LLC (according to a Schedule 13D/A filed by Engaged Capital, LLC with the SEC on August 25, 2020).*

(5) *Comprised solely of DSUs.*

(6) *Includes 103 shares held under the Company's deferred compensation plan.*

(7) *The address of BlackRock, Inc. is 55 East 52nd Street, New York, New York, 10055. BlackRock, Inc. exercises sole voting control over 7,616,178 of these shares and sole investment control over all 7,735,401 shares. This information is based on a Schedule 13G/A filed by BlackRock, Inc. with the SEC on January 26, 2021.*

(8) *The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. The Vanguard Group exercises sole voting control over none of these shares, shared voting control over 108,316 of these shares, sole investment control over 7,068,479 of these shares, and shared investment control over 146,188 of these shares. This information is based on a Schedule 13G/A filed by The Vanguard Group with the SEC on February 10, 2021.*

For each of the named executive officers and his or her ownership as reported in the table above, the following table sets forth: (1) common stock underlying restricted stock units that may vest within 60 days of April 5, 2021, (2) common stock underlying performance stock units that may vest within 60 days of April 5, 2021, assuming 100% of the target performance is achieved and (3) shares issuable upon the exercise of outstanding stock options that are exercisable within 60 days of April 5, 2021.

Name	Common Stock Underlying Restricted Stock Units	Common Stock Underlying Performance Stock Units	Shares Issuable Upon Exercise of Options
Mitchell Fadel	—	—	148,624
Maureen Short	—	—	53,606
Ann Davids	—	—	16,543
Jason Hogg	—	—	—
Catherine Skula	—	—	24,444

OTHER INFORMATION

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 and related rules of the SEC require our directors and Section 16 officers, and persons who own more than 10% of a registered class of our equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) reports that they file. Based on a review of reports filed by those persons, and upon representations from those persons, we believe that all SEC stock ownership reports required to be filed by those reporting persons during and with respect to 2020 were timely made except for three Form 4s in respect of three transactions by Mr. Brown, two Form 4s in respect of two transactions by Mr. Gade, one Form 4 in respect of one transaction by Mr. Hetrick, one Form 4 in respect of one transaction by Mr. Marino, two Form 4s in respect of two transactions by Ms. McFate, one Form 4 in respect of three transactions by Ms. Short and one Form 4 in respect of one transaction by Ms. Skula. Such late filings were the result of administrative error that occurred in connection with the transition of the corporate secretary function of the Company during 2020.

Annual Report on Form 10-K

The Company has filed with the SEC an Annual Report on Form 10-K for the year ended December 31, 2020 (which is not a part of the Company's proxy soliciting materials), a copy of which is available on our website at https://investor.rentacenter.com/financial-information/sec-filings. The Company will provide without charge a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 upon the written request of a stockholder to Corporate Secretary, Rent-A-Center, Inc., 5501 Headquarters Drive, Plano, Texas 75024.

''Householding'' of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (for example, brokers) to satisfy the delivery requirements for proxy statements, annual reports and Notices with respect to two or more stockholders sharing the same address by delivering a single copy of any such proxy statement, annual report or Notice addressed to those stockholders. This process, which is commonly referred to as ''householding,'' potentially provides extra convenience for stockholders and cost savings for companies. If you are an affected shareholder and no longer wish to participate in householding, or if you are receiving multiple copies of the proxy statement or the Notice and wish to receive only one, please notify your broker if your shares are held in a brokerage account, or the Company if you are the record holder of your shares. Such a notification to the Company may be submitted to the Rent-A-Center Legal Department in writing at Attn: Legal Department, Rent-A-Center, Inc., 5501 Headquarters Drive, Plano, Texas 75024, or by calling 972-801-1100. Additionally, we will deliver promptly to any affected stockholder, upon his or her written request made to the address in the preceding sentence, an additional copy of the proxy statement, annual report and/or Notice.

Submission of Stockholder Proposals

From time to time, stockholders may seek to nominate directors or present proposals for inclusion in the proxy statement and form of proxy for consideration at an annual stockholders meeting. To be included in the proxy statement or considered at an annual or any special meeting, you must timely submit nominations of directors or proposals, in addition to meeting other legal requirements.

We must receive proposals for possible inclusion in the Company's proxy statement related to the 2022 annual stockholders meeting no later than December 27, 2021 and such proposals must otherwise comply with Rule 14a-8 under the Exchange Act.

Pursuant to our Bylaws, subject to certain limited exceptions, other proposals for possible consideration at the 2022 annual stockholders meeting, including proposals for the nomination of one or more directors, must be received in writing by us no earlier than the close of business on February 8, 2022, and no later than the close of business on March 10, 2022. Any such proposal must be in proper form as specified in our Bylaws, must be submitted by a stockholder of the Company meeting the requirements set forth in our Bylaws and must comply with the rules of the SEC concerning stockholder proposals.

Direct any proposals, as well as related questions, to Corporate Secretary, Rent-A-Center, Inc., 5501 Headquarters Drive, Plano, Texas 75024.

Other Business

The Board does not intend to bring any business before the annual stockholders meeting other than the matters referred to in this proxy statement and at this date has not been informed of any matters that may be presented to the annual stockholders meeting by others. If, however, any other matters properly come before the annual stockholders meeting, or any adjournments or postponement thereof, it is intended that the persons named in the accompanying proxy will vote pursuant to the proxy in accordance with their best judgment on such matters.

PLEASE VOTE — YOUR VOTE IS IMPORTANT

Annex A:
2021 Long-Term Incentive Plan

(*See attached*)

RENT-A-CENTER, INC.
2021 LONG-TERM INCENTIVE PLAN

1. Purpose. The purpose of the Rent-A-Center, Inc. 2021 Long-Term Incentive Plan (as amended from time to time, the ''Plan'') is to foster the ability of Rent-A-Center, Inc. (the ''Company'') and its subsidiaries to attract, motivate and retain key personnel and enhance stockholder value through the use of certain equity and cash incentive compensation opportunities. The Plan replaces the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (the ''Prior Plan'') for Awards granted after the Effective Date. Awards may not be granted under the Prior Plan beginning on the Effective Date and any awards that remain outstanding under the Prior Plan as of the Effective Date shall be settled under the Plan, subject to their original terms and conditions and the Prior Plan shall be terminated as of the Effective Date.

2. Administration.

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

(b) Responsibility and Authority of Committee. Subject to the provisions of the Plan, the Committee, acting in its discretion, will have responsibility and full power and authority to (i) select the persons to whom Awards under the Plan (''Awards'') will be made and when such Awards will be made, (ii) prescribe the types of Awards to be granted and the terms and conditions of each such Award and make amendments thereto, (iii) construe, interpret and apply the provisions of the Plan and of any Award Agreement evidencing an Award hereunder (each, an ''Award Agreement'') or other document governing the terms of an Award made under the Plan, (iv) make any and all determinations and take any and all other actions as it deems necessary or desirable in order to carry out the terms of the Plan and any Award, (v) prescribe, amend and rescind rules and regulations relating to the Plan, including rules governing the Committee's own operations, rules applicable to Award holders, (vi) correct any defect, supply any omission and reconcile any inconsistency in the Plan, (vii) accelerate the time or times at which (A) the Award becomes vested, unrestricted or may be exercised or (B) shares of Common Stock are delivered under the Award, (viii) waive or amend any goals, restrictions, vesting provisions or conditions set forth in any Award Agreement, or impose new goals, restrictions, vesting provisions and conditions, (ix) determine whether, to what extent and under what circumstances and method or methods Awards may be settled in cash, Shares of Common Stock, other securities, other Award or other Property and (x) exercise all powers granted to it under the Plan. Notwithstanding the foregoing, the Company's board of directors (the ''Board'') will have sole responsibility and authority for matters relating to the grant and administration of Awards to non-employee directors, and reference herein to the Committee with respect to any such matters will be deemed to refer to the Board. In exercising its responsibilities under the Plan, the Committee may obtain at the Company's expense such advice, guidance and other assistance from outside compensation consultants and other professional advisers as it deems appropriate.

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

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

(e) Indemnification. The Company shall indemnify and hold harmless each member of the Committee or subcommittee appointed by the Committee and any employee or director of the Company or of a subsidiary to whom any duty or power relating to the administration or interpretation of the Plan is delegated from and against any loss, cost, liability (including any sum paid in settlement of a claim with the approval of the Board), damage and expense, including legal and other expenses incident thereto, arising out of or incurred in connection with the such person's services under the Plan, unless and except to the extent attributable to such person's fraud or willful misconduct. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which Committee member may otherwise be entitled under the Company's organizational documents, pursuant to any individual indemnification agreements between such Committee member and the Company, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

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

4. Limitations on Plan Awards.

(a) Aggregate Share Limitations. The aggregate number of shares of the Company's common stock, par value $0.01 per share (the ''Common Stock''), that may be issued pursuant to Awards granted under the Plan shall not exceed 5,000,000 shares of Common Stock. Up to 5,000,000 shares of Common Stock (as adjusted pursuant to Section 13 below) may be issued under the Plan covering a stock option granted as an ''incentive stock option'' (within the meaning of Section 422 of the Internal Revenue Code of 1986). Shares of Common Stock subject to awards that are assumed, converted or substituted under the Plan as a result of the Company's acquisition of another company (including by way of merger, combination or similar transaction) (''Acquisition Awards'') will not count against the number of shares of Common Stock that may be granted under the Plan or be subject to the minimum vesting provisions in Section 11 below. Available shares under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan (subject to Nasdaq rules) and do not reduce the maximum number of shares of Common Stock available for grant under the Plan.

(b) Replacement of Shares. Shares of Common Stock subject to an Award that is forfeited, expires, terminates or is settled for cash (in whole or in part), to the extent of such forfeiture, expiration, termination or cash settlement will be available for future grants of Awards under the Plan and will be added back in the same number of shares of Common Stock as were deducted in respect of such Award. The payment of dividend equivalent rights in cash in conjunction with any outstanding Awards will not be counted against the shares of Common Stock available for issuance under the Plan. Shares of Common Stock tendered by an Award holder, repurchased by the Company using proceeds from the exercise of stock options, reserved for issuance upon grant of stock-settled stock appreciation rights to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the stock appreciation rights or withheld by the Company in payment of the exercise price of a stock option or to satisfy any tax withholding obligation for an Award will not again be available for Awards under the Plan.

(d) Director Award Limitations. Aggregate Awards to any one non-employee director in respect of any calendar year, solely with respect to his or her service as a director, may not exceed $800,000 based on the aggregate value of cash fees, cash-based Awards and Fair Market Value of stock-based Awards, in each case determined as of the grant date.

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

(a) Minimum Exercise Price. The purchase price per share of Common Stock covered by an option granted under the Plan may not be less than the Fair Market Value per share of Common Stock on the date the option is granted. For purposes of the Plan, ''Fair Market Value'' means: (i) if the Common Stock is listed on an established stock exchange or traded on the Nasdaq Stock Market, the closing sales price (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable, and (ii) if not so reported, as determined in accordance with a valuation methodology approved by the Committee. The exercise price under an option which is intended to qualify as an ''incentive stock option'' (within the meaning of Section 422 of the Internal Revenue Code of 1986) granted to an employee who is a 10% stockholder within the meaning of Section 422(b)(6) of the Code, may not be less than 110% of the Fair Market Value per share on the date the option is granted.

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

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

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

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

6. Stock Awards. Subject to the Plan, the Committee may grant restricted stock, deferred stock, stock units (whether in the form of restricted stock units or deferred stock units), stock bonus and other stock Awards to such persons, at such times and upon such vesting and other conditions and restrictions as the Committee, acting in its discretion, may determine.

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

(b) Stock Certificates for Vested Stock. As determined by the Committee in its discretion, the recipient of a stock Award which is vested at the time of grant or which thereafter becomes vested may be evidenced by book entry on the Company's stock transfer records or may be entitled to receive a stock certificate, free and clear of conditions and restrictions (except as may be imposed in order to comply with applicable law) for the shares covered by such vested Award, subject to the payment or satisfaction of applicable tax withholding obligations and, in the case of shares covered by a vested stock unit Award, subject to applicable deferral conditions permitted by Section 409A of the Code.

(c) Rights as a Stockholder. Unless otherwise determined by the Committee and set forth in the applicable Award Agreement, (i) the holder of a stock Award will not be entitled to receive dividend payments (or, in the case of an Award of stock units, dividend equivalent payments) with respect to the shares covered by the Award and (ii) the holder of shares of restricted stock may exercise voting rights pertaining to such shares.

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

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

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

9. Performance-Based Equity and Cash Awards.

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

(b) Performance Goals. Any performance goal established in connection with an Award granted under the Plan may be based on any subjective or objective performance goal determined by the Committee in its discretion. The Committee, in its discretion, may determine to adjust any performance goals applicable to an Award.

(c) Calculation of Performance-Based Award. At the expiration of the applicable performance period, the Committee shall determine the extent to which the performance goals established pursuant to this Section 9 have been achieved and the extent to which each performance-based Award has been earned. The Committee may exercise its discretion to increase or decrease the amount or value of an Award that would otherwise be payable in accordance with the terms of a performance-based Award granted under the Plan.

10. Dividends and Dividend Equivalents. To the extent dividends or dividend equivalents are included in an Award Agreement for an applicable Award, the right to receive such dividends and dividend equivalent rights shall be subject to the same performance-vesting conditions and/or service-vesting conditions, as applicable, as the underlying Award, and no dividends or dividend equivalents shall be released to the Award holder until the Award to which they pertain has vested. For the avoidance of doubt, no dividends or dividend equivalent rights may be granted in connection with stock options or stock appreciation rights granted under the Plan.

11. Minimum Vesting Period. Notwithstanding any other provision of the Plan to the contrary, no Awards granted under the Plan, shall vest or be exercisable (in the case of stock options and stock appreciation rights), earlier than the date that is one year following the date the Award is granted; provided, however, that, notwithstanding the foregoing, (a) the Committee may provide that such restrictions may lapse or be waived upon the recipient's death or disability or termination of service, or in connection with a Change in Control (as defined in Section 13(b) below), (b) Awards that result in the issuance of an aggregate of up to five percent (5%) of the shares of Common Stock that may be authorized for grant under Section 4 (as such authorized number of shares of Common Stock may be adjusted as provided under the terms of the Plan) may be granted without respect to such minimum vesting provision, and (c) Awards may be granted to non-employee directors without respect to such minimum vesting provision.

12. Prohibition on Stock Option and Stock Appreciation Right Repricing. Except as provided in Section 13 (Adjustments; Change in Control), the Committee may not, without prior approval of the Company's stockholders, effect any repricing of any previously granted ''underwater'' stock option or stock appreciation right by: (a) amending or modifying the terms of the stock option or stock appreciation right to lower the exercise price; or (b) canceling the underwater stock option or stock appreciation right and granting either (i) replacement stock options or stock appreciation rights having a lower exercise price, or (ii) restricted stock, restricted stock units, or other stock-based award in exchange, or (iii) cancelling or repurchasing the underwater stock options or stock appreciation rights for cash or other securities. A stock option or stock appreciation right will be deemed to be ''underwater'' at any time when the Fair Market Value of the shares of Common Stock covered by such Award is less than the exercise price or base price of the Award.

13. Adjustments; Change in Control.

(a) Adjustments Upon Changes in Capitalization. The aggregate number and class of shares issuable under the Plan, the maximum number of shares with respect to which options, stock appreciation rights and other equity Awards may be granted to or earned by any employee in any calendar year, the number and class of shares and the exercise price or base price per share covered by each outstanding option and stock appreciation right, and the number and class of shares covered by each outstanding stock Award or other-equity-based Award, and any per-share base or purchase price or target market price included in the terms of any such Award, and related terms shall be adjusted by the Board or the Committee in such manner as it deems appropriate (including, without limitation, by payment of cash) to reflect any increase or decrease in the number of issued shares of Common Stock resulting from a recapitalization, stock split, reverse stock split, stock dividend, spinoff, split up, combination, reclassification or exchange of shares, merger, consolidation, rights offering, separation, reorganization or liquidation or any other change in the corporate structure or shares, including any extraordinary dividend or extraordinary distribution, and/or to reflect a change in the character or class of shares covered by the plan arising from a readjustment or recapitalization of the Company's capital stock.

(b) Change in Control.

(i) If an Award holder's employment or other service is terminated by the Company or any successor entity thereto without ''cause'' or by the Award holder for ''good reason'' (as each such term is defined in the applicable Award Agreement or an Award holder's executive transition agreement or employment agreement, if applicable) upon or within two (2) years after a Change in Control, (A) each Award granted to such Award holder prior to such Change in Control will become fully vested (including the lapsing of all restrictions and conditions) and, as applicable, exercisable as of the date of such termination of employment or other service, and (B) any shares deliverable pursuant to stock units will be delivered promptly (but no later than fifteen (15) days) following such termination.

(ii) As of the Change in Control date, any outstanding performance-based Awards will be deemed earned at the greater of the target level and the actual performance level through the Change in Control date for all open performance periods and will cease to be subject to any further performance conditions but will continue to be subject to time-based vesting following the Change in Control in accordance with the original vesting and/or performance period and subject to the provisions of clause (i) above.

(iii) Notwithstanding the foregoing, in the event of a Change in Control, an Award holder's Award will be treated, to the extent determined by the Committee to be permitted under Section 409A, in accordance with one or more of the following methods as determined by the Committee in its discretion: (A) settle such Awards for fair value (as determined in the discretion of the Committee), which in the case of options and stock appreciation rights, may equal the excess, if any, of the value of the consideration to be paid in the Change in Control transaction to holders of the same number of shares of Common Stock subject to such options or stock appreciation rights over the aggregate exercise price of such options or stock appreciation rights, as the case may be; (B) provide for the assumption of or the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted under the Plan, as determined by the Committee in its discretion; or (C) provide that for a period of at least twenty (20) days prior to the Change in Control, any options or stock appreciation rights that would not otherwise become exercisable prior to the Change in Control will be exercisable as to all shares of Common Stock subject thereto (but any such exercise will be contingent upon and subject to the occurrence of the Change in Control and if the Change in Control does not take place within a specified period after giving such notice for any reason whatsoever, the exercise will be null and void) and that any options or stock appreciation rights not exercised prior to the consummation of the Change in Control will terminate and be of no further force and effect as of the consummation of the Change in Control. In the event that the consideration paid in the Change in Control includes contingent value rights, the Committee will determine if Awards settled under clause (A) above are (1) valued at closing taking into account such contingent value rights (with the value determined by the Committee in its sole discretion) or (2) entitled to a share of such contingent value rights. For the avoidance of doubt, in the event of a Change in Control where all options and stock appreciation rights are settled for an amount (as determined in the sole discretion of the Committee) of cash or securities, the Committee may, in its sole discretion, terminate any option or stock appreciation right for which the exercise price is equal to or exceeds the per share value of the consideration to be paid in the Change in Control transaction without payment of consideration therefor. Similar actions to those specified in this clause (iii) may be taken in the event of a merger or other corporate reorganization that does not constitute a Change in Control.

(c) ''Change in Control'' *means the occurrence of any of the following:*

(i) any ''person'' (as that term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the ''Exchange Act'')), is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities representing 30% or more of the combined voting power of the then outstanding securities of the Company eligible to vote for the election of the members of the Board (the ''Company Voting Securities''), unless (A) such person is the Company, (B) such person is an employee benefit plan (or a trust which is a part of such a plan) which provides benefits exclusively to, or on behalf of, employees or former employees of the Company, (C) such person is the Award holder, an entity controlled by the Award holder or a group which includes the Award holder, or (D) such person acquired such securities in a Non-Qualifying Transaction (as defined in clause (iv) below);

(ii) during any period of not more than twelve (12) months, individuals who constitute the Board as of the beginning of the period (the ''Incumbent Directors'') cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period, whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the Company's proxy statement in which such person is named as a nominee for director, without written objection to such nomination) will be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or publicly threatened election contest with respect to directors or as a result of any other actual or publicly threatened solicitation of proxies by or on behalf of any person other than the Board will be deemed to be an Incumbent Director;

(iii) any dissolution or liquidation of the Company or any sale or the disposition of all or substantially all of the assets or business of the Company; or

(iv) the consummation of any reorganization, merger, consolidation or share exchange or similar form of corporate transaction involving the Company (a ''Business Combination''), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the ''Surviving Entity''), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 95% of the voting power, is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the parent), is or becomes the beneficial owner, directly or indirectly, of 30% or more of the total voting power of the outstanding voting securities eligible to elect directors of the parent (or, if there is no parent, the Surviving Entity) and (C) at least a majority of the members of the board of directors of the parent (or, if there is no parent, the Surviving Entity) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) of this clause (iv) will be deemed to be a ''Non-Qualifying Transaction'').

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

(e) Determination of Board or Committee to be Final. All adjustments under this Section 13 shall be made by the Board or the Committee, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

14. Tax Withholding. As a condition to the exercise or settlement of any Award, or in connection with any other event that gives rise to a tax withholding obligation on the part of the Company or a subsidiary relating to an Award, the Company and/or the subsidiary may (a) deduct or withhold (or cause to be deducted or withheld) from any payment or distribution to the recipient of an Award,

whether or not made pursuant to the Plan or (b) require the recipient to remit cash (through payroll deduction or otherwise), in each case in an amount sufficient in the opinion of the Company to satisfy such withholding obligation. If the event giving rise to the withholding obligation involves a transfer of shares of stock, then, at the discretion of the Committee, the recipient may satisfy the applicable tax withholding obligation by electing to have the Company withhold shares of stock or by tendering previously-owned shares, in each case having a Fair Market Value equal to the amount of tax to be withheld (or by any other mechanism as may be required or appropriate to conform with local tax and other rules).

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

16. General Provisions.

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

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

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

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

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

(f) Non-Uniform Determinations. The Board's and the Committee's determinations under the Plan and Award Agreements need not be uniform and any such determinations may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Board and the Committee will be entitled, among other things, to make non-uniform and selective determinations under Award Agreements, and to enter into non-uniform and selective Award Agreements, as to (i) the persons to receive Awards, (ii) the terms and provisions of Awards and (iii) whether an Award holder's employment or other service has been terminated for purposes of the Plan.

(g) Section 409A. The Plan is intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the ''short-term deferral period'' as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six-month period immediately following the Award recipient's ''separation from service'' as defined in Section 409A of the Code shall instead be paid on the first payroll date after the six-month anniversary of the recipient's separation from service (or the recipient's death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on any individual under Section 409A of the Code and neither the Company nor the Committee will have any liability to any individual for such tax or penalty. If the Award includes a ''series of installment payments'' (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Award holder's right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

(h) Clawback/Recapture Policy. Awards under the Plan will be subject to any clawback or recapture policy that the Company may adopt from time to time to the extent provided in such policy and, in accordance with such policy, may be subject to the requirement that the Awards be repaid to the Company after they have been distributed to the Award holder.

17. Governing Law. All rights and obligations under the Plan and each Award Agreement or instrument shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its principles of conflict of laws.

18. Dispute Resolution. Any controversy or claim between the Company and an Award holder arising out of or relating to or concerning the Plan or any Award granted hereunder will be finally settled by arbitration in Dallas, Texas administered by the American Arbitration Association (the ''AAA'') and each party shall be responsible for its own legal fees; provided, however, that the Company shall reimburse the Award holder for such holder's reasonable fees and expenses incurred in connection with such dispute if the arbitrator determines that the Award holder has substantially prevailed on at least one claim. The Award holder or the Company may bring an action or special proceeding in a state or federal court of competent jurisdiction sitting in Dallas, Texas to enforce any arbitration award under this Section 18.

19. Term of the Plan. The Plan shall become effective on the date of approval by the Company's stockholders. Unless terminated sooner by the Board, the Plan shall terminate on the tenth anniversary of the date of adoption by the Board. The rights of any person with respect to an Award made under the Plan that is outstanding at the time of the termination of the Plan shall not be affected solely by reason of the termination of the Plan and shall continue in accordance with the terms of the Award and of the Plan, as each is then in effect or is thereafter amended.

Annex B:

Form of Amendment of Certificate to Effect the Declassification Amendments

CERTIFICATE OF AMENDMENT
OF THE CERTIFICATE OF INCORPORATION OF
RENT-A-CENTER, INC.

Pursuant to the provisions of Section 242 of the General Corporation Law of the State of Delaware (the ''***DGCL***''), Rent-A-Center, Inc., a corporation organized and existing under the DGCL, hereby files this Certificate of Amendment to its Certificate of Incorporation, and certifies as follows:

1. The name of the corporation (hereinafter called the ''***Corporation***'') is Rent-A-Center, Inc.

2. The Certificate of Incorporation of the Corporation was originally filed with the Secretary of State of the State of Delaware on November 26, 2002 (such Certificate of Incorporation and any previous amendments thereto referred to herein as the ''***Certificate of Incorporation***'').

3. The Certificate of Incorporation is hereby amended as follows:

Subsections (2) and (3) of Article FIFTH are deleted in their entirety and replaced with the following:

> ''(2) Number, Election and Terms of Directors. The number, qualifications, terms of office, manner of appointment or election, time and place of meeting, compensation and powers and duties of the directors may be prescribed from time to time in the Bylaws, and the Bylaws may also contain other provisions for the regulation and management of the affairs of the Corporation not inconsistent with the law or this Certificate of Incorporation.
>
> The number of directors which shall constitute the whole Board of Directors of the Corporation shall be not less than one (1) as specified from time to time in the Bylaws of the Corporation. Each director shall hold office for a term expiring at the next annual meeting of the stockholders following such director's appointment or election and until such director's successor is duly elected and qualified, or until their earlier death, resignation, disqualification or removal. Nothing in this Certificate of Incorporation shall preclude a director from serving consecutive terms.
>
> Election of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.
>
> (3) Removal of Directors. Subject to the rights, if any, of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation then entitled to vote at an election of directors, voting together as a single class.''

Subsection (4) of Article FIFTH is deleted in its entirety.

4. Except as expressly set forth in the foregoing amendment to the Certificate of Incorporation, the provisions of the Certificate of Incorporation shall remain the same and in full force and effect.

5. The Board of Directors duly adopted resolutions in accordance with Sections 141 and 242 of the DGCL, approving the foregoing amendment to the Certificate of Incorporation, declaring said amendment to be advisable and in the best interests of the Corporation, and directing that the forgoing amendment to the Certificate of Incorporation be considered and voted upon at the next annual meeting of the stockholders of the Corporation.

6. The foregoing amendment to the Certificate of Incorporation has been adopted by the stockholders of the Company in accordance with Section 242 of the DGCL.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed this _____ day of June, 2021.

RENT-A-CENTER, INC.

By: ______________________________

Name:
Title:

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020
or

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

For the transition period from to
Commission File Number: 001-38047

Rent-A-Center, Inc.

(Exact name of registrant as specified in its charter)

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

5501 Headquarters Drive
Plano, Texas 75024
(Address, including zip code of registrant's principal executive offices)

972-801-1100
Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:		
Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	**RCII**	**The Nasdaq Stock Market LLC**

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

None

Indicate by check mark	**YES**	**NO**
• If the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☑	☐
• If the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.	☐	☑
• 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.	☑	☐
• Wether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	☑	☐

• Whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of ''large accelerated filer,'' ''accelerated filer,'' ''smaller reporting company,'' and ''emerging growth company'' in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

• If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.	☐
• Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.	☑

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

Aggregate market value of the 48,283,983 shares of Common Stock held by non-affiliates of the registrant at the closing sales price as reported on The Nasdaq Global Select Market, Inc. on June 30, 2020	$1,343,260,407
Number of shares of Common Stock outstanding as of the close of business on February 19, 2021:	54,413,717

Documents incorporated by reference:

Portions of the definitive proxy statement relating to the 2021 Annual Meeting of Stockholders of Rent-A-Center, Inc. are incorporated by reference into Part III of this report.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes ''forward-looking'' statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the ''Securities Act''), and Section 21E of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''). Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as ''believes,'' ''expects,'' ''anticipates,'' ''estimates,'' ''intends,'' ''plans,'' ''seeks'' or words of similar meaning, or future or conditional verbs, such as ''will,'' ''should,'' ''could,'' ''may,'' ''aims,'' ''intends,'' or ''projects.'' These forward-looking statements, include, without limitation, those relating to the potential effects of the pandemic of the respiratory disease caused by a novel coronavirus (''COVID-19'') on our business, operations, financial performance and prospects, the future business prospects and financial performance of our Company following the closing of our merger (the ''Merger'') with Acima Holdings, LLC, a Utah limited liability company (''Acima''), cost and revenue synergies and other benefits expected to result from the Merger, our expectations, plans and strategy relating to our capital structure, anticipated enhancements to our sales force, potential future acquisitions, other statements regarding our strategy and plans, and other statements that are not historical facts.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. These forward-looking statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially and adversely depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed under ''Risk Factors'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations.'' Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Annual Report on Form 10-K and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. Except as required by law, we expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise. Factors that could cause or contribute to these differences include, but are not limited to:

- the possibility that the anticipated benefits from the Merger may not be fully realized or may take longer to realize than expected;
- the possibility that costs, difficulties or disruptions related to the integration of Acima operations into our other operations will be greater than expected;
- our ability to (i) effectively adjust to changes in the composition of our offerings and product mix as a result of acquiring Acima and continue to maintain the quality of existing offerings and (ii) successfully introduce other new product or service offerings on a timely and cost-effective basis;
- changes in our future cash requirements as a result of the Merger, whether caused by unanticipated increases in capital expenditures or working capital needs, unanticipated liabilities or otherwise;
- our ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;
- the impact of the COVID-19 pandemic and related government and regulatory restrictions issued to combat the pandemic, including adverse changes in such restrictions, and impacts on (i) demand for our lease-to-own products offered in our operating segments, (ii) our Preferred Lease retail partners, (iii) our customers and their willingness and ability to satisfy their lease obligations, (iv) our supplier's ability to satisfy our merchandise needs, (v) our employees, including our ability to adequately staff our operating locations, (vi) our financial and operational performance, and (vii) our liquidity;
- the general strength of the economy and other economic conditions affecting consumer preferences and spending, including the availability of credit to our target consumers;
- factors affecting the disposable income available to our current and potential customers;
- changes in the unemployment rate;
- capital market conditions, including availability of funding sources for us;
- changes in our credit ratings;
- difficulties encountered in improving the financial and operational performance of our business segments;

- risks associated with pricing changes and strategies being deployed in our businesses;
- our ability to continue to realize benefits from our initiatives regarding cost-savings and other EBITDA enhancements, efficiencies and working capital improvements;
- our ability to continue to effectively execute our strategic initiatives, including mitigating risks associated with any potential mergers and acquisitions, or refranchising opportunities;
- failure to manage our store labor and other store expenses, including merchandise losses;
- disruptions caused by the operation of our store information management systems;
- risks related to our virtual lease-to-own business, including our ability to continue to develop and successfully implement the necessary technologies;
- our ability to achieve the benefits expected from our integrated virtual and staffed retail partner offering and to successfully grow this business segment;
- exposure to potential operating margin degradation due to the higher cost of merchandise in our Preferred Lease offering and potential for higher merchandise losses;
- our transition to more-readily scalable ''cloud-based'' solutions;
- our ability to develop and successfully implement digital or E-commerce capabilities, including mobile applications;
- our ability to protect our proprietary intellectual property;
- disruptions in our supply chain;
- limitations of, or disruptions in, our distribution network;
- rapid inflation or deflation in the prices of our products;
- our ability to execute and the effectiveness of store consolidations, including our ability to retain the revenue from customer accounts merged into another store location as a result of a store consolidation;
- our available cash flow and our ability to generate sufficient cash flow to continue paying dividends;
- increased competition from traditional competitors, virtual lease-to-own competitors, online retailers and other competitors, including subprime lenders;
- our ability to identify and successfully market products and services that appeal to our current and future targeted customer segments;
- consumer preferences and perceptions of our brands;
- our ability to retain the revenue associated with acquired customer accounts and enhance the performance of acquired stores;
- our ability to enter into new and collect on our rental or lease purchase agreements;
- changes in the enforcement of existing laws and regulations and the enactment of new laws and regulations adversely affecting our business, including any legislative or regulatory enforcement efforts that seek to re-characterize store-based or virtual lease-to-own transactions as credit sales and to apply consumer credit laws and regulations to our business;
- our compliance with applicable statutes or regulations governing our businesses;
- the impact of any additional social unrest such as that experienced in 2020 or otherwise, and resulting damage to our inventory or other assets and potential lost revenues;
- changes in interest rates;
- changes in tariff policies;
- adverse changes in the economic conditions of the industries, countries or markets that we serve;
- information technology and data security costs;
- the impact of any breaches in data security or other disturbances to our information technology and other networks and our ability to protect the integrity and security of individually identifiable data of our customers, employees and retail partners;
- changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;
- changes in our effective tax rate;
- fluctuations in foreign currency exchange rates;
- our ability to maintain an effective system of internal controls;
- litigation or administrative proceedings to which we are or may be a party to from time to time; and
- the other risks detailed from time to time in our reports furnished or filed with the United States Securities and Exchange Commission (the ''SEC'').

PART I

Item 1. Business.

History of Rent-A-Center

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

We are a leading lease-to-own provider with operations in the United States, Puerto Rico and Mexico. We provide a critical service for a large portion of underserved consumers by providing them with access to, and the opportunity to obtain ownership of, high-quality, durable products via small payments over time under a flexible lease-purchase agreement with no long-term debt obligation. Through our Rent-A-Center Business, we provide a fully integrated customer experience through our e-commerce platform and brick and mortar presence. Our Preferred Lease business offers lease-to-own solutions through retail partners in stores and online enabling our partners to grow sales by expanding their customer base utilizing our differentiated offering. We were incorporated in the State of Delaware in 1986, and our common stock is traded on the Nasdaq Global Select Market under the ticker symbol "RCII."

Our principal executive offices are located at 5501 Headquarters Drive, Plano, Texas 75024. Our telephone number is (972) 801-1100 and our company website is www.rentacenter.com. We do not intend for information contained on our website to be part of this Annual Report on Form 10-K.

The Lease Purchase Transaction

The lease purchase transaction is a flexible alternative that provides freedom for consumers who wish to obtain use and enjoyment of brand name merchandise with no long-term obligation and without having to pay the full price up front. Generally, our customer has the right, but is not obligated, to acquire title to the merchandise either through an early purchase option or through payment of all lease renewals that would be required to obtain ownership.

The unit economics of the lease purchase transaction vary depending on the length of time customers take to obtain ownership of the product. In same-as-cash option transactions, a customer pays the full price of the merchandise within a designated period of time following the initial lease and generally pays the retail price of the product plus a premium to the cost. Full term lease-to-own transactions involve the customer leasing our merchandise through a lease structured with multiple lease renewal terms and ultimately obtaining ownership of the merchandise at the conclusion of the final lease renewal term. Due to the longer term of these transactions along with the other benefits that are part of the lease-to-own transaction, full term transactions involve a higher total cost compared to the cost of the general retail price of the product if it was purchased upfront. Customers primarily take ownership of the merchandise through same-as-cash options or early purchase options, where the customer pays off outstanding amounts prior to the final lease renewal at a discount. In the Rent-A-Center Business, the product is often rented more than one time before a customer ultimately obtains ownership.

There are differences in the unit economics between our Rent-A-Center Business and Preferred Lease segments, as we purchase our merchandise at wholesale prices for our Rent-A-Center Business segment and at retail prices for our Preferred Lease segment. Historically, operating margin for our Preferred Lease segment has benefited from the lower overhead cost associated with the virtual options employed at many third party locations.

Key features of the lease purchase transaction include:

No long term obligation. A customer may terminate a lease purchase agreement at any time without penalty. Once the product is returned to us, the customer has no obligation for remaining payments other than any outstanding balances to the date of return.

Convenient payment options. Our customers make payments on a weekly, semi-monthly or monthly basis in our stores, at our retail partner locations, online or by telephone. We accept cash, credit or debit cards and payment via certain electronic platforms (such as PayPal and Venmo). Rental payments received at our store or retail partner locations are generally made in advance. Rental payments together with applicable fees, constitute our primary revenue source. Approximately 77% and 93% of our rental purchase agreements are on weekly terms in our Rent-A-Center Business and our Mexico segments, respectively. Payments are generally made on a biweekly or monthly basis in our Preferred Lease segment.

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

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

No formal credit needed. Generally, no established credit score or credit history is required. In the Rent-A-Center Business segment, we typically verify a customer's residence and sources of income, and may utilize other sources to verify certain information contained in the lease purchase order form. In our Preferred Lease segment, which provides an on-site lease-to-own option at a third-party retailer's location, customers complete the application process through a variety of resources, including online digital waterfall technology, retail partner electronic portals and online e-commerce websites, and a robust proprietary automated decision engine process is used to confirm certain customer information for approval of the lease purchase agreement.

Brand name merchandise. In our store locations and through our retail partnerships, we offer merchandise from a large number of well-known brands such as Ashley home furnishings; LG, Samsung, and Sony home electronics; Frigidaire, Whirlpool, Amana, and Maytag appliances; HP, Dell, Acer, Apple, Asus, Samsung and Toshiba computers and/or tablets; and Samsung and Apple smartphones.

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

Product maintenance and replacement. We provide any required service or repair without additional charge, except in the event of damage in excess of normal wear and tear and certain other limited circumstances. The cost to repair the merchandise may be reimbursed by the vendor if the item is still under factory warranty. If the product cannot be repaired at the customer's residence, we provide a temporary replacement while the product is being repaired. If the product cannot be repaired, we will replace it with a product of comparable quality, age and condition.

Our Strategy

Our strategy is focused on growing our business model through emphasis on the following key initiatives:

- executing on market opportunities and enhancing our competitive position across both traditional and virtual lease-to-own solutions;
- accelerating the shift to e-commerce, expanding product categories, including into emerging product categories, and improving the fully integrated customer experience;
- using technology to support frictionless partner onboarding with seamless integration to retail partner platforms;
- continuing to generate repeat business while expanding our potential customer base;
- leveraging the integration of the Acima decision engine and expanding digital payments and communication channels; and
- generating favorable adjusted EBITDA margin and strong free cash flow to fund strategic priorities and deliver and return capital to shareholders.

As we pursue our strategy, we may take advantage of merger and acquisition opportunities from time to time that advance our key initiatives, and engage in discussions regarding these opportunities, which could include mergers, consolidations or acquisitions or dispositions or other transactions, although there can be no assurance that any such activities will be consummated.

For additional information regarding the acquisition of Acima in the Merger, see ''Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation — Recent Developments''.

Our Operating Segments

We report financial operating performance under four operating segments. To better reflect the Company's current strategic focus, our retail partner business operations are reported as the Preferred Lease segment (formerly Acceptance Now), which includes our virtual, staffed and hybrid business models; and our company-owned stores and e-commerce platform through rentacenter.com are reported as the Rent-A-Center Business segment (formerly Core U.S.). In addition, we report operating results for our Mexico and Franchising segments. Additional information regarding our operating segments is presented in *''Management's Discussion and Analysis of Financial Condition and Results of Operations''* contained in Item 7 of this Annual Report on Form 10-K, and financial information regarding these segments and revenues by geographic area are provided in Note T to the consolidated financial statements contained in this Annual Report on Form 10-K. Substantially all of our revenues for the past three years originated in the United States.

Rent-A-Center Business

Rent-A-Center Business is our largest operating segment and includes our company-owned stores in the United States and Puerto Rico and our e-commerce platform rentacenter.com. As of December 31, 2020, we operated 1,845 company-owned stores in the United States and Puerto Rico, including 44 retail installment sales stores under the names ''Get It Now'' and ''Home Choice.'' We routinely evaluate the locations in which we operate to optimize our store network. Our Rent-A-Center Business segment comprised approximately 66% of our consolidated net revenues for the year ended December 31, 2020. Approximately 80% of our business in this segment is from repeat customers.

Preferred Lease

Our Preferred Lease segment operates in the United States and Puerto Rico and provides an on-site lease-to-own option at a third-party retailer's location, including staffed options, unstaffed or virtual options or a combination of the two (the hybrid model). Our Preferred Lease operating segment includes Preferred Dynamix, a proprietary digital platform that leverages new decisioning technology and a portfolio of new lease-to-own solutions to expand the ways that consumers and retailers interact. In the event a retail purchase credit application is declined, the customer can be introduced to an in-store Preferred Lease representative at our staffed locations, or work with a representative of the third party retailer or directly with our virtual solution to initiate the lease-to-own transaction to obtain the merchandise. Because we neither require nor perform a formal credit investigation for the approval of the lease purchase transaction, we use a proprietary automated process to confirm certain customer information for approval of the lease purchase agreement. We believe our Preferred Lease model is beneficial for both the retailer and the consumer. The retailer captures more sales because we buy the merchandise directly from them. We believe consumers also benefit from our Preferred Lease model because they are able to obtain the products they want and need without the necessity of credit. We generally pay the retail price for merchandise purchased from our retail partners and subsequently leased to the customer. Through certain retail partners, we offer our customers the option to obtain ownership of the product at or slightly above the full retail price if they pay within 90 days. In some cases, the retailer provides us a rebate on the cost of the merchandise if the customer exercises this 90-day option.

Our Preferred Lease operating model is highly agile and dynamic because we can open and close locations quickly and efficiently. Generally, our Preferred Lease staffed locations consist of an area with a computer, desk and chairs. We occupy the space without charge by agreement with each retailer. In our virtual locations, transactions are initiated through an electronic portal accessible by retail partners on their store computers, on our retail partners' e-commerce sites or through our mobile application. Accordingly, capital expenditures with respect to new Preferred Lease locations are minimal.

We rely on our third-party retail partners to deliver merchandise rented by the customer. Such third-party retail partners typically charge us a fee for delivery, which we pass on to the customer. In the event the customer returns rented merchandise, we pick it up at no additional charge. Merchandise returned from a Preferred Lease location is subsequently offered for rental at one of our Rent-A-Center Business stores.

We intend to combine Acima's virtual capabilities with our Preferred Lease platform to provide retailers and consumers an expanded set of innovative solutions to enter into lease-to-own transactions. Our virtual offering will allow consumers to enjoy the benefits of the Company's flexible lease-to-own solutions across e-commerce, digital, and mobile channels. Beginning in the first quarter of 2021, the Preferred Lease Segment will include the results of Acima and will be renamed the Acima Segment.

Mexico

Our Mexico segment consists of our company-owned lease-to-own stores in Mexico. As of December 31, 2020, we operated 121 stores in Mexico.

Franchising

The stores in our Franchising segment use our Rent-A-Center, ColorTyme or RimTyme trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. Franchising's sources of revenue include the sale of merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a lease-to-own transaction, and royalties collected from franchisees based on a percentage of revenue.

As of December 31, 2020, we franchised 462 stores in 33 states operating under the Rent-A-Center (398 stores), ColorTyme (29 stores) and RimTyme (35 stores) names. These lease-to-own stores primarily offer high quality products such as furniture and accessories, consumer electronics, appliances, computers, wheels and tires.

As franchisor, Franchising receives royalties of 2.0% to 6.0% of the franchisees' monthly gross revenue and, generally, an initial fee up to $10,000 per new location.

The following table summarizes our locations allocated among these operating segments as of December 31 of each of the years indicated below:

	2020	2019	2018
Rent-A-Center Business	1,845	1,973	2,158
Mexico	121	123	122
Franchising	462	372	281
Total locations(1)	2,428	2,468	2,561

(1) Does not include locations in our Preferred Lease segment.

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

Rent-A-Center Operations

Store Expenses

Our expenses primarily relate to merchandise costs and the cost of operating our stores, including salaries and benefits for our employees, occupancy expense for our leased real estate, advertising expenses, lost, damaged, or stolen merchandise, fixed asset depreciation, and other expenses.

Product Selection

The stores in our Rent-A-Center Business, Mexico, and Franchising segments generally offer merchandise from certain basic product categories: furniture and accessories, appliances, consumer electronics, computers, tablets and smartphones. In addition, in the Rent-A-Center Business segment, we have recently expanded into other product categories including tools, tires, handbags and other accessories. Although we seek to maintain sufficient inventory in our stores to offer customers a wide variety of models, styles and brands, we generally limit merchandise to prescribed levels to maintain strict inventory controls. We seek to provide a wide variety of high quality merchandise to our customers, and we emphasize products from name-brand manufacturers. Customers may request either new merchandise or previously leased merchandise. Previously leased merchandise is generally offered at a similar weekly, semi-monthly, or monthly lease rate as is offered for new merchandise, but with an opportunity to obtain ownership of the merchandise after fewer lease payments.

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

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

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

For the year ended December 31, 2020, furniture and accessories accounted for approximately 45% of our consolidated rentals and fees revenue, appliances for 16%, consumer electronic products for 14%, computers for 5%, smartphones for 3% and other products and services for 17%.

Product Turnover

On average, in the Rent-A-Center Business segment, a rental term of 16 months or exercising an early purchase option is generally required to obtain ownership of new merchandise. Product turnover is the number of times a product is rented to a different customer. On average, a product is rented (turned over) to multiple customers before a customer acquires ownership. Merchandise returned in the Preferred Lease segment is moved to a Rent-A-Center Business store where it is offered for rent. Ownership is attained in approximately 41% of rental purchase agreements in the Rent-A-Center Business segment. The average total life for each product in our Rent-A-Center Business segment is approximately 15 months, which includes the initial rental period, all re-rental periods and idle time in our system. To cover the higher operating expenses generated by the key benefits of rental purchase transactions and product turnover, rental purchase agreements require higher aggregate payments than are generally charged under other types of purchase plans, such as installment purchase or credit plans.

Collections

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

If a customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90^{th} day following the time the account became past due in the Rent-A-Center Business and Mexico segments, and during the month following the 150^{th} day in the Preferred Lease segment.

Purchasing

In our Rent-A-Center Business and Mexico segments, we purchase our rental merchandise from a variety of suppliers. In 2020, approximately 20% of our merchandise purchases were attributable to Ashley Furniture Industries. No other brand accounted for more than 10% of merchandise purchased during these periods. We do not generally enter into written contracts with our suppliers that obligate us to meet certain minimum purchasing levels. Although we expect to continue relationships with our existing suppliers, we believe there are numerous sources of products available, and we do not believe the success of our operations is dependent on any one or more of our present suppliers.

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

With respect to our Franchising segment, our franchise agreements with franchisees require the franchised stores to exclusively offer for rent or sale only those brands, types and models of products that Franchising has approved. The franchised stores are required to maintain an adequate mix of inventory that consists of approved products for rent as dictated by Franchising policy manuals. Franchisees can purchase product through us or directly from various approved suppliers.

Management

Our executive management team has extensive lease-to-own or similar retail experience and has demonstrated the ability to grow and manage our business through their operational leadership and strategic vision. Our regional and district managers generally have long tenures with us, and we have a history of promoting management personnel from within. In addition, during 2020, we hired certain key management members in the Preferred Lease segment to lead our strategic efforts in our virtual and e-commerce business solutions, including our Executive Vice President of Preferred Lease, who brings extensive experience and a proven track record of innovation in financial services and financial technology.

We believe our executive management team's extensive industry and company experience will allow us to effectively execute our strategies.

Marketing

We promote our products and services through television and digital radio commercials, print advertisements, store telemarketing, digital display advertisements, direct email campaigns, social networks, paid and organic search, website and store signage. Our advertisements emphasize such features as product and name-brand selection, the opportunity to pay as you go without credit, long-term contracts or obligations, delivery and set-up at no additional cost, product repair and loaner services at no extra cost, lifetime reinstatement and multiple options to acquire ownership, including 180-day option pricing, an early purchase option or through a fixed number of payments. In addition, we promote the ''RAC Worry-Free Guarantee®'' to further highlight these aspects of the lease purchase transaction. We believe that by leveraging our advertising efforts to highlight the benefits of the lease purchase transaction, we will continue to educate our customers and potential customers about the lease-to-own alternative to credit as well as solidify our reputation as a leading provider of high-quality, branded merchandise and services.

Franchising has established national advertising funds for the franchised stores, whereby Franchising has the right to collect up to 4.5% of the monthly gross revenue from each franchisee as contributions to the fund. Franchising directs the advertising programs of the fund, generally consisting of television and radio commercials and print advertisements. Franchising also has the right to require franchisees to expend up to 3% of their monthly gross revenue on local advertising.

Industry & Competition

According to data released by the Fair Isaac Corporation on September 10, 2019, consumers in the ''subprime'' category (those with credit scores below 650) made up approximately 28% of the United States population. Two-thirds of U.S. consumers have incomes below $75,000 and may lack access to traditional credit. The lease-to-own industry provides customers the opportunity to obtain merchandise they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit.

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

The growing lease-to-own industry is contributing to this already highly competitive environment for our business. The lease-to-own industry has experienced steady growth, and revenue gains have accelerated since 2015. The lease-to-own industry is introducing rapid change with the emergence of virtual and kiosk-based operations at retail partner locations, such as our Preferred Lease offering which consists of staffed kiosks at retail partner locations options, unstaffed or virtual lease-to-own options, or a combination of the two (the hybrid model). These new industry participants are disrupting traditional lease-to-own stores by attracting customers and making the lease-to-own transaction more acceptable to potential customers. In addition, banks and consumer finance companies are developing products and services designed to compete for the traditional lease-to-own customer.

Seasonality

Our revenue mix is moderately seasonal, with the first quarter of each fiscal year generally providing higher merchandise sales than any other quarter during a fiscal year. Generally, our customers will more frequently exercise the early purchase option on their existing lease purchase agreements or purchase pre-leased merchandise off the showroom floor during the first quarter of each fiscal year, primarily due to the receipt of federal income tax refunds.

At times during 2020, we also experienced increased merchandise sales due to government stimulus payments and unemployment benefits received by our targeted consumers as part of the government's response to COVID-19.

Trademarks

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

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

Human Capital Resources

As of December 31, 2020, we employed a total of 14,320 coworkers, the vast majority of which are full time employees. Our employee base is made up of 12,250 coworkers in our U.S. Operations, including Puerto Rico, 1,240 coworkers in our Mexico operations and 830 coworkers at our corporate facilities. The consummation of the Merger on February 17, 2021, increased the number of employees by 530 coworkers.

We continually monitor our demand for skilled and unskilled labor and provide training and competitive compensation packages in an effort to attract and retain skilled coworkers. We believe our coworkers are one of the primary keys to successfully operating our business and achieving our strategic initiatives. Our human capital measures and objectives focus on the successful training and development of our coworkers, in addition to their safety. All of our coworkers are employed at will and are free to end their employment with us at any time.

We also focus on supporting a diverse and inclusive workforce. In 2020, we created a new Chief Diversity Officer position that will regularly report to our Board of Directors. We have also implemented a program to deliver unconscious bias training to our employees and have launched and are expanding our Employee Resource Groups to promote a dialogue with our employees regarding our diversity initiatives.

During fiscal year 2020, in connection with our response measures related to the COVID-19 pandemic and the temporary and partial operational closures throughout the U.S. and Mexico, we temporarily furloughed certain employees at our operating locations and corporate headquarters. As of December 31, 2020, no employees are on furlough as a result of the COVID-19 pandemic. In addition, we make employee safety a priority and have implemented multiple measures within our operation locations, as well as our corporate headquarters, to protect the health and safety of our coworkers during the ongoing pandemic.

Government Regulation

Rent-A-Center Business and Preferred Lease

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

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

North Carolina has no rental purchase legislation. However, the retail installment sales statute in North Carolina expressly provides that lease transactions which provide for more than a nominal purchase price at the end of the agreed rental period are not credit sales under the statute. We operate 86 lease-to-own stores and 45 Preferred Lease staffed locations in North Carolina.

Courts in Wisconsin and New Jersey, which do not have rental purchase statutes, have rendered decisions which classify rental purchase transactions as credit sales subject to consumer lending restrictions. Accordingly, in Wisconsin, we offer our customers an opportunity to purchase our merchandise through an installment sale transaction in our Get It Now stores. In New Jersey, we have modified our typical rental purchase agreements to provide disclosures, grace periods, and pricing that we believe comply with the retail installment sales act. We operate 27 Get It Now stores in Wisconsin and 40 Rent-A-Center stores in New Jersey.

There can be no assurance as to whether changes in the enforcement of existing laws or regulations or the enactment of new laws or regulations that may unfavorably impact the lease-to-own industry would have a material and adverse effect on us.

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

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

Mexico

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

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, periodic reports on Form 8-K, proxy statements and other information with the SEC. The public may obtain copies of these reports and any amendments at the SEC's Internet site, www.sec.gov. Additionally, we make available free of charge on or through our website our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also provide electronic or paper copies of our filings free of charge upon request. In addition, our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all members of our Board of Directors, as well as all of our employees, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer and controller. The Code of Business Conduct and Ethics forms the foundation of a compliance program we established as part of our commitment to responsible business practices that includes policies, training, monitoring and other components covering a wide variety of specific areas applicable to our business activities and employee conduct. A copy of the Code of Business Conduct and Ethics is published on our website at https://investor.rentacenter.com/governance-documents. We intend to make all required disclosures concerning any amendments to, or waivers from, this Code of Business Conduct and Ethics on our website.

Item 1A. Risk Factors.

Investing in Rent-A-Center involves a high degree of risk, and you should carefully consider the risks described in this section and the other information included in this Annual Report on Form 10-K, including our consolidated financial statements and related notes, before making an investment decision. Please note that the headings reflected below are provided solely for convenience of the reader and do not indicate that a given risk applies only to the heading under which it is located. The risks described in this section include, but are not limited to, those highlighted in the following list:

Risks Relating to Economic Conditions

- The novel coronavirus (COVID-19) global pandemic has had and is expected to continue to have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Vendors, Suppliers and Products

- We rely on the receipt of information from third party data vendors, and inaccuracies in or delay in receiving such information, or the termination of our relationships with such vendors, could have a material adverse effect on our business, operating results and financial condition.
- We must successfully manage our inventory to reflect customer demand and anticipate changing consumer preferences and leasing trends or our revenue and profitability will be materially and adversely affected.
- Allegations of or actual product safety and quality control issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs.

Risks Relating to Our Strategy and Operations

- If we are unable to successfully appeal to and engage with our target consumers, our business and financial performance may be materially and adversely affected.
- Given the nature of the COVID-19 crisis, our proprietary algorithms and customer lease decisioning tools used to approve customers could no longer be indicative of our customers' ability to perform under their lease agreements with us.
- Failure to effectively manage our costs could have a material adverse effect on our profitability.
- We face risks in our retail partner business and virtual locations that differ in some potentially significant respects from the risks of the traditional lease-to-own business conducted in Rent-A-Center Business store locations. These risks could have a material adverse effect on Preferred Lease, which could negatively impact our ability to grow the Preferred Lease segment and result in a material adverse effect on our results of operations.
- Our strategy to grow the retail partner business depends on our ability to develop and offer robust virtual lease-to- own technology, including algorithmic decisioning programs and waterfall integrations.
- Our operations are dependent on effective information management systems. Failure of these systems could negatively impact our business, financial condition and results of operations.
- If we fail to protect the integrity and security of customer, employee and retail partner information, we could incur significant liability and damage our reputation and our business could be materially and adversely affected.
- The industries in which we operate are highly competitive, which could impede our ability to maintain sales volumes and pricing and have a material adverse effect on our operating results.
- If we are unable to attract, train and retain managerial personnel and hourly associates in our stores and staffed Preferred Lease locations, our reputation, sales and operating results may be materially and adversely affected.

Risks Relating to Legal and Compliance Matters

- We may be subject to legal or regulatory proceedings from time to time that result in damages, penalties or other material monetary obligations or material restrictions on our business operations, and our use of arbitration agreements may not allow us to avoid costly litigation.
- Federal and state regulatory authorities are increasingly focused on the lease-to-own industry and any negative change in these laws or regulations or the passage of unfavorable new laws or regulations or the manner in which any of these are enforced or interpreted could require us to alter our business practices in a manner that may be materially adverse to us.
- Our lease-to-own transactions are regulated by and subject to the requirements of federal and state laws and regulations that vary by jurisdiction, which requires significant compliance costs and exposes us to regulatory action or other litigation.
- Laws and regulations regarding information security and data collection, use and privacy are increasingly rigorous and subject to change, which may cause us to incur significant compliance costs.
- Our reputation, ability to do business and operating results may be impaired by improper conduct by any of our employees, agents or business partners, including retail partners.
- Our products and services may be negatively characterized by consumer advocacy groups, the media and certain Federal, state and local government officials, and if those negative characterizations become increasingly accepted by consumers and/or our retail partners, demand for our goods and the transactions we offer could decrease and our business could be materially and adversely affected.

- We may be unable to protect our intellectual property, or may be alleged to have infringed upon the intellectual property rights of others, which could result in a loss of our competitive advantage and a diversion of resources and a material adverse effect on our business and results of operations.

Risks Relating to Our Indebtedness and Other Financial Matters

- Our indebtedness increased significantly upon consummation of the Merger and may materially and adversely affect us.
- The amount of borrowings permitted under the ABL Credit Facility (as defined in ''Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation'') is limited to the value of certain of our assets, and Rent-A-Center relies in part on available borrowings under the ABL Credit Facility for cash to operate its business, which subjects it to market and counterparty risk, some of which is beyond Rent-A-Center's control.
- Our organizational documents and our current or future debt instruments contain or may contain provisions that may prevent or deter another group from paying a premium over the market price to Rent-A-Center's stockholders to acquire its stock.

Risks Relating to the Merger

- The outcome of the Consumer Financial Protection Bureau's investigation into certain of Acima's business practices is uncertain and may materially and adversely affect our business.
- We may be unable to realize the anticipated benefits of the Merger, including synergies, and expect to incur substantial expenses related to the Merger, which could have a material adverse effect on our business, financial condition and results of operations.

The risks described in this section are not the only risks that could materially and adversely affect our business; other risks currently believed to be immaterial or additional risks not currently known to us could also materially and adversely affect our business, financial condition or results of operations. Furthermore, the COVID-19 pandemic (including federal, state and local governmental responses, broad economic impacts and market disruptions) has heightened certain risks discussed below. If any of the events or circumstances described in this section actually occur, our business, operating results, financial condition, cash flows, and prospects could be materially and adversely affected. In that event, the market price of our securities could decline, and you could lose part or all of your investment.

Risks Relating to Economic Conditions

The novel coronavirus (COVID-19) global pandemic has had and is expected to continue to have a material adverse effect on our business, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures have materially and adversely affected workforces, customers, consumer sentiment, economies and financial markets and, along with decreased consumer spending, have led to an economic downturn in many markets. Numerous state and local jurisdictions have imposed shelter-in-place orders, quarantines, executive orders and other similar types of restrictions for their residents to control the spread of COVID-19 or mitigate its effects. Such orders or restrictions have resulted in temporary operational shutdowns for non-essential businesses; imposed limitations on hours of operations and the number of people allowed in stores or warehouses; implemented requirements on sanitation and social distancing practices; enacted certain work stoppages, slowdowns or delays; and imposed certain travel restrictions and cancellations of large scale events. These restrictions have resulted in negative impacts to the markets in which we operate and our operations. While the federal government has enacted various fiscal and monetary stimulus measures from time to time to counteract the impacts of COVID-19, the effectiveness and adequacy of such stimulus measures, as well as their future availability, remain uncertain.

As a result of COVID-19 and related jurisdictional ordinances implemented in the United States beginning in the latter half of March 2020 to contain the spread of COVID-19 or mitigate its effects, a significant number of Preferred Lease retail partner locations were temporarily closed, resulting in the initial closure of approximately 65% of our staffed Preferred Lease locations, which operated within those stores. In addition, while the majority of our Rent-A-Center Business stores remained open, due to government orders in certain jurisdictions, beginning in mid-March 2020, we temporarily shut down operations at a small number of stores, and approximately 24% of our stores were partially closed. Our partially closed locations operated with closed showrooms, conducting business only through e-commerce web orders, and transitioned to a contactless curbside service model or to a ship-from-store model, to the extent permitted by local orders. Some franchise locations and stores in our Mexico operating segment were also temporarily closed or had restricted operations due to COVID-19. All locations in our Rent-A-Center Business, Franchising and Mexico operating segments and staffed Preferred Lease locations temporarily or partially closed at the onset of the pandemic were reopened in the second quarter of 2020. In the latter portion of 2020 and into 2021, the number of COVID-19 cases has increased significantly and certain governmental authorities have imposed or re-imposed restrictions on certain businesses. As of the date of this Annual Report on Form 10-K, all locations in our Rent-A-Center Business, Franchising and Mexico operating segments and staffed Preferred Lease locations are providing full in-store services subject to local requirements for sanitization, social distancing and capacity limitations and, in Mexico, certain restrictions regarding hours of operation.

In response to the negative impacts to our business resulting from COVID-19, in 2020, we proactively took certain measures to reduce operating expenses and cash flow uses, including implementing temporary executive pay reductions, temporarily furloughing certain employees at our store locations and corporate headquarters, reducing store hours in certain locations, renegotiating real estate leases, reducing inventory purchases and capital expenditures and suspending share repurchases. In addition, we implemented additional electronic payment methods for our Rent-A-Center Business and Preferred Lease customers to facilitate contactless transactions.

There are no assurances that we, or our retail partners, will be able to keep our, or their, stores open as governmental responses to the pandemic progress. As a result, we are unable to accurately predict the impact that COVID-19 will have on our operations going forward, due to the uncertain duration of the pandemic, future governmental restrictions that might be imposed in response to the pandemic, and related uncertainties dictated by the length of time that these business disruptions continue. In addition, we expect to be impacted by the deterioration in worldwide economic conditions, which could have a sustained impact on discretionary consumer spending. Furthermore, deteriorating global economic conditions have created a challenging environment in capital markets and created uncertainty regarding the availability of credit. The combination of reduced consumer spending and volatile credit markets could materially and adversely affect our liquidity. While the rapid development and fluidity of this situation precludes any prediction as to the full impact of COVID-19, our business, financial results and condition have been and may in the future be materially and adversely affected by the various effects caused by this pandemic.

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

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

Risks Relating to Our Vendors, Suppliers and Products

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

Any disruption in our supply chain could result in our inability to meet our customers' expectations, higher costs, an inability to stock our stores, or longer lead time associated with distributing merchandise. Any such disruption within our supply chain network could also result in decreased net sales, increased costs and reduced profits. For example, as a result of the impacts of COVID-19 on U.S. and global supply chains and manufacturing operations, we have experienced some delays or other material adverse effects on our timing or ability to obtain desired merchandise for our business.

Our arrangements with our suppliers and vendors may be materially and adversely affected by changes in our financial results or financial position or changes in consumer demand, which could materially and adversely affect our business.

Substantially all of our merchandise suppliers and vendors sell to us on open account purchase terms. There is a risk that our key suppliers and vendors could respond to any actual or apparent decrease in, or any concern with, our financial results or liquidity by requiring or conditioning their sale of merchandise to us on more stringent or more costly payment terms, such as by requiring standby letters of credit, earlier or advance payment of invoices, payment upon delivery or other assurances or credit support or by choosing not to sell merchandise to us on a timely basis or at all. In addition, if demand for our products and services declines, the volume of merchandise we purchase from third party suppliers may decrease, which could result in smaller discounts from our vendors or the elimination of such discounts by our vendors. Our arrangements with our suppliers and vendors may also be impacted by media reports regarding our financial position or other factors relating to our business, including the Merger. Our need for additional liquidity could materially increase and our supply of inventory could be materially disrupted if any of our key suppliers or vendors, or a significant portion of our other suppliers or vendors, takes one or more of the actions described above, which could result in increased costs of operation and decreased net sales, customer satisfaction and profits.

We rely on the receipt of information from third party data vendors, and inaccuracies in or delay in receiving such information, or the termination of our relationships with such vendors, could have a material adverse effect on our business, operating results and financial condition.

We are heavily dependent on data provided by third-party providers. Our lease-to-own business employs a proprietary decisioning algorithm that determines whether or not an application for a lease submitted by a customer will be approved. This algorithm depends extensively upon continued access to and timely receipt of reliable data from external sources, such as third-party data vendors. Our data providers could stop providing data, provide untimely, incorrect or incomplete data, or increase the costs for their data for a variety of reasons, including a perception that our systems are insecure as a result of a data security breach, regulatory concerns or for competitive reasons. We could also become subject to increased legislative, regulatory or judicial restrictions or mandates on the collection, disclosure or use of such data, in particular if such data is not collected by our providers in a way that allows us to legally use the data. If we were to lose access to this external data or if our access or use were restricted or were to become less economical or desirable, our business would be negatively impacted, which would materially and adversely affect our operating results and financial condition. We cannot provide assurance that we will be successful in maintaining our relationships with these external data source providers or that we will be able to continue to obtain data from them on acceptable terms or at all. Furthermore, we cannot provide assurance that we will be able to obtain data from alternative sources if our current sources become unavailable.

We must successfully manage our inventory to reflect customer demand and anticipate changing consumer preferences and leasing trends or our revenue and profitability will be materially and adversely affected.

The success of our Rent-A-Center Business depends upon our ability to successfully manage our inventory and to anticipate and respond to merchandise trends and customer demands in a timely manner. We cannot always accurately predict consumer preferences and they may change over time. We must order certain types of merchandise, such as consumer electronics, well in advance of seasonal increases in customer demand for those products. The extended lead times for many of our purchases may make it difficult for us to respond rapidly to new or changing consumer trends and price shifting, and to maintain an optimal selection of merchandise available for lease at all times. If we misjudge either the market for our merchandise, our customers' product preferences or our customers' leasing habits, our revenue may decline significantly and we may not have sufficient quantities of merchandise to satisfy customer demand or we may be required to mark down excess inventory, either of which would result in lower profit margins. In addition, our level of profitability and success in our Rent-A-Center Business depends on our ability to successfully re-lease our inventory of merchandise that are returned by customers of our Rent-A-Center Business or Preferred Lease, due to their lease agreements expiring, or otherwise.

Allegations of or actual product safety and quality control issues, including product recalls, could harm our reputation, divert resources, reduce sales and increase costs.

The products we sell and lease in our Rent-A-Center Business and Preferred Lease business are subject to regulation by the U.S. Consumer Product Safety Commission and similar state regulatory authorities and expose us to potential product liability claims, recalls or other regulatory or enforcement actions initiated by regulatory authorities or through private causes of action. Such claims, recalls or actions could be based on allegations that, among other things, the products sold by us are contain contaminants or impermissible materials, provide inadequate instructions regarding their use or misuse or include inadequate warnings, such as those concerning the materials or their flammability. We do not control the production process of the products we sell and lease, and may be unable to identify a defect or deficiency in a product purchased from a manufacturer before offering it for sale or lease to our customers. Product safety or quality concerns may require us to voluntarily remove selected products from our physical locations or from our customers' homes or cease offering those products online. Such recalls and voluntary removal of products can result in, among other things, lost sales, diverted resources, potential harm to our reputation and increased customer service costs, which could have a material adverse effect on our financial condition. In addition, in the event of such a product quality or safety issue, our customers who have leased the defective merchandise from us could terminate their lease agreements for that merchandise and/or not renew those lease arrangements, which could have a material adverse effect on our financial condition if we are unable to recover those losses from the vendor who supplied us with the relevant merchandise.

Risks Relating to Our Strategy and Operations

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

We are focused on our mission to provide cash- and credit-constrained consumers with affordable and flexible access to durable goods that promote a higher quality of living. In 2019, we accelerated our virtual growth strategy through the acquisition of Merchants Preferred and launch of our Preferred Lease offering with a focus towards executing on large market opportunities through national and regional retail partners. In 2020 and 2021, we have further executed on our virtual growth strategy through, among other things, continued investments in Preferred Lease's proprietary offerings and technologies, organizational enhancements and our pending acquisition of Acima in the Merger. We intend to capitalize on key differentiators in our Preferred Lease offering, as well as grow our business through expansion in our product verticals, e-commerce platform and other digital enhancements, improving the customer and retail partner experience and providing consumers with greater opportunities to shop how, when and where they want with the flexibility of our lease-to-own solutions. Our Rent-A-Center Business similarly faces risks associated with its growth strategies and efforts to adapt to changing consumer preferences and shopping behaviors while managing its cost structure.

Growth of our business, including through the launch of new product offerings and our intended significant expansion into virtual lease-to-own offerings, requires us to invest in or expand our information and technology capabilities, engage and retain experienced management, invest in our stores and otherwise incur additional costs, including those associated with the Merger. Our inability to address these concerns or otherwise to achieve targeted results associated with our initiatives could materially and adversely affect our results of operations, or negatively impact our ability to successfully execute future strategies, which may result in a material adverse effect on our business and financial results.

If we are unable to successfully appeal to and engage with our target consumers, our business and financial performance may be materially and adversely affected.

We operate in the consumer retail industry through brick and mortar stores and digitally. As such, our success depends, among other things, on our ability to identify and successfully market products and services through various channels that appeal to our current and future target customer segments, to align our offerings with consumer preferences and to maintain favorable perceptions of our brands by our target consumers. If we are unable to successfully appeal to and engage with our target consumers, our business and financial performance may be materially and adversely affected.

Given the nature of the COVID-19 crisis, our proprietary algorithms and customer lease decisioning tools used to approve customers could no longer be indicative of our customers' ability to perform under their lease agreements with us.

We believe our proprietary customer lease decisioning process to be a key to the success of our business, including Preferred Lease and our Rent-A-Center Business. As a result of the shift in operations driven by the COVID-19 pandemic, we have accelerated the rollout of centralized lease decisioning processes in our Company-operated Rent-A-Center Business stores. We assume behavior and attributes observed for prior customers, among other factors, are indicative of performance by future customers. Unexpected changes in behavior caused by macroeconomic conditions, including, for example, the U.S. economy experiencing a prolonged recession and job losses related to the COVID-19 pandemic and changes in consumer behavior relating thereto, could lead to increased incidence and costs related to lease merchandise write-offs. Due to the nature and novelty of the crisis, our decisioning process will likely require frequent adjustments and the application of greater management judgment in the interpretation and adjustment of the results produced by our decisioning tools and we may be unable to accurately predict and respond to the impact of a prolonged economic downturn or changes to consumer behaviors, which in turn may limit our ability to manage risk, avoid lease merchandise write-offs and could result in our accounts receivable allowance being insufficient.

We may take advantage of merger and acquisition opportunities from time to time with the intent of advancing our key initiatives, such as the Merger, but such activities may not prove successful and may subject us to additional risks.

From time to time, we may take advantage of merger and acquisition opportunities intended to advance our key strategic initiatives, such as the Merger. Such merger and acquisition opportunities may involve numerous risks, including the following:

- difficulties in integrating the operations, systems, technologies, products and personnel of the acquired businesses;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets may have stronger market positions;
- application of regulatory regimes that have not previously applied to, and may significantly impact, our business;
- diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations;
- the potential loss of key employees, vendors and other business partners of the businesses we acquire;
- the incurrence of debt, contingent liabilities and amortization expenses and write-offs of goodwill in connection with such activities that could harm our financial condition; and
- dilutive issuances of common stock or other equity securities.

Mergers and acquisitions are inherently risky and subject to many factors outside of our control. We cannot assure you that our previous or future acquisitions, including the Merger, will be successful and will not materially and adversely affect our business, operating results or financial condition. Failure to manage and successfully integrate acquisitions, including our acquisition of Acima in the Merger, could materially harm our business and operating results.

We are highly dependent on the financial performance of our Rent-A-Center Business segment.

Our financial performance has historically been highly dependent on our Rent-A-Center Business segment, which comprised approximately 66% of our consolidated net revenues for the year ended December 31, 2020. Although this percentage is expected to decrease significantly upon the completion of the Merger, the Rent-A-Center Business segment will remain important to our consolidated results. Any significant decrease in the financial performance of the Rent-A-Center Business segment may have a material adverse effect on our ability to implement our growth strategies.

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

Consumer spending remains uncertain and our continued profitability is largely dependent on our ability to effectively manage our cost structure. We have experienced and may experience in the future increases in the costs of purchasing certain merchandise from suppliers or retail partners as a result of various factors, including supply/demand trends, tariffs, increases in the prices of certain commodities and increases in shipping costs. We may also face increases in labor costs as a result of wage inflation for hourly employees in many regions or increased competition for employees as unemployment rates decline following their increase as a result of COVID-19. We have limited or no control over many of these inflationary forces. In addition, due to the competitive environment in our industry and increasing price transparency, we may not be able to recover all or even a portion of such cost increases by increasing our merchandise prices, fees, or otherwise. Even if we are able to increase merchandise prices or fees, those cost increases to our customers could result in reduced demand for our products and services. As a result, the failure to manage our overall cost of operations, labor and benefit rates, advertising and marketing expenses, operating leases, charge-offs due to customer stolen merchandise, other store expenses or indirect spending could materially and adversely affect our profitability.

We face risks in our retail partner business and virtual locations that differ in some potentially significant respects from the risks of the traditional lease-to-own business conducted in Rent-A-Center Business store locations. These risks could have a material adverse effect on Preferred Lease, which could negatively impact our ability to grow the Preferred Lease segment and result in a material adverse effect on our results of operations.

Our Preferred Lease segment offers the lease-to-own transaction through the stores or websites of third-party retailers. In addition to the risks associated with the Merger, the Preferred Lease segment faces risks different from those that have historically been associated with our traditional lease-to-own business conducted in our Rent-A-Center Business store locations. These potential risks include, among others:

- reliance on the ability of unaffiliated third-party retailers to attract customers and to maintain quality and consistency in their operations and their ability to continue to provide products and services;
- establishing and maintaining relationships with unaffiliated third-party retailers and the concentration of revenues in the Preferred Lease segment, with approximately 72% of the total revenue of the Preferred Lease segment for the year ended December 31, 2020 having been originated at our Preferred Lease kiosks located in stores operated by four retail partners;
- reliance on these unaffiliated third-party retailers for many important business functions, from advertising through assistance with lease transaction applications, including, for example, adhering to Preferred Lease's merchant policies and procedures, properly explaining the nature of the lease-to-own transaction to potential customers, properly handling customer inquiries made directly to the retail partner and properly explaining that the transaction is with Preferred Lease and not with the third-party retailer;
- potential that regulators may target the virtual lease-to-own transaction or certain products or services and/or adopt new regulations or legislation (or existing laws and regulations may be interpreted in a manner) that negatively impact Preferred Lease's ability to offer virtual lease-to-own programs or certain products or services through third-party retail partners, and/or that regulators may attempt to force the application of laws and regulations on Preferred Lease's virtual lease-to-own business or certain products or services in inconsistent and unpredictable ways that could increase the compliance-related costs incurred by us, restrict certain business activities and negatively impact our financial and operational performance;
- reliance on automatic bank account drafts for lease payments, which may become disfavored as a payment method for these transactions by regulators and/or providers, or may otherwise become unavailable;
- more product diversity within Preferred Lease's merchandise inventory relative to our traditional store-based lease-to-own business, which can complicate matters such as merchandise repair and disposition of merchandise that is returned and which exposes us to risks associated with products with which we have limited experience;
- lower barriers to entry and start-up capital costs to launch a competitor due to the reliance of Preferred Lease and its competitors on the store locations and inventories of third-party retailers, and online connections with retailers, rather than incurring the cost to obtain and maintain brick and mortar locations and in-store or in-warehouse inventories;
- indemnification obligations to Preferred Lease's retail partners and their service providers for losses stemming from Preferred Lease's failure to perform with respect to its products and services, to comply with applicable laws or regulations or to take steps to protect its retail partner's and their customers' data and information from being accessed or stolen by unauthorized third parties, including through cyber-attacks;
- increased risk of consumer fraud with respect to Preferred Lease's virtual lease-to-own business and e-commerce business as compared to the traditional store-based Rent-A-Center Business;
- increased risk of merchant fraud due to the planned growth in retail partners and other merchants from which customers can select products to lease from Preferred Lease;
- reduced gross margins compared to the Rent-A-Center Business because Preferred Lease purchases merchandise it leases to customers at retail, rather than wholesale, prices;
- operational, financial, regulatory or other risks associated with the development and implementation of new digital technologies that are intended to enhance the customer and retail partner experience and to differentiate Preferred Lease from competing consumer offerings; and
- the ability of Preferred Lease to adequately protect its proprietary technologies.

These risks could have a material adverse effect on Preferred Lease, which could negatively impact our ability to grow the Preferred Lease segment and result in a material adverse effect on our results of operations. In addition, these risks are expected to become more significant as a result of the Merger.

Our strategy to grow the retail partner business depends on our ability to develop and offer robust virtual lease-to-own technology, including algorithmic decisioning programs and waterfall integrations.

Although our retail partner business began as a staffed model, our strategy to grow the retail partner business depends on significantly expanding our unstaffed or virtual lease-to-own solution, either alone or in combination with the staffed model (the hybrid model). The 2019 acquisition of Merchants Preferred's scalable technology offering, robust decision engine, enhanced infrastructure and experienced management team accelerated the development of our virtual lease-to-own offering. In 2020 and 2021, we have further executed on our virtual growth strategy through, among other things, continued investments in Preferred Lease's proprietary offerings and technologies, organizational enhancements and our pending acquisition of Acima in the Merger. We may not realize the intended benefits from these investments and initiatives. If we are unable to maintain and continuously improve our technologies and decisioning methodologies, our business and financial results may be materially and adversely affected.

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

Competition from the e-commerce sector continues to grow and has been accelerated by trends that developed as a result of social restrictions implemented due to COVID-19. To compete in this e-commerce sector, we must be able to innovate and develop technologies and digital solutions that appeal to our customer. We have launched virtual capabilities within our Preferred Lease and Rent-A-Center Business segments. There can be no assurance we will be successful in developing the technologies and digital solutions necessary to grow our e-commerce business in a profitable manner. Certain of our competitors, and a number of e-commerce retailers, have established e-commerce operations against which we compete for customers. It is possible that the increasing competition from the e-commerce sector may reduce or prevent us from growing our market share, gross and operating margins, and may materially and adversely affect our business and results of operations in other ways.

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

We utilize integrated information management systems. The efficient operation of our business is dependent on these systems to effectively manage our financial and operational data. The failure of our information management systems to perform as designed due to ''bugs,'' crashes, computer viruses, security breaches, internet failures and outages, operator error, or catastrophic events, and any associated loss of data or interruption of such information management systems for a significant period of time could disrupt our business. If the information management systems sustain repeated failures, we may not be able to manage our store operations, which could have a material adverse effect on our business, financial condition and results of operations. We invest in new information management technology and systems and implement modifications and upgrades to existing systems. These investments include replacing legacy systems, making changes to existing systems, building redundancies, and acquiring new systems and hardware with updated functionality. We take actions and implement procedures designed to ensure the successful implementation of these investments, including the testing of new systems and the transfer of existing data. These efforts may take longer and may require greater financial and other resources than anticipated, may cause distraction of key personnel, may cause disruptions to our existing systems and our business, and may not provide the anticipated benefits. A disruption in our information management systems, or our inability to improve, upgrade, integrate or expand our systems to meet our evolving business requirements, could impair our ability to achieve critical strategic initiatives and could materially and adversely affect our business, financial condition and results of operations.

If we fail to protect the integrity and security of customer, employee and retail partner information, we could incur significant liability and damage our reputation and our business could be materially and adversely affected.

In the ordinary course of business, we collect, store and process certain personal information provided to us by our customers, including social security numbers, dates of birth, banking information, credit and debit card information and data we receive from consumer reporting companies, including credit report information, as well as certain confidential information about our retail partners and employees, among others. Much of this data constitutes confidential personally identifiable information which, if unlawfully accessed, either through a ''hacking'' attack or otherwise, could subject us to significant liability as further discussed below.

Despite instituted safeguards for the protection of such information, our systems are subject to significant risk of compromise from increasingly aggressive and sophisticated cyberattacks, including hacking, computer viruses, malicious or destructive code, ransomware, social engineering attacks (including phishing and impersonation), denial-of-service attacks and other attacks and similar disruptions from the unauthorized use of or access to information technology systems. Our IT systems are subject to constant attempts to gain unauthorized access in order to disrupt our business operations and capture, misappropriate, destroy or manipulate various types of information that we rely on, including confidential personally identifiable information (''PII'') or other confidential information. In addition, one of our employees, contractors or other third parties with whom we do business may attempt to circumvent our security measures in order to obtain such information, or inadvertently cause a breach involving such information. Loss or misuse of customer, employee or retail partner information could disrupt our operations, damage our reputation, and expose us to claims from customers, employees, retail partners, regulators and other persons, any of which could have a material adverse effect on our business, financial condition and results of operations. Successful data breaches or other cybersecurity incidents at other companies, whether or not we are involved, could lead to a general loss of customer confidence that could similarly negatively affect us, including harming the market perception of the effectiveness of our security measures or financial technology in general. Further, if any such compromise, breach or misuse is not detected quickly, the effect could be compounded. In addition, the costs associated with information security, such as increased investment in technology, the costs of compliance with privacy laws and industry standards, and costs incurred to prevent or remediate information security breaches, could materially and adversely affect our business.

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

Effective internal controls are necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our brand and operating results could be harmed. Additionally, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 so that our management can certify, on an annual basis, that our internal control over financial reporting is effective. We are also required to, among other things, establish and periodically evaluate procedures with respect to our disclosure controls and procedures.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. While we continue to evaluate and improve our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our ability to raise capital, and may also expose us to potential claims and losses. Additionally, any such failure could subject us to increased regulatory scrutiny, which could also have a material adverse effect on our business and our stock price.

The industries in which we operate are highly competitive, which could impede our ability to maintain sales volumes and pricing and have a material adverse effect on our operating results.

Certain categories of products we sell and lease from time to time, including furniture, appliances and electronics such as televisions, computers and smartphones, are the subject of intense competition from a number of types of competitors, including national, regional and local operators of lease-to-own stores, virtual lease-to-own companies, traditional and online providers of used goods and merchandise, traditional, ''big-box'' and e-commerce retailers. These competitors may offer a larger selection of products at more competitive prices than our Rent-A-Center Business and Preferred Lease segment. Our competitors may employ aggressive marketing strategies involving frequent sales and discounts, including the use of certain products as ''loss leaders'' to increase customer traffic. Engaging in these pricing strategies could cause a material reduction in sales revenue and gross margins. Alternatively, we may be unable to or elect not to engage in these pricing strategies, which could decrease our sales volumes. The expansion of digital retail has increased the number and variety of retailers with which we compete, and certain online retailers may have greater brand recognition, social media following and engagement and sophisticated websites than does Rent-A-Center. The increasing competition from all of these sources may also reduce the market share held by our Rent-A-Center Business and Preferred Lease segments.

The lease-to-own industry faces competition from the retailers and lease-to-own companies mentioned above, including many retailers who offer layaway programs, various types of consumer finance companies, including installment, payday and title loan companies, that may enable our customers to shop at traditional or on-line retailers, as well as rental stores that do not offer their customers a purchase option. Some of these competitors may be willing to offer products and services on an unprofitable basis in an effort to gain market share or be willing to lease certain types of products that we are not willing to or are unable to lease. Additionally, these competitors may be willing to enter into customer leases where services, rather than goods, comprise the significant portion of the lease value, or be willing to engage in other practices related to pricing, compliance, and other areas in which we are not willing to or cannot engage.

Our Preferred Lease business relies heavily on relationships with retail partners. An increase in competition could cause our retail partners to no longer offer the Preferred Lease product in favor of those of our competitors, or to offer the Preferred Lease product and the products of our competitors simultaneously at the same store locations, which could slow growth in the Preferred Lease business and limit or reduce profitability. Furthermore, Preferred Lease's virtual lease to own competitors may deploy different business models, such as direct-to-consumer strategies, that forego reliance on retail partner relationships that may prove to be more successful.

Rent-A-Center may be unable to retain key employees as a result of the Merger or otherwise.

The success of Rent-A-Center depends in part upon its ability to retain its executive leadership, management team and other key employees (including, following the Merger, former Acima employees). Key personnel may depart because of a variety of reasons, relating to the Merger or otherwise. The loss of these individuals without adequate replacement could materially and adversely affect our ability to sustain and grow our business. The inability to attract and retain qualified individuals, or a significant increase in the costs to do so, would materially and adversely affect our operations. Furthermore, if we are unable to retain key personnel who are critical to the successful integration and future operations of the combined company following the Merger, we could face disruptions in its operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs, all of which could diminish the anticipated benefits of the Merger.

If we are unable to attract, train and retain managerial personnel and hourly associates in our stores and staffed Preferred Lease locations, our reputation, sales and operating results may be materially and adversely affected.

Our workforce is comprised primarily of employees who work on an hourly basis. We rely on our sales associates in our store locations and staffed Preferred Lease locations to provide customers with an enjoyable and informative shopping experience and to help ensure the efficient processing and delivery of products. To grow our operations and meet the needs and expectations of our customers, we must attract, train, and retain a large number of hourly associates, while at the same time controlling labor costs. We compete with other retail businesses as well as restaurants for many candidates for employment at our store locations and staffed Preferred Lease locations. These positions have historically had high turnover rates, which can lead to increased training, retention and other costs. Our ability to control labor costs is also subject to numerous external factors and compliance with regulatory structures, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, governmental regulatory bodies such as the Equal Employment Opportunity Commission and the National Labor Relations Board, prevailing wage rates and wage and hour laws, minimum wage laws, the impact of legislation governing labor and employee relations or benefits, such as the Affordable Care Act, health insurance costs and our ability to maintain good relations with our employees. If we are unable to attract and retain quality employees at reasonable cost, or fail to comply with the regulations and laws impacting personnel, it could have a material adverse effect on our business, financial condition and results of operations.

Acts of nature, whether due to climate change or otherwise, can disrupt our operations and those of our retail partners.

Our store operations, as well as those of our retail partners at Preferred Lease, are subject to the effects of adverse acts of nature, such as winter storms, hurricanes, hail storms, strong winds, earthquakes and tornadoes, which have in the past caused damage such as flooding and other damage to our stores and those of our retail partners in specific geographic locations, including in Mexico, Florida, Louisiana and Texas, and may, depending upon the location and severity of such events, materially and unfavorably impact our business continuity. We cannot guarantee that the amount of any hurricane, windstorm, earthquake, flood, business interruption or other casualty insurance we may maintain from time to time would cover any or all damages caused by any such event.

The success of our Franchising segment is dependent on the ability and success of our third party franchisees, over which we have limited control.

The franchisees of our Franchising segment are independent third party businesses that are contractually obligated to operate in accordance with the operational and other standards set forth in their respective franchise agreements. Although we evaluate potential franchisee candidates before entering into a franchisor-franchisee relationship with them, we cannot be certain that management of a given candidate will have the business acumen or financial resources necessary to operate successful franchises in their approved territories. Because franchisees are independent businesses and not employees, we are not able to control them to the same extent as our Rent-A-Center Business stores, and the ultimate success and quality of a franchise ultimately rests with the franchisee. Certain state franchise laws may also limit our ability to terminate, not renew or modify our franchise agreements. Our franchisees may fail in key areas, or experience significant business or financial difficulties, which could slow our growth, reduce our franchise fees, royalties and revenue, damage our reputation, expose us to regulatory enforcement actions or private litigation and/or cause us to incur additional costs. If we fail to adequately mitigate any such future losses, our business and financial condition could be materially and adversely affected.

Our current insurance program may expose us to unexpected costs and negatively affect our financial performance.

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

Risks Relating to Legal and Compliance Matters

We may be subject to legal or regulatory proceedings from time to time that result in damages, penalties or other material monetary obligations or material restrictions on our business operations, and our use of arbitration agreements may not allow us to avoid costly litigation.

In addition to laws and regulations regarding our lease-to-own transactions, we are subject to consumer protection and data privacy laws and other laws and regulations. As we execute on our strategic plans, we may continue to expand into complementary businesses that engage in financial, banking or lending services, or lease-to-own or rent-to-rent transactions involving products that we do not currently offer our customers, all of which may be subject to a variety of additional statutes and regulatory requirements not presently applicable to our operations. We have defended against, and may in the future defend against, legal and regulatory proceedings from time to time, including class action lawsuits alleging various regulatory violations. We have incurred and may in the future incur significant damages, fines, penalties, obligations to post bonds pending appeal or legal fees or expenses in connection with such legal and regulatory proceedings or may pay significant amounts to settle legal or regulatory proceedings, which could materially and adversely affect our liquidity and capital resources. The failure to pay any material judgment would constitute a default under the ABL Credit Facility, the Term Loan Facility (as defined in ''Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation'') and the Notes (as defined in ''Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation''). In addition, we may become subject to significant restrictions on or changes to our business practices, operations or methods, including pricing or similar terms, as a result of existing or future governmental or other proceedings or settlements, any of which could significantly harm our reputation, both with consumers as well as with retail partners and materially and adversely affect our business, prospects and financial condition.

In an attempt to limit costly and lengthy consumer, employee and other litigation, including class actions, we require our customers and employees to sign arbitration agreements, including class action waivers. However, in addition to opt-out provisions contained in such agreements, judicial, regulatory or legislative actions may restrict or eliminate the enforceability of such agreements and waivers. If we are not permitted to use arbitration agreements and/or class action waivers, or if the enforceability of such agreements and waivers is restricted or eliminated, we could incur increased costs to resolve legal actions brought by customers, employees and others, as we would be forced to participate in more expensive and lengthy dispute resolution processes.

Federal and state regulatory authorities are increasingly focused on the lease-to-own industry and any negative change in these laws or regulations or the passage of unfavorable new laws or regulations or the manner in which any of these are enforced or interpreted could require us to alter our business practices in a manner that may be materially adverse to us.

Although there is currently no comprehensive federal legislation regulating rental purchase transactions, federal regulatory authorities such as the United States Federal Trade Commission and the Consumer Financial Protection Bureau (the ''CFPB'') are increasingly focused on the subprime financial marketplace in which the lease-to-own industry operates and adverse federal legislation may be enacted in the future. Any federal agency, or any state regulatory authority, may propose and adopt new regulations or interpret existing regulations in a manner that could materially increase both our costs of complying with laws and the risk that we could be sued or be subject to government sanctions if we are not in compliance or to alter our business practices in a manner that reduces the economic potential of our operations. Any such new laws, regulations or interpretations could include, by way of example only, those that seek to re-characterize store-based or virtual lease-to-own transactions as credit sales and to apply consumer credit laws and regulations to our business. In addition, federal and state regulators are increasingly holding businesses operating in the lease-to-own industry to higher standards of monitoring, disclosure and reporting, notwithstanding the adoption of any new laws or regulations applicable to our industry. Furthermore, regulators and courts may apply laws or regulations to our businesses in incorrect, inconsistent or unpredictable ways that may make our compliance more difficult, expensive and uncertain. This increased attention at the federal and state levels, as well as the potential for scrutiny by certain municipal governments, could increase our compliance costs significantly and materially and adversely affect the manner in which we operate. In addition, legislative or regulatory proposals regarding our industry, or interpretations of them, may subject Rent-A-Center to ''headline risks'' whereby media attention to these matters could negatively impact our business in a particular region or in general or investor sentiment and may materially and adversely affect our share price. Moreover, an adverse outcome from a lawsuit, even one against one of our competitors, could result in changes in the way we and others in the industry do business, possibly leading to significant costs or decreased revenues or profitability.

Our lease-to-own transactions are regulated by and subject to the requirements of federal and state laws and regulations that vary by jurisdiction, which requires significant compliance costs and exposes us to regulatory action or other litigation.

Currently, 46 states, the District of Columbia and Puerto Rico have passed laws that regulate rental purchase transactions as separate and distinct from credit sales. One additional state has a retail installment sales statute that excludes leases, including lease-to-own transactions, from its coverage if the lease provides for more than a nominal purchase price at the end of the rental period. The specific rental purchase laws generally require certain contractual and advertising disclosures. They also provide varying levels of substantive consumer protection, such as requiring a grace period for late fees and contract reinstatement rights in the event the rental purchase agreement is terminated. The rental purchase laws of 11 states limit the total amount that may be charged over the life of a rental purchase agreement and the laws of six states limit the cash prices for which we may offer merchandise. Furthermore, there is currently no comprehensive federal legislation regulating lease-to-own transactions. We have incurred and will continue to incur substantial costs to comply with federal and state laws and regulations, many of which are evolving, unclear and inconsistent across various jurisdictions as described above. In addition to compliance costs, we may incur substantial expenses to respond to federal and state government investigations and enforcement actions, proposed fines and penalties, criminal or civil sanctions, and private litigation, including those arising out of our or our franchisees' alleged violations of existing laws and/or regulations.

Similar to other consumer transactions, our rental purchase transaction is also governed by various federal and state consumer protection statutes, in addition to the rental purchase statutes under which we operate, that provide various consumer remedies, including monetary penalties, for violations. In our history, we have been the subject of litigation alleging that we have violated some of these statutory provisions and the consumer practices of Acima are currently the subject of an investigation by the CFPB (see '' — *The outcome of the Consumer Financial Protection Bureau's investigation into certain of Acima's business practices is uncertain and may materially and adversely affect our business*'' below).

Laws and regulations regarding information security and data collection, use and privacy are increasingly rigorous and subject to change, which may cause us to incur significant compliance costs.

The regulatory environment related to information security and data collection, use and privacy is increasingly rigorous, with new and constantly changing requirements applicable to certain aspects of our business, including our collection practices (as well as those of third parties), the manner in which we contact our customers, our decisioning process regarding whether to lease merchandise to customers, our credit reporting practices, and the manner in which we process and store certain customer, employee and other information. All states have adopted laws requiring the timely notification to individuals and, at times, regulators, the media or credit reporting agencies, if a company experiences the unauthorized access or acquisition of PII. Many states have enacted additional data privacy and security laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of PII and other information. For instance, the California Consumer Privacy Act of 2018 (the ''CCPA''), which became effective on January 1, 2020, contains, among other things, new disclosure obligations for businesses that collect PII from California residents and affords those individuals numerous rights relating to their PII. The CCPA has changed the manner in which we collect, store and use consumer data and has resulted in increased regulatory oversight, litigation risks and costs of compliance. Furthermore, a California ballot initiative from privacy rights advocates intended to augment and expand the CCPA called the California Privacy Rights Act (the ''CPRA'') was passed in November 2020 and will take effect in January 2023 (with respect to information collected from and after January 2022). The CPRA will significantly modify the CCPA, including by creating a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. Moreover, other states may adopt privacy-related laws whose restrictions and requirements differ from those of California, which could require us to design, implement and maintain different types of state-based, privacy-related compliance controls and programs simultaneously in multiple states, thereby further increasing the complexity and cost of compliance. These costs, including others relating to increased regulatory oversight and compliance, could materially and adversely affect our business. In addition, given that privacy and customer data protection laws may be interpreted and applied inconsistently and are in a state of flux that varies by jurisdiction, our data protection policies and practices may not be consistent with the most recent interpretations and applications of such laws at all times. Complying with these varying requirements could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Any failure, or perceived failure, by us to comply with our own privacy policies or with any regulatory requirements or orders or other privacy or consumer protection related laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity and materially and adversely affect our operating results.

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

While our policies and compliance programs are intended to promote legal and ethical business practices, there is a risk that our employees, agents or business partners, including retail partners, could engage in misconduct that materially and adversely affects our reputation, ability to do business or our operating results or financial condition. For instance, our operations in the U.S. and abroad are subject to certain laws generally prohibiting companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, such as the U.S. Foreign Corrupt Practices Act, and similar anti-bribery laws in other jurisdictions. Violations by our employees, contractors or agents of policies and procedures we have implemented to ensure compliance with these laws could subject us to civil or criminal investigations in the U.S. and in other jurisdictions, could lead to substantial civil and criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could cause us to incur significant legal fees and could damage our reputation. Other misconduct, including discrimination or harassment in the workplace, illegal or suspicious activity and breaches in the protection of consumer information, could similarly subject us to regulatory sanctions and negatively impact our business, operating results or financial condition. In addition, misconduct by our employees or agents could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect violations of such rules. Furthermore, alleged or perceived misconduct by our employees, agents or business partners, including retail partners, even if not substantiated, may attract negative publicity that could damage our reputation and impair our ability to maintain and develop relationships with our vendors, customers and other third parties with whom we do business and to attract and retain employees.

Our products and services may be negatively characterized by consumer advocacy groups, the media and certain Federal, state and local government officials, and if those negative characterizations become increasingly accepted by consumers and/or our retail partners, demand for our goods and the transactions we offer could decrease and our business could be materially and adversely affected.

Certain consumer advocacy groups, media reports and federal and state regulators and legislators have asserted that laws and regulations regarding lease-to-own transactions should be broader and more restrictive. The consumer advocacy groups and media reports generally focus on the total cost to a consumer to acquire an item, which is often alleged to be higher than the interest typically charged by banks or similar lending institutions to consumers with better credit histories seeking to borrow money to finance purchases. This ''cost-of-rental'' amount, which is generally defined as total lease fees paid in excess of the ''retail'' price of the goods, is from time to time characterized by consumer advocacy groups and media reports as predatory or abusive without discussing the fundamental difference between a credit transaction and a lease transaction, the fact that consumers can return their leased merchandise at any time without penalty or further payment obligations or the numerous other benefits to consumers of lease-to-own programs, or the lack of viable alternatives available to many of these consumers to obtain critical household items. If the negative characterization of lease-to-own transactions becomes increasingly accepted by consumers or our retail and merchant partners, demand for our products and services could significantly decrease, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, if the negative characterization of lease-to-own transactions is accepted by regulators and legislators, our business may become subject to more restrictive laws and regulations and more stringent enforcement of existing laws and regulations, any of which could have a material adverse effect on our business, results of operations and financial condition. The vast expansion and reach of technology, including social media platforms, has increased the risk that our reputation could be significantly impacted by these negative characterizations in a relatively short amount of time. If we are unable to quickly and effectively respond to such characterizations, we may experience declines in customer loyalty and traffic and our relationships with our retail partners may suffer, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, any failure by our competitors, including smaller, regional competitors, to comply with the laws and regulations applicable to the traditional and/or virtual lease-to-own models, or any actions by our competitors that are challenged by consumers, advocacy groups, the media or governmental agencies or entities as being abusive or predatory, could result in Rent-A-Center being perceived as engaging in similar unlawful or inappropriate activities or business practices, merely because we operate in the same general industries as such competitors.

Disputes with or involving our franchisees may lead to litigation with our franchisees, which may materially and adversely affect our relationships with franchisees or our reputation, or cause us to incur significant expenses that materially and adversely affect our results of operations.

As a franchisor, we are subject to regulation by various federal and state laws that govern the relationship between us and our franchisees and the offer and sale of franchises. If we fail to comply with these laws, we could be liable for damages to franchisees and fines or other penalties, as well as the loss of franchise fees and ongoing royalty revenues. Although we believe we generally enjoy a positive working relationship with our franchisees, the nature of the franchisor-franchisee relationship may give rise to litigation with our franchisees in the ordinary course of business for a variety of reasons, including disputes related to alleged breaches of contract or wrongful termination under the franchise arrangements. We may also have disputes with franchisees in connection with transactions whereby we have re-franchised previously company-owned locations and sold them to the franchisee, including disputes regarding our indemnification obligations pursuant to those transaction agreements. Further, we may engage in litigation with franchisees to enforce the terms of our franchise agreements and compliance with our brand standards as determined necessary to protect our brand, the consistency of our products and the customer experience, or to enforce any applicable contractual indemnification rights if we are brought into a matter involving a third party due to an alleged act or omission by the franchisee. In addition, we may be subject to claims by our franchisees relating to our franchise disclosure documents, including claims based on financial information contained in those documents. Engaging in such litigation may be costly, time-consuming and may distract management and materially and adversely affect our relationships with or ability to attract new franchisees. Any negative outcome of these or any other claims could materially and adversely affect our results of operations as well as our ability to expand our franchise system and may damage our reputation and brand. Moreover, federal and state laws that regulate substantive aspects of our relationships with franchisees may limit our ability to terminate our franchise arrangements or otherwise resolve conflicts with our franchisees or enforce contractual duties or rights we believe we have with respect to our franchisees, which could materially and adversely affect our operations.

We may face liability for the actions, omissions and liabilities of our franchisees, which could materially and adversely affect our results of operation.

One of the legal foundations fundamental to the franchise business model has been that, absent special circumstances, a franchisor is generally not responsible for the acts, omissions or liabilities of its franchisees. However, under the franchise business model, we may face claims and liabilities based on vicarious liability, joint-employer liability, or other theories or liabilities. Expansion of these bases for liability not only could result in expensive litigation with our franchisees or government agencies, but also could make it more difficult to appropriately support our franchisees while managing our risk of liability, all of which could impact our results of operations. For instance, in 2015, the National Labor Relations Board adopted a broad standard for determining when two or more otherwise unrelated employers may be found to be a joint employer of the same employees under the National Labor Relations Act. Although the U.S. Department of Labor announced the rescission of these guidelines in June 2017, there can be no assurance that no future changes in law, regulation or policy will cause us or our franchisees to be liable or held responsible for unfair labor practices, violations of wage and hour laws, or other violations or require our franchises to conduct collective bargaining negotiations regarding employees of our franchisees. If such changes occur, our operating expenses may increase as a result of required modifications to our business practices, increased litigation, governmental investigations or proceedings, administrative enforcement actions, fines and civil liability, which could materially and adversely affect our results of operations.

We may be unable to protect our intellectual property, or may be alleged to have infringed upon the intellectual property rights of others, which could result in a loss of our competitive advantage and a diversion of resources and a material adverse effect on our business and results of operations.

The success of our lease-to-own model depends in large part on our proprietary decisioning algorithm, our e-commerce platform and other proprietary technologies that we currently have or may develop in the future. To protect our intellectual property rights, we rely, or may from time to time rely, on a combination of trademark, trade dress, domain name, copyright, trade secret and patent laws, as well as confidentiality and license agreements with our employees, contractors and other third parties with whom we have relationships. However, our efforts to protect our intellectual property rights may not be sufficient or effective to prevent misappropriation or infringement of our intellectual property or proprietary information, which could result in a loss of our competitive advantage. In addition, any of our intellectual property rights may be challenged, which could result in their being narrowed in scope or declared invalid or unenforceable. We may litigate to protect our intellectual property and proprietary information from misappropriation or infringement by others, which could be expensive and cause a diversion of resources and ultimately may not be successful.

Moreover, competitors or other third parties may allege that we, or consultants or other third parties retained or indemnified by us, infringe on their intellectual property rights. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against us may cause us to spend significant amounts to defend the claim (even if we ultimately prevail). We may also be required to pay significant money damages. In the event of a settlement or adverse judgment, our results of operation may materially decline if we are prohibited from using the relevant systems, processes, technologies or other intellectual property, especially if we are forced to cease offering certain products or services, or are required to pay to the alleged owner of the relevant intellectual property licensing fees, royalties or technology development expenses. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims may be time consuming and expensive and may result in the diversion of time and attention of our management and employees.

The taxes applicable to our operations can be difficult to determine and are subject to change, and our failure to correctly calculate and pay such taxes could result in substantial tax liabilities and a material adverse effect on our results of operations.

The application of indirect taxes, such as sales tax, is a complex and evolving issue, particularly with respect to the lease-to-own industry generally and our virtual lease-to-own Preferred Lease and e-commerce businesses more specifically. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the lease-to-own industry and e-commerce and, therefore, in many cases it is not clear how existing statutes apply to our various business activities. Failure to comply with such statutes, or a successful assertion by a jurisdiction requiring us to collect taxes in a location or for transactions where we presently do not, could result in substantial tax liabilities, including for past sales and leases, as well as penalties and interest. In addition, if the tax authorities in jurisdictions where we are already subject to sales tax or other indirect tax obligations were to successfully challenge our positions, our tax liability could increase substantially. For instance, following a United States Supreme Court decision in June 2018, states may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state. Our Preferred Lease business may become subject to additional taxes if state or municipal legislatures adopt tax reform that subjects our lease-to-own transactions originated at the locations of Preferred Lease's retail partners to taxation in that jurisdiction, despite Rent-A-Center having no physical presence in that jurisdiction. As governments increasingly search for ways to increase revenues, states may adopt tax reform or take other legislative action designed to raise tax revenues, including by expanding the scope of transactions subject to taxation or by increasing applicable tax rates, or may adversely interpret existing sales, income and other tax regulations. Such changes could subject our business to new or increased tax obligations, which could have a material adverse effect on our results of operations.

Risks Relating to Our Indebtedness and Other Financial Matters

Our indebtedness increased significantly upon consummation of the Merger and may materially and adversely affect us.

As of December 31, 2020, our total indebtedness was $197.5 million. In connection with the consummation of the Merger in February 2021, we incurred significant indebtedness to fund the cash consideration payable under the Agreement and Plan of Merger, dated as of December 20, 2020, providing for the Merger (the ''Merger Agreement''), repay certain indebtedness of each of Rent-A-Center and Acima and its subsidiaries, and pay related fees and expenses. As a result, on a pro forma basis after giving effect to the Merger and related financing transactions, our total indebtedness as of December 31, 2020 would have been approximately $1,490 million, and we would have had undrawn commitments available for borrowings of an additional $294 million under the ABL Credit Facility (after giving effect to approximately $91 million of outstanding letters of credit). In addition, on a pro forma basis after giving effect to the Merger and related financing transactions, our total indebtedness as of December 31, 2020, the available commitments under the ABL Credit Facility would have been $550 million which, when reduced by outstanding borrowings and standby letters of credit of $256 million outstanding as of such date, would amount to $294 million of availability under such facility.

Notwithstanding the recent increase in our total indebtedness, we expect to continue to evaluate the possibility of acquiring additional businesses and making strategic investments, and we may elect to finance these endeavors by incurring additional indebtedness. Moreover, to respond to competitive challenges, we may be required to raise substantial additional capital to finance new product or service offerings. As a result, our indebtedness could further increase, and the related risks that we face could intensify.

Our level of indebtedness, together with any additional indebtedness we may incur in the future, could materially and adversely affect us in a number of ways. For example, the anticipated level of indebtedness or any additional financing could:

- make it more difficult for us to pay or refinance our debts as they become due during adverse economic, financial market and industry conditions;
- require us to use a larger portion of our cash flow for debt service, reducing funds available for other purposes;
- impair our ability to take advantage of business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- increase our vulnerability to adverse economic, industry or competitive developments and decrease our ability to respond to such changes as compared to our competitors with less leverage;
- materially and adversely affect our ability to obtain additional financing, particularly as substantially all of our assets will be subject to liens securing certain of our indebtedness;
- decrease our profitability and/or cash flow or require us to dispose of significant assets in order to satisfy our debt service and other obligations if cash from operations or other sources is insufficient to satisfy such obligations;

- increase the risk of a downgrade in the credit rating of us or any indebtedness of us or our subsidiaries which could increase the cost of further borrowings;
- limit our ability to borrow additional funds in the future to fund working capital, capital expenditures and other general corporate purposes; and
- limit our financial resources available to continue paying dividends on our common stock, as determined in the discretion of our Board of Directors and subject to the restrictive covenants in our debt agreements.

Although the terms of the indenture that governs the Notes and the terms of the ABL Credit Facility and the Term Loan Facility contain restrictions on the incurrence of additional debt, including secured debt, these restrictions are subject to a number of important exceptions and debt incurred in compliance with these restrictions could be substantial. If we incur significant additional debt, the related risks could intensify.

The amount of borrowings permitted under the ABL Credit Facility is limited to the value of certain of our assets, and Rent-A-Center relies in part on available borrowings under the ABL Credit Facility for cash to operate its business, which subjects it to market and counterparty risk, some of which is beyond Rent-A-Center's control.

In addition to cash we generate from our business, our principal existing sources of cash are borrowings available under the ABL Credit Facility. Our borrowing capacity under the ABL Credit Facility varies according to our eligible rental contracts, eligible installment sales accounts and inventory, net of certain reserves. In the event of any material decrease in the amount of or appraised value of these assets, our borrowing capacity would similarly decrease, which could materially and adversely affect our business and liquidity. The documentation governing the ABL Credit Facility contains customary affirmative and negative covenants and certain restrictions on operations become applicable if our available credit falls below certain thresholds. These covenants could impose significant operating and financial limitations and restrictions on us, including restrictions on our ability to enter into particular transactions and to engage in other actions that we may believe are advisable or necessary for our business. Subject to certain exceptions, our obligations under the ABL Credit Facility are secured by liens on substantially all of our assets. In the event of a default that is not cured or waived within any applicable cure periods, the lenders' commitment to extend further credit under the ABL Credit Facility could be terminated, our outstanding obligations could become immediately due and payable, outstanding letters of credit may be required to be cash collateralized and remedies may be exercised against the collateral. Our access to such financing may be unavailable or reduced, or such financing may become significantly more expensive for any reason, including, but not limited to, adverse economic conditions. In addition, if certain of our lenders experience difficulties that render them unable to fund future draws on the facility, we may not be able to access all or a portion of these funds. If our access to borrowings under the ABL Credit Facility is unavailable or reduced, we may not have the necessary cash resources for our operations and, if any event of default occurs, there is no assurance that we would have the cash resources available to repay such accelerated obligations, refinance such indebtedness on commercially reasonable terms, or at all, or cash collateralize our letters of credit, which would have a material adverse effect on our business, financial condition, results of operations and liquidity.

We may not be able to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our failure to meet our debt service obligations could have a material adverse effect on our business, financial condition and results of operations.

As of February 17, 2021, the annual cash interest payments on our indebtedness are approximately $75 million, which could fluctuate depending on changes in interest rates. We depend on cash on hand and cash flows from operations to make scheduled debt payments. We expect to be able to meet the estimated cash interest payments on our indebtedness through our cash flows from operations. However, our ability to generate sufficient cash flow from operations and to utilize other methods to make scheduled payments will depend on a range of economic, competitive and business factors, many of which are outside of our control, and there can be no assurance that these sources will be adequate. If we are unable to service our indebtedness and fund our operations, we will be forced to adopt an alternative strategy that may include:

- reducing or delaying capital expenditures;
- limiting our growth;
- seeking additional capital;
- selling assets;
- reducing or eliminating the dividend on our common stock; or
- restructuring or refinancing our indebtedness.

Even if we adopt an alternative strategy, the strategy may not be successful and we may be unable to service our indebtedness and fund our operations, which could have a material adverse effect on our business, financial condition or results of operations. In addition, the ABL Credit Facility and the Term Loan Facility are secured by liens on substantially all of our and our restricted subsidiaries' assets, and any successor credit facilities are likely to be secured on a similar basis. As such, our ability to refinance our indebtedness or seek additional financing, or our restricted subsidiaries' ability to make cash available to us, by dividend, debt repayment or otherwise, to enable us to repay the amounts due under our indebtedness, could be impaired as a result of such security interests and the agreements governing such security interests.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations. In addition, if we cannot make scheduled payments on our debt, we will be in default and lenders under the ABL Credit Facility could terminate their commitments to loan money, holders of the Notes and lenders under the ABL Credit Facility and the Term Loan Facility could declare all outstanding principal and interest to be due and payable, and lenders under the ABL Credit Facility and the Term Loan Facility could foreclose against the assets securing such indebtedness and Rent-A-Center could be forced into bankruptcy or liquidation.

Restrictive covenants in certain of the agreements and instruments governing our indebtedness may materially and adversely affect our financial and operational flexibility.

The terms of our indebtedness include restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to, among other things, (i) create liens; (ii) transfer or sell assets; (iii) incur indebtedness or issue certain preferred stock; (iv) pay dividends, redeem stock or make other distributions; (v) make other restricted payments or investments; (vi) create restrictions on payment of dividends or other amounts by us to our restricted subsidiaries; (vii) merge or consolidate with other entities; (viii) engage in certain transactions with affiliates; and (ix) designate our subsidiaries as unrestricted subsidiaries. In addition, our ability to access the full amount available under the ABL Credit Facility is subject to compliance with a financial maintenance covenant requiring that we maintain at least a specified fixed charge coverage ratio (as such ratio is defined in the ABL Credit Facility). Our failure to comply with any of these covenants could result in reduced borrowing capacity and/or an event of default that, if not cured or waived, could result in the acceleration of certain of our debt, which could have a material adverse effect on our business, financial condition and results of operations.

Our ability to comply with these covenants may be affected by events beyond our control, and any material deviations from our forecasts could require us to seek waivers or amendments of covenants or alternative sources of financing, or to reduce expenditures. We cannot assure you that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to us.

A breach of any of the covenants or restrictions could result in an event of default. Such a default, if not cured or waived, could allow our debt holders to accelerate the related debt, as well as any other debt to which a cross-acceleration or cross-default provision applies, or to declare all borrowings outstanding thereunder to be due and payable. In the event our debt is accelerated, our assets may not be sufficient to repay such debt in full.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

A portion of our indebtedness bears interest at variable rates that are linked to changing market interest rates. As a result, an increase in market interest rates will increase our interest expense and our debt service obligations on the variable rate indebtedness, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of December 31, 2020, on a pro forma basis after giving effect to the Merger and related expected financing transactions, approximately $1,018 million of our indebtedness would have been variable rate indebtedness and, assuming all loans were fully drawn, each quarter-point (0.25%) change in interest rates would result in an additional $2.6 million annualized pretax charge or credit to our consolidated statement of operations. As of the date of this Annual Report on Form 10-K, we have not entered into any interest rate swap agreements. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate interest rate risk.

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

Under the agreements governing our ABL Credit Facility and our Term Loan Facility, an event of default will result if a third party becomes the beneficial owner of 40% or more of our voting stock, in which case our obligations under such facilities may become immediately due and payable. In addition, under the indenture governing the Notes, we are obligated to offer to purchase the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of the purchase, upon the occurrence of certain changes in control, including, subject to certain exceptions, the consummation of any transaction that results in any person becoming the beneficial owner of at least 50% of our voting stock or a sale of substantially all of our assets. Rent-A-Center may enter into additional financing arrangements in the future that require the repayment of outstanding amounts in similar circumstances. If a specified change in control occurs and the lenders or debt holders under our debt instruments accelerate our obligations, we may not have sufficient liquid assets to repay amounts outstanding under such agreements or be able to arrange for additional financing to fund such obligations, which could result in an event of default under the relevant instrument and could cause any other debt that we may have at that time to become automatically due, further exacerbating the adverse impacts on our financial condition.

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

Rent-A-Center's organizational documents contain provisions that classify its Board of Directors, authorize its Board of Directors to issue blank check preferred stock and establish advance notice requirements on its stockholders for director nominations and actions to be taken at meetings of the stockholders. In addition, as a Delaware corporation, Rent-A-Center is subject to Section 203 of the Delaware

General Corporation Law, which prohibits persons that acquire, or are affiliated with any person that acquires, more than 15% of our outstanding common stock from engaging in any business combination with Rent-A-Center for a three-year period following the date of such acquisition, subject to limited exceptions. Furthermore, the terms of our indebtedness include various change in control provisions which, in the event of a change in control, would cause a default under those provisions. These provisions and arrangements could delay, deter or prevent a merger, consolidation, tender offer or other business combination or change in control involving us, whether favored or opposed by our management or our stockholders. For instance, the consummation of any such transaction in certain circumstances may require the redemption or repurchase of the Notes, and there can be no assurance that we or the potential acquiror will have sufficient financial resources to affect such a redemption or repurchase.

Risks Relating to the Merger

The outcome of the Consumer Financial Protection Bureau's investigation into certain of Acima's business practices is uncertain and may materially and adversely affect our business.

Prior to the execution of the Merger Agreement, Acima received a Civil Investigative Demand dated October 1, 2020 (the ''CID'') from the CFPB requesting certain information, documents and data relating to Acima's products, services and practices for the period from January 1, 2015 to the date on which responses to the CID are provided in full. The purpose of the CID is to determine whether Acima extends credit, offers leases, or otherwise offers or provides a consumer financial product or service and whether Acima complies with certain consumer financial protection laws. We are fully cooperating with the CFPB investigation and expect to submit responses to all existing requests of the CFPB no later than the end of March 2021. The CFPB has not made any allegations in the investigation, and we are currently unable to predict the eventual scope, ultimate timing or outcome of the CFPB investigation.

On the terms and subject to the conditions set forth in the Merger Agreement, the former owners of Acima have agreed to indemnify Rent-A-Center for certain losses arising after the consummation of the Merger with respect to the CID and certain pre-closing taxes. The indemnification obligations of the former owners of Acima are limited to an indemnity holdback in the aggregate amount of $50 million, which amount was escrowed at the closing of the Merger, and will be Rent-A-Center's sole recourse against the former owners of Acima with respect to all of the indemnifiable claims under the Merger Agreement. Other than with respect to any pending or unresolved claims for indemnification submitted by Rent-A-Center prior to such time, and subject to other limited exceptions, the escrowed amount in respect of the CID will be released to the former owners of Acima as follows: (i) in respect of the CID, on the earlier of the third anniversary of the closing date of the Merger and the date on which a final determination is entered providing for a resolution of the matters regarding the CID and (ii) in respect of certain pre-closing taxes, on August 18, 2022, the first business day following the date that is 18 months after the closing of the Merger.

There can be no assurance that the CID will be finally resolved prior to the release to the former owners of Acima of the escrowed funds reserved therefor, or that such escrowed amount will be sufficient to address all covered losses or that the CFPB's ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of consumer financial protection laws that could lead to enforcement actions, proceedings or litigation, whether by the CFPB, other state or federal agencies, or other parties, and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to Acima's business practices or operations that could materially and adversely affect our business, financial condition, results of operations or reputation.

We may be unable to realize the anticipated benefits of the Merger, including synergies, and expect to incur substantial expenses related to the Merger, which could have a material adverse effect on our business, financial condition and results of operations.

We expect to realize potential revenue and cost synergies as a result of the Merger. In addition to the purchase price we paid in connection with the Merger, we also expect to incur certain one-time costs to achieve these synergies. In addition, while we believe these synergies are achievable, our ability to achieve such estimated synergies and the timing of achieving any such synergies is subject to various assumptions by our management, which may or may not be realized, as well as the incurrence of other costs in our operations that offset all or a portion of such synergies. As a consequence, we may not be able to realize all of these synergies within the timeframe expected or at all. In addition, we may incur additional and/or unexpected costs in order to realize these synergies. Failure to achieve the expected synergies could significantly reduce the expected benefits associated with the Merger and materially and adversely affect our business, financial condition and results of operations.

We may be unable to successfully integrate Acima's business and realize the anticipated benefits of the Merger.

Rent-A-Center and Acima operated as independent companies prior to the consummation of the Merger in February 2021. We have devoted, and expect to continue to devote, significant management attention and resources to integrating the business practices and operations of Acima with the other business of Rent-A-Center. Potential difficulties we may encounter in the integration process include the following:

- the inability to successfully combine the businesses of Rent-A-Center and Acima in a manner that permits Rent-A- Center to achieve the cost savings or revenue enhancements anticipated to result from the Merger, which would result in the anticipated benefits of the Merger not being realized in the time frame currently anticipated or at all;

- lost sales and customers as a result of certain customers, retail partners or other third parties of either of the two companies deciding not to do business with us after the Merger;

- the complexities associated with managing Rent-A-Center out of several different locations and integrating personnel from Acima, resulting in a significantly larger combined company, while at the same time attempting to provide consistent, high quality products and services;
- the complexities of consolidating retail partner locations;
- the additional complexities of integrating a company with different products, services, markets and customers;
- coordinating corporate and administrative infrastructures and harmonizing insurance coverage;
- coordinating accounting, information technology, communications, administration and other systems;
- complexities associated with implementing necessary controls for Acima's business activities to address Rent-A- Center's requirements as a public company;
- identifying and eliminating redundant and underperforming functions and assets;
- difficulty addressing possible differences in corporate culture and management philosophies;
- the failure to retain key employees of either Acima or Rent-A-Center;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the Merger, including litigation relating to the Merger or the ultimate outcome of the CFPB investigation of Acima;
- performance shortfalls at one or both of the two companies as a result of the diversion of management's attention to efforts to integrate Acima's operations; and
- a deterioration of credit ratings.

For all these reasons, the integration process could result in the distraction of Rent-A-Center's management, the disruption of Rent-A-Center's ongoing business or inconsistencies in its products, services, standards, controls, procedures and policies, any of which could materially and adversely affect our ability to maintain relationships with our customers, retail partners, vendors and employees or to achieve the anticipated benefits of the Merger, or could otherwise materially and adversely affect our business and financial results.

An inability to realize the full extent of the anticipated benefits and cost synergies of the Merger, as well as any delays encountered in the integration process, could have a material adverse effect on the revenues, level of expenses and operating results of the combined company, which may materially and adversely affect the value of Rent-A-Center's securities.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefit of our plan for integration may not be realized. Actual synergies, if achieved at all, may be lower than what we expect and may take longer to achieve than anticipated. For example, the elimination of duplicative costs may not be possible or may take longer than anticipated, or the benefits from the Merger may be offset by costs incurred or delays in integrating the companies. If we are not able to adequately address these challenges, we may be unable to successfully integrate Acima's operations into our other businesses or, even if we are able to combine such business operations successfully, to realize the anticipated benefits of the integration of the two companies.

Risks Relating to Our Structure or an Investment in Our Common Stock

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

We are a holding company, with no revenue generating operations and no assets other than our ownership interests in our direct and indirect subsidiaries. Accordingly, we are dependent on the cash flow generated by our direct and indirect operating subsidiaries and must rely on dividends or other intercompany transfers from our operating subsidiaries to generate the funds necessary to meet our obligations, including the obligations under the ABL Credit Facility, Term Loan Facility and the Notes. The ability of our subsidiaries to pay dividends or make other payments to us is subject to applicable state laws. Should one or more of our subsidiaries be unable to pay dividends or make distributions, our ability to meet our ongoing obligations could be materially and adversely affected. If we are unable to satisfy the financial and other covenants in our debt agreements, our lenders could elect to terminate the agreements and require us to repay the outstanding borrowings, or we could face other substantial costs.

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

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

- our perceived ability to meet market expectations with respect to the growth and profitability of each of our operating segments and to timely achieve the expected benefits of the Merger;
- quarterly variations in our results of operations, which may be impacted by, among other things, changes in same store sales, invoice volume or when and how many locations we acquire, open, sell or close;
- quarterly variations in our competitors' results of operations;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- how our actual financial performance compares to the financial performance guidance we provide;
- state or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our business;
- the stock price performance of comparable companies;
- the unpredictability of global and regional economic and political conditions; and
- the impact of any of the other risk factors discussed or incorporated by reference herein.

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

There can be no assurance as to the dividends that we may pay on our common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have paid quarterly cash dividends on our common stock since 2019, we are not required to declare or pay any dividends and there may be circumstances under which we may be unable to declare and pay dividends under applicable Delaware law or due to the impact of restrictive covenants in our debt agreements. In addition, we may elect to eliminate or reduce our common stock dividend in the future for any reason. Any elimination of or reduction in the amount of our common stock dividend could materially and adversely affect the market price of our common stock.

A lowering or withdrawal of the ratings assigned to Rent-A-Center's debt by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our indebtedness currently has a non-investment grade rating, and any rating assigned to our debt could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Credit ratings are not recommendations to purchase, hold or sell any securities of our company. Additionally, credit ratings may not reflect the potential effect of risks relating to any securities of our company. Any downgrade by either S&P or Moody's may result in higher borrowing costs. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease space for all of our Rent-A-Center Business and Mexico stores under operating leases expiring at various times through 2027. In addition, we lease space for certain support facilities under operating leases expiring at various times through 2032. Most of our store leases are five-year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed formulas. Store sizes average approximately 4,800 square feet. Approximately 75% of each store's space is generally used for showroom space and 25% for offices and storage space. Our Preferred Lease kiosks occupy space without charge in the retailer's location with no lease commitment.

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

Item 3. Legal Proceedings.

From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. We reserve for loss contingencies that are both probable and reasonably estimable. We regularly monitor developments related to these legal proceedings, and review the adequacy of our legal reserves on a quarterly basis. We do not expect these losses to have a material impact on our consolidated financial statements if and when such losses are incurred. Nevertheless, we cannot predict the impact of future developments affecting our claims and lawsuits, and any resolution of a claim or lawsuit or reserve within a particular fiscal period may materially and adversely impact our results of operations for that period. Please reference Note M in the Notes to our Financial Statements for additional discussion of our legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Our common stock has been listed on the Nasdaq Global Select Market® and its predecessors under the symbol ''RCII'' since January 25, 1995, the date we commenced our initial public offering.

As of February 19, 2021, there were approximately 51 record holders of our common stock.

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

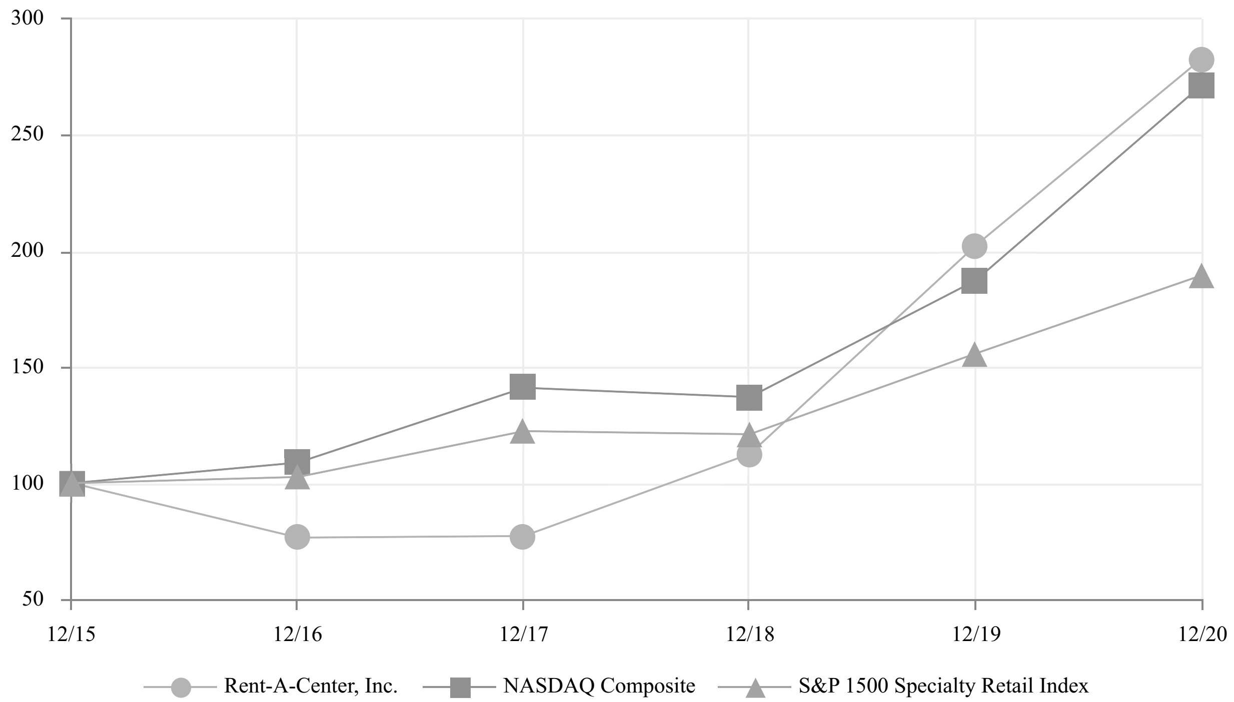
Repurchases of Equity Securities

Under our current common stock repurchase program, our Board of Directors has authorized the purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $75 million of Rent-A-Center common stock. During the twelve months ended December 31, 2020, the Company repurchased 1,463,377 shares of our common stock for an aggregate purchase price of $26.6 million, which includes shares having an aggregate purchase price of $10.0 million that were purchased under a repurchase program that was previously authorized by our Board of Directors until its replacement by the current program in March 2020. We did not repurchase any shares of common stock during the three months ended December 31, 2020. Under the March 2020 authorization, $58.4 million remains available for repurchases in the open market and privately negotiated transactions. Common stock repurchases are subject to certain restrictions in our debt agreements. Please see Note K to the consolidated financial statements for further discussion of such restrictions.

Stock Performance Graph

The following chart represents a comparison of the five year total return of our common stock to the NASDAQ Composite Index and the S&P 1500 Specialty Retail Index. We selected the S&P 1500 Specialty Retail Index for comparison because we use this published industry index as the comparator group to measure our relative total shareholder return for purposes of determining vesting of performance stock units granted under our long-term incentive compensation program. The graph assumes $100 was invested on December 31, 2015, and dividends, if any, were reinvested for all years ending December 31.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among Rent-A-Center, Inc., the NASDAQ Composite Index, and S&P 1500 Specialty Retail Index



Item 6. Reserved.

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

Objective

We report financial operating performance under four operating segments, including our Rent-A-Center Business segment (formerly Core U.S.), which represents our company-owned stores and e-commerce platform through rentacenter.com; our Preferred Lease segment (formerly Acceptance Now), which includes our virtual, staffed, and hybrid business models; and our Mexico and Franchising segments.

The following discussion focuses on recent developments expected to have current and future impacts on the results of our business, trends and uncertainties within our industry and business model that may impact our financial results, our recent results of operations, and discussion of our liquidity and capital resources. You should read the following discussion in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Recent Developments

Acima Acquisition. On December 20, 2020, we entered into the Merger Agreement with Radalta, LLC, a Utah limited liability company and wholly owned subsidiary of the Company, Acima, and Aaron Allred, solely in his capacity as the representative of the former owners of Acima, providing for the merger of Radalta, LLC with and into Acima, with Acima surviving the Merger as a wholly owned subsidiary of the Company. The Merger was completed on February 17, 2021. In accordance with the Merger Agreement, we issued to the former owners of Acima an aggregate of 10,779,923 shares of our common stock (the ''Aggregate Stock Consideration''), with a value of $51.14 per share based on the closing price of our common stock on the date of closing, and paid to them aggregate cash consideration of $1,273.3 million (the ''Aggregate Cash Consideration''). Under the terms of the Merger Agreement, $50 million of the Aggregate Cash Consideration was placed into escrow at the closing of the Merger to cover certain potential tax and regulatory indemnification obligations of the former owners of Acima under the Merger Agreement. Although the Company currently believes the escrow holdback amount, which serves as the sole recourse of the Company with respect to any indemnifiable claims, will be sufficient to cover any such potential tax and regulatory matters, there is no assurance that any actual payments by the Company with respect to such matters will not exceed the escrow holdback amount.

In accordance with the terms of the Merger Agreement, the portion of the Aggregate Stock Consideration issued to former owners of Acima who are also employees of Acima is subject to certain vesting conditions over a three year period. The portion of the Aggregate Stock Consideration issued to non-employee former owners of Acima is subject to the terms of an 18-month lockup agreement, pursuant to which one-third of the aggregate shares of common stock of the Company received by a non-employee former owner in the Merger becomes transferable after each six month period following the closing of the Merger. The Company entered into a Registration Rights Agreement, dated as of February 17, 2021, pursuant to which certain former owners of Acima are entitled to registration rights in respect of the portion of the Aggregate Stock Consideration received by them in the Merger.

In connection with the signing of the Merger Agreement, we entered into employment agreements with certain executives of Acima, including Aaron Allred, Chairman and Founder of Acima, which became effective upon the closing of the Merger.

*Dividend*s. On December 3, 2020, we announced that our board of directors approved an increased quarterly cash dividend of $0.31 per share for the first quarter of 2021. The dividend was paid on January 12, 2021 to our common stockholders of record as of the close of business on December 15, 2020.

Trends and Uncertainties

COVID-19 Pandemic. Beginning in the latter half of March 2020, the worldwide spread of COVID-19 caused significant disruptions to the U.S. and world economies. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a worldwide pandemic. On March 13, 2020, the president of the United States declared a national state of emergency for the nation. In response to the issuance of U.S. federal guidelines to contain the spread of COVID-19, U.S. state and local jurisdictions implemented various containment or mitigation measures, including temporary shelter-in-place orders and the temporary closure of non-essential businesses.

As a result of COVID-19 and related jurisdictional ordinances implemented in the United States beginning in the latter half of March 2020 to contain the spread of COVID-19 or mitigate its effects, a significant number of Preferred Lease retail partner locations were temporarily closed, resulting in the initial closure of approximately 65% of our staffed Preferred Lease locations, which operated within those stores. In addition, while the majority of our Rent-A-Center Business stores remained open, due to government orders in certain jurisdictions, beginning in mid-March 2020 we temporarily shut down operations at a small number of stores and approximately 24% of our stores were partially closed. Our partially closed locations operated with closed showrooms, conducting business only through e-commerce web orders and transitioned to a contactless curbside service model or to a ship-from-store model, to the extent permitted by local orders. Some franchise locations and stores in our Mexico operating segment were also temporarily closed or had restricted operations due to COVID-19. All locations in our Rent-A-Center Business, Franchising and Mexico operating segments and staffed Preferred Lease locations, temporarily or partially closed at the onset of the pandemic were reopened in the second quarter of 2020. In the latter portion of 2020 and into the first couple weeks of 2021, the number of COVID-19 cases increased significantly and certain governmental authorities imposed or re-imposed restrictions on certain businesses. As of February 19, 2021, all locations in our Rent-A-Center Business, Franchising and Mexico operating segments and staffed Preferred Lease locations are providing full in-store services subject to local requirements for sanitization, social distancing and capacity limitations and, in Mexico, certain restrictions regarding hours of operation.

In response to the negative impacts to our business resulting from COVID-19, in 2020, we proactively implemented certain measures to reduce operating expenses and cash flow uses, including implementing temporary executive pay reductions, temporarily furloughing certain employees at our store locations and corporate headquarters, reducing store hours in certain locations, renegotiating real estate leases, reducing inventory purchases and capital expenditures, and, for a brief period of time, suspending further share repurchases. In addition, we implemented additional electronic payment methods for our Rent-A-Center Business and Preferred Lease customers to facilitate contactless transactions. There are no assurances we will not be subject to future government actions negatively impacting our business as the pandemic progresses. However, while we may also be impacted by deteriorating worldwide economic conditions, including elevated unemployment rates throughout the United States, which could have a sustained impact on discretionary consumer spending, the lease-to-own industry has remained resilient because it provides credit constrained customers with a viable option to obtain merchandise they may not otherwise be able to obtain through other retailers offering financing options due to the tightening of credit by traditional financing. See ''Risk Factors'' in Part I, Item 1A in this Annual Report on Form 10-K for additional discussion of operational impacts to our business and additional risks associated with COVID-19.

Results of Operations

Overview

The following briefly summarizes certain of our financial information for the twelve months ended December 31, 2020 as compared to the twelve months ended December 31, 2019.

During the twelve months ended December 31, 2020, consolidated revenues increased approximately $144.3 million, primarily due to increases in same store sales in our Rent-A-Center Business and invoice volume growth in our Preferred Lease segment, in addition to increases in merchandise sales and royalties in our Franchising segment. Operating profit decreased approximately $16.5 million for the twelve months ended December 31, 2020, primarily due to our receipt during the second quarter of 2019 of $92.5 million in settlement of litigation relating to our termination of the merger agreement by and among Vintage Rodeo Parent, LLC, Vintage Rodeo Acquisition, Inc. and Rent-A-Center, Inc., of which we retained net pre-tax proceeds of approximately $80 million following payment of all remaining costs, fees and expenses relating to the termination (the ''Vintage Settlement Proceeds''), partially offset by decreases in labor in 2020 due to previous store closures and refranchise sales in addition to temporary furloughs in response to COVID-19.

Revenues in our Rent-A-Center Business segment increased approximately $52.2 million for the twelve months ended December 31, 2020, driven primarily by an increase in same store sales resulting from higher merchandise sales and growth in e-commerce sales. Gross profit as a percentage of revenue increased 0.2%. Operating profit increased $97.4 million for the twelve months ended December 31, 2020, primarily driven by decreased labor and operating expenses.

The Preferred Lease segment revenues increased approximately $60.9 million for the twelve months ended December 31, 2020, primarily due to the implementation and growth of the Preferred Lease virtual solution following the acquisition of Merchants Preferred in August 2019, despite negative impacts related to the temporary closure of stores due to the COVID-19 pandemic. Gross profit as a percent of revenue decreased 5.0% and operating profit decreased approximately $25.2 million for the twelve months ended December 31, 2020 primarily due to a higher number of early payouts, higher merchandise losses primarily due to the COVID-19 pandemic, and investments to support the growth of the business.

The Mexico segment revenues decreased by 6.3% for the twelve months ended December 31, 2020, driving a decrease in gross profit of 4.9%, or $1.8 million.

Cash flow from operations was $236.5 million for the twelve months ended December 31, 2020. We paid down $42.0 million of debt during the year, ending the period with $159.4 million of cash and cash equivalents. In connection with the Merger, we refinanced and incurred substantial additional indebtedness in February 2021 as discussed in the ''Liquidity and Capital Resources — Senior Debt'' and ''Liquidity and Capital Resources — Senior Notes'' sections below.

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

	Year Ended December 31,			2020-2019 Change		2019-2018 Change	
(Dollar amounts in thousands)	2020	2019	2018	$	%	$	%
Revenues							
Store							
Rentals and fees	$2,263,091	$2,224,402	$2,244,860	$ 38,689	1.7%	$ (20,458)	(0.9)%
Merchandise sales	378,717	304,630	304,455	74,087	24.3%	175	0.1%
Installment sales	68,500	70,434	69,572	(1,934)	(2.7)%	862	1.2%
Other	3,845	4,795	9,000	(950)	(19.8)%	(4,205)	(46.7)%
Total store revenues	2,714,153	2,604,261	2,627,887	109,892	4.2%	(23,626)	(0.9)%
Franchise							
Merchandise sales	80,023	49,135	19,087	30,888	62.9%	30,048	157.4%
Royalty income and fees	20,015	16,456	13,491	3,559	21.6%	2,965	22.0%
Total revenues	2,814,191	2,669,852	2,660,465	144,339	5.4%	9,387	0.4%
Cost of revenues							
Store							
Cost of rentals and fees	655,612	634,878	621,860	20,734	3.3%	13,018	2.1%
Cost of merchandise sold	382,182	319,006	308,912	63,176	19.8%	10,094	3.3%
Cost of installment sales	24,111	23,383	23,326	728	3.1%	57	0.2%
Total cost of store revenues	1,061,905	977,267	954,098	84,638	8.7%	23,169	2.4%
Franchise cost of merchandise sold	80,134	48,514	18,199	31,620	65.2%	30,315	166.6%
Total cost of revenues	1,142,039	1,025,781	972,297	116,258	11.3%	53,484	5.5%
Gross profit	1,672,152	1,644,071	1,688,168	28,081	1.7%	(44,097)	(2.6)%
Operating expenses							
Store expenses							
Labor	579,125	630,096	683,422	(50,971)	(8.1)%	(53,326)	(7.8)%
Other store expenses	609,370	617,106	656,894	(7,736)	(1.3)%	(39,788)	(6.1)%
General and administrative	153,108	142,634	163,445	10,474	7.3%	(20,811)	(12.7)%
Depreciation, amortization and write-down of intangibles	56,658	61,104	68,946	(4,446)	(7.3)%	(7,842)	(11.4)%
Other charges and (gains)	36,555	(60,728)	59,324	97,283	160.2%	(120,052)	(202.4)%
Total operating expenses	1,434,816	1,390,212	1,632,031	44,604	3.2%	(241,819)	(14.8)%
Operating profit	237,336	253,859	56,137	(16,523)	(6.5)%	197,722	352.2%
Write-off of debt issuance costs	—	2,168	475	(2,168)	(100.0)%	1,693	356.4%
Interest, net	14,557	27,908	41,821	(13,351)	(47.8)%	(13,913)	(33.3)%
Earnings before income taxes	222,779	223,783	13,841	(1,004)	(0.4)%	209,942	1,516.8%
Income tax expense	14,664	50,237	5,349	(35,573)	(70.8)%	44,888	839.2%
Net earnings	$ 208,115	$ 173,546	$ 8,492	$ 34,569	19.9%	$ 165,054	1,943.6%

Comparison of the Years Ended December 31, 2020 and 2019

Store Revenue. Total store revenue increased by $109.9 million, or 4.2%, to $2,714.2 million for the year ended December 31, 2020, from $2,604.3 million for 2019. This increase was primarily due to increases of approximately $60.9 million and $52.2 million in the Preferred Lease and Rent-A-Center Business segments, respectively, as discussed further in the ''Segment Performance'' section below.

Cost of Rentals and Fees. Cost of rentals and fees consists primarily of depreciation of rental merchandise. Cost of rentals and fees for the year ended December 31, 2020 increased by $20.7 million, or 3.3%, to $655.6 million, as compared to $634.9 million in 2019. This increase in cost of rentals and fees was primarily attributable to an increase of $20.1 million in the Preferred Lease segment as a result of higher rentals and fees revenue. Cost of rentals and fees expressed as a percentage of rentals and fees revenue increased to 29.0% for the year ended December 31, 2020 as compared to 28.5% in 2019.

Cost of Merchandise Sold. Cost of merchandise sold represents the net book value of rental merchandise at time of sale. Cost of merchandise sold increased by $63.2 million, or 19.8%, to $382.2 million for the year ended December 31, 2020, from $319.0 million in 2019, attributable to increases of $53.5 million and $9.9 million in the Preferred Lease and Rent-A-Center Business segments, respectively, as discussed further in the ''Segment Performance'' section below. The gross margin percent of merchandise sales increased to (0.9)% for the year ended December 31, 2020, from (4.7)% in 2019.

Gross Profit. Gross profit increased by $28.1 million, or 1.7%, to $1,672.2 million for the year ended December 31, 2020, from $1,644.1 million in 2019, due primarily to an increase of $39.5 million in the Rent-A-Center Business segment, partially offset by a decrease of $12.7 million in the Preferred Lease segment, as discussed further in the ''Segment Performance'' section below. Gross profit as a percentage of total revenue decreased to 59.4% in 2020, as compared to 61.6% in 2019.

Store Labor. Store labor includes all salaries and wages paid to store-level employees and district managers' salaries, together with payroll taxes and benefits. Store labor decreased by $51.0 million, or 8.1%, to $579.1 million for the year ended December 31, 2020, as compared to $630.1 million in 2019, primarily attributable to decreases of $28.9 million and $21.3 million in the Rent-A-Center Business and Preferred Lease segments, respectively, as discussed further in the ''Segment Performance'' section below. Store labor expressed as a percentage of total store revenue was 21.3% for the year ended December 31, 2020, as compared to 24.2% in 2019.

Other Store Expenses. Other store expenses include charge-offs due to customer stolen merchandise and occupancy, delivery, advertising, selling, insurance, travel and other store-level operating expenses. Other store expenses decreased by $7.7 million, or 1.3%, to $609.4 million for the year ended December 31, 2020, as compared to $617.1 million in 2019, primarily attributable to a decrease of $33.1 million in the Rent-A-Center Business segment, partially offset by an increase of $27.4 million in the Preferred Lease segment, as discussed further in the ''Segment Performance'' section below. Other store expenses expressed as a percentage of total store revenue were 22.5% for the year ended December 31, 2020, compared to 23.7% in 2019.

General and Administrative Expenses. General and administrative expenses include all corporate overhead expenses related to our headquarters such as salaries, payroll taxes and benefits, stock-based compensation, occupancy, administrative and other operating expenses, as well as salaries and labor costs for our regional directors, divisional vice presidents and executive vice presidents. General and administrative expenses increased by $10.5 million, or 7.3%, to $153.1 million for the year ended December 31, 2020, as compared to $142.6 million in 2019. General and administrative expenses expressed as a percentage of total revenue were 5.4% for the year ended December 31, 2020, compared to 5.3% in 2019.

Other Charges and (Gains). Other charges and (gains) increased by $97.3 million to $36.6 million in 2020, as compared to $(60.7) million in 2019. Other charges for the year ended December 31, 2020 primarily related to a loss on the sale of our stores in California, expenses related to the Merger and the related financing transactions, legal settlement and state sales tax assessment reserves, cost savings initiatives, inventory losses resulting from damage related to looting, employee payroll and sanitation costs in connection with COVID-19, store closure impacts, and asset disposals, partially offset by proceeds from the sale of a legal antitrust claim, rent abatements, and insurance proceeds related to hurricane Maria in 2017. Other gains for the year ended December 31, 2019 primarily related to receipt of the Vintage Settlement Proceeds and gain recorded on the sale of our corporate headquarters, partially offset by merger termination and other incremental legal and professional fees, legal settlements, state sales tax audit assessments, acquisition transaction fees, and charges related to cost savings initiatives and store closures.

Operating Profit. Operating profit decreased $16.6 million, or 6.5%, to $237.3 million for the year ended December 31, 2020, as compared to $253.9 million in 2019, primarily due to an increase in other charges and (gains) driven by the Vintage termination settlement received in 2019 documented above, partially offset by the increase in gross profit, as described above. Operating profit expressed as a percentage of total revenue was 8.4% for the year ended December 31, 2020, compared to 9.5% in 2019. Excluding other charges and (gains), operating profit was $273.9 million, or 9.7% of revenue for the year ended December 31, 2020, compared to $193.1 million or 7.2% of revenue for the comparable period of 2019.

Income Tax Expense. Income tax expense for the twelve months ended December 31, 2020 was $14.7 million, as compared to $50.2 million in 2019. The effective tax rate was 6.6% for the twelve months ended December 31, 2020, compared to 22.4% in 2019. The decrease in income tax expense for the twelve months ended December 31, 2020 compared to 2019 was primarily related to the tax benefit of net operating loss carrybacks at a 35% tax rate as a result of changes from the Coronavirus Aid, Relief, and Economic Security Act, enacted on March 27, 2020 (the ''CARES Act'') and the release of domestic and foreign tax valuation allowances.

Comparison of the Years Ended December 31, 2019 and 2018

Store Revenue. Total store revenue decreased by $23.6 million, or 0.9%, to $2,604.3 million for the year ended December 31, 2019, from $2,627.9 million for 2018. This was primarily due to a decrease of approximately $55.2 million in the Rent-A-Center Business segment, partially offset by an increase of $26.7 million in the Preferred Lease segment, as discussed further in the ''Segment Performance'' section below.

Cost of Rentals and Fees. Cost of rentals and fees consists primarily of depreciation of rental merchandise. Cost of rentals and fees for the year ended December 31, 2019 increased by $13.0 million, or 2.1%, to $634.9 million, as compared to $621.9 million in 2018. The increase in cost of rentals and fees was primarily attributable to an increase of $31.5 million in the Preferred Lease segment as a result of higher rentals and fees revenue, partially offset by a decrease of $19.9 million in the Rent-A-Center Business segment. Cost of rentals and fees expressed as a percentage of rentals and fees revenue increased to 28.5% for the year ended December 31, 2019 as compared to 27.7% in 2018.

Cost of Merchandise Sold. Cost of merchandise sold represents the net book value of rental merchandise at time of sale. Cost of merchandise sold increased by $10.1 million, or 3.3%, to $319.0 million for the year ended December 31, 2019, from $308.9 million in 2018, primarily attributable to increases of $9.3 million and $1.0 million in the Rent-A-Center Business and Preferred Lease segments, respectively. The gross margin percent of merchandise sales decreased to (4.7)% for the year ended December 31, 2019, from (1.5)% in 2018.

Gross Profit. Gross profit decreased by $44.1 million, or 2.6%, to $1,644.1 million for the year ended December 31, 2019, from $1,688.2 million in 2018, due primarily to decreases of $44.7 million and $5.8 million in the Rent-A-Center Business and Preferred Lease segments, respectively partially offset by increases of $3.3 million and $3.1 million in the Franchising and Mexico segments, respectively, in each case as discussed further in the ''Segment Performance'' section below. Gross profit as a percentage of total revenue decreased to 61.6% in 2019 compared to 63.5% in 2018.

Store Labor. Store labor includes all salaries and wages paid to store-level employees and district managers' salaries, together with payroll taxes and benefits. Store labor decreased by $53.3 million, or 7.8%, to $630.1 million for the year ended December 31, 2019, as compared to $683.4 million in 2018, primarily attributable to a decrease of $53.7 million in the Rent-A-Center Business segment, driven by our cost savings initiatives and lower Rent-A-Center Business store base (see Note N to the consolidated financial statements for additional detail). Store labor expressed as a percentage of total store revenue was 24.2% for the year ended December 31, 2019, as compared to 26.0% in 2018.

Other Store Expenses. Other store expenses include occupancy, charge-offs due to customer stolen merchandise, delivery, advertising, selling, insurance, travel and other store-level operating expenses. Other store expenses decreased by $39.8 million, or 6.1%, to $617.1 million for the year ended December 31, 2019, as compared to $656.9 million in 2018, primarily attributable to a decrease of $55.1 million in the Rent-A-Center Business segment, as a result of lower Rent-A-Center Business store base, partially offset by an increase of $13.1 million in the Preferred Lease segment, primarily related to merchandise losses. Other store expenses expressed as a percentage of total store revenue decreased to 23.7% for the year ended December 31, 2019, from 25.0% in 2018.

General and Administrative Expenses. General and administrative expenses include all corporate overhead expenses related to our headquarters such as salaries, payroll taxes and benefits, stock-based compensation, occupancy, administrative and other operating expenses, as well as salaries and labor costs for our regional directors, divisional vice presidents and executive vice presidents. General and administrative expenses decreased by $20.8 million, or 12.7%, to $142.6 million for the year ended December 31, 2019, as compared to $163.4 million in 2018, primarily as a result of our cost savings initiatives. General and administrative expenses expressed as a percentage of total revenue decreased to 5.3% for the year ended December 31, 2019, compared to 6.1% in 2018.

Other (Gains) and Charges. Other charges decreased by $120.0 million, or 202.4%, to $(60.7) million in 2019, as compared to $59.3 million in 2018. Other gains for the year ended December 31, 2019 were primarily related to receipt of the Vintage Settlement Proceeds and gain recorded on the sale of our corporate headquarters, partially offset by merger termination and other incremental legal and professional fees, legal settlements, state sales tax audit assessments, acquisition transaction fees, and charges related to cost savings initiatives and store closures.

Operating Profit. Operating profit increased $197.8 million, or 352.2%, to $253.9 million for the year ended December 31, 2019, as compared to $56.1 million in 2018, primarily due to an increase of $114.9 million in the Corporate segment primarily due to the other gains discussed above, and an increase of $88.2 million in the Rent-A-Center Business segment, as discussed further in the ''Segment Performance'' section below. Operating profit expressed as a percentage of total revenue was 9.5% for the year ended December 31, 2019, as compared to 2.1% for 2018. Excluding other charges, profit was $193.1 million or 7.2% of revenue for the year ended December 31, 2019, compared to $115.5 million or 4.3% of revenue for the comparable period of 2018.

Income Tax Expense. Income tax expense for the twelve months ended December 31, 2019 was $50.2 million, as compared to $5.3 million in 2018. The effective tax rate was 22.4% for the twelve months ended December 31, 2019, compared to 38.6% in 2018.

Segment Performance

Rent-A-Center Business segment.

	Year Ended December 31,			2020-2019 Change		2019-2018 Change	
(Dollar amounts in thousands)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Revenues	$1,852,641	$1,800,486	$1,855,712	$ 52,155	2.9%	$(55,226)	(3.0)%
Gross profit	1,294,695	1,255,153	1,299,809	39,542	3.2%	(44,656)	(3.4)%
Operating profit	333,379	235,964	147,787	97,415	41.3%	88,177	59.7%
Change in same store revenue					9.0%		4.1%
Stores in same store revenue calculation					1,676		1,795

Revenues. The increase in revenue for the year ended December 31, 2020 was driven primarily by an increase in same store sales resulting from higher merchandise sales and growth in e-commerce sales, which were positively impacted by government stimulus and supplemental unemployment benefits issued by the federal government in response to the COVID-19 pandemic, as compared to 2019, partially offset by decreases in revenue due to our refranchising efforts and the rationalization of our Rent-A-Center Business store base.

Gross Profit. Gross profit increased in 2020 primarily due to the increases in revenue described above, partially offset by increases in the cost of rentals and fees and cost of merchandise sold. Gross profit as a percentage of segment revenues increased to 69.9% in 2020 from 69.7% in 2019.

Operating Profit. Operating profit as a percentage of segment revenues was 18.0% for 2020 compared to 13.1% for 2019. The increase in operating profit for the year ended December 31, 2020 was partially due to the increase in gross profit described above, in addition to decreases in store labor and other store expenses. Declines in store labor and other store expenses were driven primarily by lower store count and a decrease in customer stolen merchandise. Charge-offs in our Rent-A-Center Business lease-to-own stores due to customer stolen merchandise, expressed as a percentage of Rent-A-Center Business lease-to-own revenues, were approximately 3.0% for the year ended December 31, 2020, compared to 3.8% in 2019. Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims. Charge-offs in our Rent-A-Center Business lease-to-own stores due to other merchandise losses, expressed as a percentage of revenues, were approximately 1.5% for the year ended December 31, 2020, compared to 1.3% in 2019.

Preferred Lease segment.

	Year Ended December 31,			2020-2019 Change		2019-2018 Change	
(Dollar amounts in thousands)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Revenues	$810,151	$749,260	$722,562	$ 60,891	8.1%	$ 26,698	3.7%
Gross profit	321,110	333,798	339,616	(12,688)	(3.8)%	(5,818)	(1.7)%
Operating profit	57,847	83,066	93,951	(25,219)	(30.4)%	(10,885)	(11.6)%

Revenues. The increase in revenue for the year ended December 31, 2020 compared to 2019 was primarily due to the implementation and expansion of the Preferred Lease virtual solution following the acquisition of Merchants Preferred in August 2019, partially offset by challenges with availability of products at many retail partners in the second half of 2020.

Gross Profit. Gross profit decreased for the year ended December 31, 2020 compared to 2019, primarily driven by a higher number of early payouts resulting from government stimulus and supplemental unemployment benefits issued by the federal government in response to the COVID-19 pandemic. Gross profit as a percentage of segment revenue decreased to 39.6% in 2020 as compared to 44.6% in 2019.

Operating Profit. Operating profit decreased by 30.4% compared to 2019, primarily due to increases in other store expenses. The increase in other store expenses was primarily due to higher merchandise losses, primarily related to COVID-19, a higher mix of virtual locations, and investments to support expected revenue growth. Charge-offs in our Preferred Lease locations due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 13.3% in 2020 as compared to 10.7% in 2019. Other merchandise losses include unrepairable merchandise and loss/damage waiver claims. Charge-offs in our Preferred Lease locations due to other merchandise losses, expressed as a percentage of revenues, were approximately 0.4% and 0.3% in 2020 and 2019, respectively.

Mexico segment.

	Year Ended December 31,			2020-2019 Change		2019-2018 Change	
(Dollar amounts in thousands)	2020	2019	2018	$	%	$	%
Revenues	$50,583	$53,960	$49,613	$(3,377)	(6.3)%	$4,347	8.8%
Gross profit	35,665	37,488	34,364	(1,823)	(4.9)%	3,124	9.1%
Operating profit (loss)	5,798	5,357	2,605	441	8.2%	2,752	105.6%
Change in same store revenue					5.2%		9.7%
Stores in same store revenue calculation					121		108

Revenues. Revenues for 2020 were negatively impacted by exchange rate fluctuations of approximately $5.5 million, as compared to 2019. On a constant currency basis, revenues for the year ended December 31, 2020 increased approximately $2.1 million.

Gross Profit. Gross profit for the year ended December 31, 2020 was negatively impacted by exchange rate fluctuations of approximately $3.9 million, as compared to 2019. On a constant currency basis, gross profit for the year ended December 31, 2020 increased approximately $2.1 million. Gross profit as a percentage of segment revenues increased to 70.5% in 2020, compared to 69.5% in 2019.

Operating Profit. Operating profit for the year ended December 31, 2020 was negatively impacted by exchange rate fluctuations of approximately $0.6 million, compared to 2019. On a constant currency basis, operating profit for the year ended December 31, 2020 increased approximately $1.0 million. Operating profit as a percentage of segment revenues increased to 11.5% in 2020, compared to 9.9% in 2019.

Franchising segment.

	Year Ended December 31,			2020-2019 Change		2019-2018 Change	
(Dollar amounts in thousands)	2020	2019	2018	$	%	$	%
Revenues	$100,816	$66,146	$32,578	$34,670	52.4%	$33,568	103.0%
Gross profit	20,682	17,632	14,379	3,050	17.3%	3,253	22.6%
Operating profit	12,570	7,205	4,385	5,365	74.5%	2,820	64.3%

Revenues. Revenues increased for the year ended December 31, 2020, compared to 2019, primarily due to an increase in franchise locations as a result of refranchising Rent-A-Center Business corporate stores, and higher inventory purchases by our franchisees.

Gross Profit. Gross profit as a percentage of segment revenues decreased to 20.5% in 2020 from 26.7% in 2019, primarily due to changes in our revenue mix of franchise royalties and fees and rental merchandise sales, related to the increase in franchise locations described above.

Operating Profit. Operating profit as a percentage of segment revenues increased to 12.5% in 2020 from 10.9% for 2019, primarily due to a decrease in operating expenses.

Liquidity and Capital Resources

Overview. For the year ended December 31, 2020, we generated $236.5 million in operating cash flow. We paid down $42.0 million of debt using cash generated from operations, and used cash in the amount of $63.1 million for dividends, $26.6 million for share repurchases, and $34.5 million for capital expenditures. We ended the year with $159.4 million of cash and cash equivalents and outstanding indebtedness of $197.5 million. In connection with the Merger, we refinanced and incurred substantial additional indebtedness in February 2021 as discussed in the ''Senior Debt'' and ''Senior Notes'' sections below.

Analysis of Cash Flow. Cash provided by operating activities increased by $21.1 million to $236.5 million in 2020 from $215.4 million in 2019. This increase was primarily attributable to a decrease in rental merchandise purchases during the year ended December 31, 2020, compared to the same period in 2019, receipt of our federal tax refund of approximately $30 million, and other net changes in operating assets and liabilities.

Cash (used in) provided by investing activities decreased approximately $41.4 million to $(20.6) million in 2020 from $20.8 million in 2019, primarily due to an increase in capital expenditures and lower proceeds from the sale of property assets, offset by cash consideration paid for the acquisition of Merchants Preferred in 2019.

Cash used in financing activities decreased by $194.9 million to $126.7 million in 2020 from $321.6 million in 2019, primarily due to a net decrease in debt repayments compared to debt proceeds of $261.2 million, partially offset by increases in dividends paid of $49.4 million, and share repurchases of $25.3 million during the twelve months ended December 31, 2020.

Liquidity Requirements. Our primary liquidity requirements are for rental merchandise purchases. Other capital requirements include expenditures for property assets, debt service, and dividends. Our primary sources of liquidity have been cash provided by operations.

We utilize our ABL Credit Facility for the issuance of letters of credit, as well as to manage normal fluctuations in operational cash flow caused by the timing of cash receipts. In that regard, we may from time to time draw funds under the ABL Credit Facility for general corporate purposes. Amounts are drawn as needed due to the timing of cash flows and are generally paid down as cash is generated by our operating activities. We believe cash flow generated from operations and availability under our ABL Credit Facility, will be sufficient to fund our operations during the next 12 months. At February 19, 2021, we had approximately $70.7 million in cash on hand, and $294 million available under our ABL Credit Facility.

Deferred Taxes. Certain federal tax legislation enacted during the period 2009 to 2017 permitted bonus first-year depreciation deductions ranging from 50% to 100% of the adjusted basis of qualified property placed in service during such years. The depreciation benefits associated with these tax acts are now reversing. The Protecting Americans from Tax Hikes Act of 2015 (''PATH'') extended the 50% bonus depreciation to 2015 and through September 26, 2017, when it was updated by the Tax Cuts and Jobs Act of 2017 (''Tax Act''). The Tax Act allows 100% bonus depreciation for certain property placed in service between September 27, 2017 and December 31, 2022, at which point it will begin to phase out. The bonus depreciation provided by the Tax Act resulted in an estimated benefit of $211 million for us in 2020. We estimate the remaining tax deferral associated with bonus depreciation from these Acts is approximately $260 million at December 31, 2020, of which approximately 80%, or $207 million, will reverse in 2021, and the majority of the remainder will reverse between 2022 and 2023.

Merchandise Losses. Merchandise losses consist of the following:

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Customer stolen merchandise[1]	$174,527	$158,324	$136,705
Other merchandise losses[2]	30,660	25,830	33,219
Total merchandise losses	$205,187	$184,154	$169,924

[1] *Includes incremental losses related to COVID-19*
[2] *Other merchandise losses include unrepairable and missing merchandise, and loss/damage waiver claims.*

Capital Expenditures. We make capital expenditures in order to maintain our existing operations, acquire new capital assets in new and acquired stores and invest in information technology. We spent $34.5 million, $21.2 million and $28.0 million on capital expenditures in the years 2020, 2019 and 2018, respectively.

Acquisitions and New Location Openings. During 2020, we acquired two new Rent-A-Center Business locations and customer accounts for an aggregate purchase price of approximately $0.7 million in two transactions. The store locations were closed upon acquisition and consolidated into existing store operations in our Rent-A-Center Business segment.

The tables below summarize the location activity for the years ended December 31, 2020, 2019 and 2018.

	Year Ended December 31, 2020			
	Rent-A-Center Business	**Mexico**	**Franchising**	**Total**
Locations at beginning of period[1]	1,973	123	372	2,468
Conversions	(99)	—	99	—
Closed locations				
Merged with existing locations	(28)	(2)	—	(30)
Sold or closed with no surviving location	(1)	—	(9)	(10)
Locations at end of period[1]	1,845	121	462	2,428
Acquired locations closed and accounts merged with existing locations	2	—	—	2
Total approximate purchase price *(in millions)*	$ 0.7	$ —	$ —	$ 0.7

[1] *Does not include locations in our Preferred Lease segment.*

	Year Ended December 31, 2019			
	Rent-A-Center Business	Mexico	Franchising	Total
Locations at beginning of period(1)	2,158	122	281	2,561
New location openings	—	1	2	3
Conversions	(97)	—	97	—
Closed locations				
Merged with existing locations	(84)	—	—	(84)
Sold or closed with no surviving location	(4)	—	(8)	(12)
Locations at end of period(1)	1,973	123	372	2,468
Acquired locations closed and accounts merged with existing locations	4	—	—	4
Total approximate purchase price *(in millions)*	$ 0.5	$ —	$ —	$ 0.5

(1) *Does not include locations in our Preferred Lease segment.*

	Year Ended December 31, 2018			
	Rent-A-Center Business	Mexico	Franchising	Total
Locations at beginning of period(1)	2,381	131	225	2,737
New location openings	—	—	3	3
Acquired locations remaining open	1	—	—	1
Conversions	(71)	—	71	—
Closed locations				
Merged with existing locations	(137)	(8)	—	(145)
Sold or closed with no surviving location	(16)	(1)	(18)	(35)
Locations at end of period(1)	2,158	122	281	2,561
Acquired locations closed and accounts merged with existing locations	6	—	—	6
Total approximate purchase price *(in millions)*	$ 2.0	$ —	$ —	$ 2.0

(1) *Does not include locations in our Preferred Lease segment.*

Senior Debt. On February 17, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, that provides for a five-year asset-based revolving credit facility with commitments of $550 million and a letter of credit sublimit of $150 million, which commitments may be increased, at the Company's option and under certain conditions, by up to an additional $125 million in the aggregate (the ''ABL Credit Facility''). Under the ABL Credit Facility, the Company may borrow only up to the lesser of the level of the then-current borrowing base and the aggregate amount of commitments under the ABL Credit Facility. The borrowing base is tied to the amount of eligible installment sales accounts, inventory and eligible rental contracts, reduced by reserves. The ABL Credit Facility bears interest at a fluctuating rate determined by reference to the eurodollar rate plus an applicable margin of 1.50% to 2.00%, which margin, as of February 19, 2021, was 2.125%. A commitment fee equal to 0.250% to 0.375% of the unused portion of the ABL Credit Facility fluctuates dependent upon average utilization for the prior month as defined by a pricing grid included in the documentation governing the ABL Credit Facility. Loans under the ABL Credit Facility may be borrowed, repaid and re-borrowed until February 17, 2026, at which time all amounts borrowed must be repaid. The obligations under the ABL Credit Facility are guaranteed by the Company and certain of its wholly owned domestic restricted subsidiaries, subject to certain exceptions. The obligations under the ABL Credit Facility and such guarantees are secured on a first-priority basis by all of the Company's and the subsidiary guarantors' accounts, inventory, deposit accounts, securities accounts, cash and cash equivalents, rental agreements, general intangibles (other than equity interests in the Company's subsidiaries), chattel paper, instruments, documents, letter of credit rights, commercial tort claims related to the foregoing and other related assets and all proceeds thereof related to the foregoing, subject to permitted liens and certain exceptions (such assets, collectively, the ''ABL Priority Collateral'') and a second-priority basis in substantially all other present and future tangible and intangible personal property of the Company and the subsidiary guarantors, subject to certain exceptions.

At February 19, 2021, we had outstanding borrowings of $165 million and available commitments of $294 million under our ABL Credit Facility, net of letters of credit.

On February 17, 2021, we also entered into a term loan credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, that provides for a seven-year $875 million senior secured term loan facility (the ''Term Loan Facility''). Subject in each case to certain restrictions and conditions, the Company may add up to $500 million of incremental term loan facilities to the Term Loan Facility or utilize incremental capacity under the Term Loan Facility at any time by issuing or incurring incremental equivalent term debt. Interest on borrowings under the Term Loan Facility is payable at a fluctuating rate of interest determined by reference to the eurodollar rate plus an applicable margin of 4.00%, subject to a 0.75% LIBOR floor. Borrowings under the Term Loan Facility amortize in equal quarterly installments in an amount equal to 1.000% per annum of the original aggregate principal amount thereof, with the remaining balance due at final maturity. The Term Loan Facility is secured by a first-priority security interest in substantially all of present and future tangible and intangible personal property of the Company and the subsidiary guarantors, other than the ABL Priority Collateral, and by a second-priority security interest in the ABL Priority Collateral, subject to certain exceptions. The obligations under the Term Loan Facility are guaranteed by the Company and the Company's material wholly-owned domestic restricted subsidiaries that also guarantee the ABL Credit Facility.

The Term Loan Facility was fully drawn at the closing of the Merger to fund a portion of the Aggregate Cash Consideration payable in the Merger, repay certain outstanding indebtedness of the Company and its subsidiaries, repay all outstanding indebtedness of Acima and its subsidiaries and pay certain fees and expenses incurred in connection with the Merger. A portion of such proceeds were used to repay $197.5 million outstanding under the Company's prior term loan facility, dated as of August 5, 2019, among the Company, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (the ''Prior Term Loan Facility''), which Prior Term Loan Facility was terminated in connection with such repayment. At February 19, 2021, we had outstanding borrowings of $875 million under the Term Loan Facility.

Senior Notes. On February 17, 2021, we issued $450.0 million in senior unsecured notes due February 15, 2029, at par value, bearing interest at 6.375% (the ''Notes''), the proceeds of which were used to fund a portion of the Aggregate Cash Consideration upon closing of the Merger to acquire Acima. Interest on the Notes is payable in arrears on February 15 and August 15 of each year, beginning on August 15, 2021. The Company may redeem some or all of the Notes at any time on or after February 15, 2024 for cash at the redemption prices set forth in the indenture governing the Notes, plus accrued and unpaid interest to, but not including, the redemption date. Prior to February 15, 2024, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at a redemption price of 106.375% plus accrued and unpaid interest to, but not including, the redemption date. In addition, the Company may redeem some or all of the Notes prior to February 15, 2024, at a redemption price of 100% of the principal amount of the Notes plus accrued and unpaid interest to, but not including, the redemption date, plus a ''make-whole'' premium. If the Company experiences specific kinds of change of control, it will be required to offer to purchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

Operating Leases. We lease space for all of our Rent-A-Center Business and Mexico stores under operating leases expiring at various times through 2027. In addition we lease space for certain support facilities under operating leases expiring at various times through 2032. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas. As of December 31, 2020, our total remaining obligation for existing store lease contracts was approximately $322.3 million.

We lease vehicles for all of our Rent-A-Center Business stores under operating leases with lease terms expiring twelve months after the start date of the lease. We classify these leases as short-term and have elected the short-term lease exemption for our vehicle leases, and have therefore excluded them from our operating lease right-of-use assets within our condensed consolidated balance sheet. As of December 31, 2020, our total remaining minimum obligation for existing Rent-A-Center Business vehicle lease contracts was approximately $0.7 million.

We also lease vehicles for all of our Mexico stores which have terms expiring at various times through 2024 with rental rates adjusted periodically for inflation. As of December 31, 2020, our total remaining obligation for existing Mexico vehicle lease contracts was approximately $1.0 million.

Reference Note G of our consolidated financial statements for additional discussion of our store operating leases.

Uncertain Tax Position. As of December 31, 2020, we have recorded $22.2 million in uncertain tax positions. Although these positions represent a potential future cash liability to the Company, the amounts and timing of such payments are uncertain.

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

Critical Accounting Estimates, Uncertainties or Assessments in Our Financial Statements

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

If we make changes to our reserves in accordance with the policies described below, our earnings would be impacted. Increases to our reserves would reduce earnings and, similarly, reductions to our reserves would increase our earnings. A pre-tax change of approximately $0.6 million in our estimates would result in a corresponding $0.01 change in our diluted earnings per common share as of December 31, 2020.

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

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

As of December 31, 2020, the amount reserved for losses within our self-insured retentions with respect to workers' compensation, general liability and vehicle liability insurance was $88.3 million, as compared to $97.3 million at December 31, 2019. However, if any of the factors that contribute to the overall cost of insurance claims were to change, the actual amount incurred for our self-insurance liabilities could be more or less than the amounts currently reserved.

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

Rental merchandise which is damaged and inoperable is expensed when such impairment occurs. In addition, any minor repairs made to rental merchandise are expensed at the time of the repair. If a customer does not return merchandise on-rent or make a payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Rent-A-Center Business and Mexico segments, and during the month following the 150th day in the Preferred Lease segment. We maintain a reserve for these expected losses, which estimates the merchandise losses incurred but not yet identified by management as of the end of the accounting period based on a combination of historical write-offs and expected future losses. As of December 31, 2020 and 2019, the reserve for merchandise losses was $58.1 million and $55.2 million, respectively.

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

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

Based on our assessment, if the fair value of the reporting unit exceeds its carrying value, then the goodwill is not deemed impaired. If the carrying value of the reporting unit exceeds fair value, goodwill is deemed impaired and the impairment is measured as the difference between the carrying value and the fair value of the respective reporting unit. As an alternative to performing a quantitative assessment to measure the fair value of the relevant unit, the Company may perform a qualitative assessment for impairment if it believes it is not more likely than not that the carrying value of the net assets of the reporting unit exceeds its fair value.

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

During the period from our 2019 goodwill impairment assessment through the third quarter 2020, we periodically analyzed whether any indicators of impairment had occurred, including by comparing the estimated fair value of the Company, as determined based on our consolidated stock price, to its net book value. As the estimated fair value of the company was higher than its net book value during each of these periods, no additional testing was deemed necessary.

We completed a qualitative assessment for impairment of goodwill as of October 1, 2020, concluding it was not more likely than not that the carrying value of net assets of our reporting units exceeded their fair value.

At December 31, 2020 and 2019, the amount of goodwill allocated to the Rent-A-Center Business and Preferred Lease segments was $1.5 million and $68.7 million, respectively.

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

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* which is intended to simplify various aspects related to accounting for income taxes. The standard removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The adoption of ASU 2019-12 will be required for us beginning January 1, 2021. We do not believe this ASU will have a material impact on our financial statements upon adoption.

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

Please reference Note A for discussion of recently adopted accounting pronouncements, and the impacts of adoption to our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Sensitivity

As of December 31, 2020, we had $197.5 million outstanding under our term loan credit agreement at interest rates indexed to the Eurodollar rate or the prime rate. As of December 31, 2020, pro forma for the Merger and related financing transactions, we had approximately $875.0 million outstanding under our term loan credit agreement and $165.0 million outstanding under our ABL credit agreement, each at interest rates indexed to the Eurodollar rate or the prime rate. Carrying value approximates fair value for such indebtedness.

Market Risk

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

Interest Rate Risk

We have outstanding debt with variable interest rates indexed to prime or Eurodollar rates that exposes us to the risk of increased interest costs if interest rates rise. As of December 31, 2020, we have not entered into any interest rate swap agreements. Based on our overall interest rate exposure at December 31, 2020, a hypothetical 1.0% increase or decrease in market interest rates would have the effect of causing an additional $2.0 million additional annualized pre-tax charge or credit to our consolidated statement of operations. As of December 31, 2020, pro forma for the Merger and related transactions, a hypothetical 1.0% increase would have the effect of causing an additional approximately $10.5 million additional annualized pre-tax charge or credit to our consolidated statement of operations.

Foreign Currency Translation

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

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of

Rent-A-Center, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Rent-A-Center, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the years then ended and the related notes (collectively referred to as the ''consolidated financial statements''). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Self-Insurance Liabilities

Description of the Matter

As described in Note A to the consolidated financial statements, the Company recorded liabilities totaling $88.3 million associated with its self-insured retentions for workers' compensation, general liability and vehicle liability insurance (collectively, the self-insurance liabilities). The self-insurance liabilities are established by obtaining forecasts for the ultimate expected losses and estimating amounts needed to pay losses within the self-insured retentions.

Auditing the Company's self-insurance liabilities is complex and required us to use our actuarial specialists due to the significant measurement uncertainty associated with the estimates, management's application of judgment, and the use of various actuarial methods. The Company's analyses of the self-insurance liabilities consider a variety of factors, including the actuarial loss forecasts, company-specific development factors, general industry loss development factors and third-party claim administrator loss estimates of individual claims. The self-insurance liabilities are sensitive to changes in these factors.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over the self-insurance liabilities processes. For example, we tested controls over the factors mentioned above that management used in the calculations and the completeness and accuracy of the data underlying the ultimate expected losses.

To evaluate the reserve for self-insurance liabilities, we performed audit procedures that included, among others, testing the completeness and accuracy of the underlying claims data provided to management's actuarial specialist. Additionally, we involved our actuarial specialists to assist in our evaluation of the key factors mentioned above and the methodologies applied by management's specialist to establish the actuarially determined ultimate expected losses and develop a range for ultimate expected loss estimates based on independently developed assumptions, which we compared to the Company's recorded reserves for self-insurance liabilities.

Merchandise Loss Reserve

Description of the Matter	As described in Note A to the consolidated financial statements, the Company maintains a $58.1 million reserve for expected merchandise losses from unreturned merchandise related to delinquent rental agreements. The Company estimates this reserve based on a combination of historical write-offs and expected future losses. Auditing the Company's merchandise loss reserve was complex due to the level of uncertainty associated with management's assumptions used to estimate the reserve. In particular, management was required to estimate the amount of merchandise not expected to be returned related to delinquent accounts. The Company estimates expected losses from delinquent accounts based on historical write-off experience, including the number of days past due before a write-off occurred and expectations about future losses from delinquent accounts at the end of the year.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to determine the valuation of the merchandise loss reserve. This included testing controls over the Company's review of the significant inputs underlying the reserve estimate, which include those mentioned above. To test the adequacy of the Company's merchandise loss reserve, we performed substantive audit procedures that included, among others, testing the accuracy and completeness of the underlying data used in the reserve calculations and evaluating the Company's methodology for estimating future losses. We evaluated significant assumptions, including those mentioned above, that were used in management's calculation of the merchandise loss reserve. We also tested a sample of actual charge-offs to supporting documents to validate the number of days an account is delinquent before a write-off occurs for merchandise on rent. Among our other procedures, we performed sensitivity analyses over significant assumptions to evaluate the changes in the estimated merchandise loss reserve resulting from changes in the Company's significant assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

Dallas, Texas
February 26, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Rent-A-Center, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows of Rent-A-Center, Inc. and subsidiaries (the Company) for the year ended December 31, 2018 and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations of the Company and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2013 to 2019.
Dallas, Texas
March 1, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of

Rent-A-Center, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Rent-A-Center, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Rent-A-Center, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the years then ended and the related notes and our report dated February 26, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Dallas, Texas
February 26, 2021

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013).* Based on this assessment, management has concluded that, as of December 31, 2020, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles based on such criteria.

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

RENT-A-CENTER, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
(In thousands, except per share data)	**2020**	**2019**	**2018**
Revenues			
Store			
Rentals and fees	$ 2,263,091	$ 2,224,402	$ 2,244,860
Merchandise sales	378,717	304,630	304,455
Installment sales	68,500	70,434	69,572
Other	3,845	4,795	9,000
Total store revenues	2,714,153	2,604,261	2,627,887
Franchise			
Merchandise sales	80,023	49,135	19,087
Royalty income and fees	20,015	16,456	13,491
Total revenues	2,814,191	2,669,852	2,660,465
Cost of revenues			
Store			
Cost of rentals and fees	655,612	634,878	621,860
Cost of merchandise sold	382,182	319,006	308,912
Cost of installment sales	24,111	23,383	23,326
Total cost of store revenues	1,061,905	977,267	954,098
Franchise cost of merchandise sold	80,134	48,514	18,199
Total cost of revenues	1,142,039	1,025,781	972,297
Gross profit	1,672,152	1,644,071	1,688,168
Operating expenses			
Store expenses			
Labor	579,125	630,096	683,422
Other store expenses	609,370	617,106	656,894
General and administrative expenses	153,108	142,634	163,445
Depreciation, amortization and write-down of intangibles	56,658	61,104	68,946
Other charges and (gains)	36,555	(60,728)	59,324
Total operating expenses	1,434,816	1,390,212	1,632,031
Operating profit	237,336	253,859	56,137
Debt refinancing charges	—	2,168	475
Interest expense	15,325	31,031	42,968
Interest income	(768)	(3,123)	(1,147)
Earnings before income taxes	222,779	223,783	13,841
Income tax expense	14,664	50,237	5,349
Net earnings	$ 208,115	$ 173,546	$ 8,492
Basic earnings per common share	$ 3.84	$ 3.19	$ 0.16
Diluted earnings per common share	$ 3.73	$ 3.10	$ 0.16
Cash dividends declared per common share	$ 1.18	$ 0.54	$ —

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Net earnings	$ 208,115	$ 173,546	$ 8,492
Other comprehensive (loss) income:			
Foreign currency translation adjustments, net of tax of $(193), $158, and $(73) for 2020, 2019 and 2018, respectively	(726)	595	(274)
Total other comprehensive (loss) income	(726)	595	(274)
Comprehensive income	$ 207,389	$ 174,141	$ 8,218

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	December 31,	
(In thousands, except share and par value data)	2020	2019
ASSETS		
Cash and cash equivalents	$ 159,449	$ 70,494
Receivables, net of allowance for doubtful accounts of $8,047 and $5,601 in 2020 and 2019, respectively	90,003	84,123
Prepaid expenses and other assets	50,006	46,043
Rental merchandise, net		
On rent	762,886	697,270
Held for rent	146,266	138,418
Merchandise held for installment sale	5,439	4,878
Property assets, net of accumulated depreciation of $505,074 and $522,826 in 2020 and 2019, respectively	141,641	166,138
Operating lease right-of-use assets	283,422	281,566
Deferred tax asset	33,782	14,889
Goodwill	70,217	70,217
Other intangible assets, net	7,869	8,762
Total assets	$ 1,750,980	$ 1,582,798
LIABILITIES		
Accounts payable — trade	$ 186,063	$ 168,120
Accrued liabilities	320,583	275,777
Operating lease liabilities	285,354	285,041
Deferred tax liability	176,410	163,984
Senior debt, net	190,490	230,913
Total liabilities	1,158,900	1,123,835
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value; 250,000,000 shares authorized; 112,180,517 and 111,166,229 shares issued in 2020 and 2019, respectively	1,105	1,110
Additional paid-in capital	886,902	869,617
Retained earnings	1,091,010	947,875
Treasury stock at cost, 57,891,859 and 56,428,482 shares in 2020 and 2019, respectively	(1,375,541)	(1,348,969)
Accumulated other comprehensive loss	(11,396)	(10,670)
Total stockholders' equity	592,080	458,963
Total liabilities and stockholders' equity	$ 1,750,980	$ 1,582,798

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In	Retained	Treasury	Accumulated Other Comprehensive	
(In thousands)	Shares	Amount	Capital	Earnings	Stock	(Loss) Income	Total
Balance at January 1, 2018	109,682	$ 1,097	$ 831,271	$ 798,743	$ (1,347,677)	$ (10,991)	$ 272,443
ASC 606 adoption	—	—	—	(1,311)	—	—	(1,311)
Net earnings	—	—	—	8,492	—	—	8,492
Other comprehensive loss	—	—	—	—	—	(274)	(274)
Exercise of stock options	138	1	1,399	—	—	—	1,400
Vesting of restricted share units	90	1	(1)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(194)	—	—	—	(194)
Stock-based compensation	—	—	5,961	—	—	—	5,961
Balance at December 31, 2018	109,910	$ 1,099	$ 838,436	$ 805,924	$ (1,347,677)	$ (11,265)	$ 286,517
ASC 842 adoption	—	—	—	(1,976)	—	—	(1,976)
Net earnings	—	—	—	173,546	—	—	173,546
Other comprehensive income	—	—	—	—	—	595	595
Purchase of treasury stock	—	—	—	—	(1,292)	—	(1,292)
Exercise of stock options	550	5	6,794	—	—	—	6,799
Vesting of restricted share units	267	2	(2)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(1,734)	—	—	—	(1,734)
Stock-based compensation	—	—	6,958	—	—	—	6,958
Dividends declared	—	—	—	(29,619)	—	—	(29,619)
Merchants Preferred acquisition	439	4	19,165	—	—	—	19,169
Balance at December 31, 2019	111,166	$ 1,110	$ 869,617	$ 947,875	$ (1,348,969)	$ (10,670)	$ 458,963
ASC 326 adoption	—	—	—	(769)	—	—	(769)
Net earnings	—	—	—	208,115	—	—	208,115
Other comprehensive loss	—	—	—	—	—	(726)	(726)
Purchase of treasury stock	—	(14)	—	—	(26,572)	—	(26,586)
Exercise of stock options	494	5	10,275	—	—	—	10,280
Vesting of restricted share units	521	4	(4)	—	—	—	—
Tax effect of stock awards vested and options exercised	—	—	(5,270)	—	—	—	(5,270)
Stock-based compensation	—	—	12,284	—	—	—	12,284
Dividends Declared	—	—	—	(64,211)	—	—	(64,211)
Balance at December 31, 2020	112,181	$ 1,105	$ 886,902	$ 1,091,010	$ (1,375,541)	$ (11,396)	$ 592,080

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(In thousands)	2020	2019	2018
Cash flows from operating activities			
Net earnings	$ 208,115	$ 173,546	$ 8,492
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation of rental merchandise	633,695	619,353	616,640
Bad debt expense	14,635	15,077	14,610
Stock-based compensation expense	12,284	6,958	5,961
Depreciation of property assets	55,597	60,592	68,275
Loss (gain) on sale or disposal of property assets	18,215	(23,537)	7,388
Amortization of intangibles	1,070	723	671
Amortization of financing fees	1,577	2,987	5,486
Write-off of debt financing fees	—	2,168	475
Deferred income taxes	(6,605)	55,257	6,816
Changes in operating assets and liabilities, net of effects of acquisitions			
Rental merchandise	(736,444)	(651,487)	(569,717)
Receivables	(20,674)	(28,855)	(14,431)
Prepaid expenses and other assets	(3,963)	3,185	13,105
Operating lease right-of-use assets and lease liabilities	(1,543)	4,366	—
Accounts payable — trade	17,943	54,282	23,486
Accrued liabilities	42,600	(79,199)	40,248
Net cash provided by operating activities	236,502	215,416	227,505
Cash flows from investing activities			
Purchase of property assets	(34,545)	(21,157)	(27,962)
Proceeds from sale of assets	14,477	69,717	25,317
Hurricane insurance recovery proceeds	158	1,113	—
Acquisitions of businesses	(700)	(28,915)	(2,048)
Net cash (used in) provided by investing activities	(20,610)	20,758	(4,693)
Cash flows from financing activities			
Share repurchases	(26,572)	(1,292)	—
Exercise of stock options	10,280	6,799	1,401
Shares withheld for payment of employee tax withholdings	(5,270)	(1,733)	(317)
Debt issuance costs	—	(8,454)	(2,098)
Proceeds from debt	198,000	305,400	27,060
Repayments of debt	(240,000)	(608,640)	(166,358)
Dividends paid	(63,119)	(13,707)	—
Net cash used in financing activities	(126,681)	(321,627)	(140,312)
Effect of exchange rate changes on cash	(256)	556	(77)
Net increase (decrease) in cash and cash equivalents	88,955	(84,897)	82,423
Cash and cash equivalents at beginning of year	70,494	155,391	72,968
Cash and cash equivalents at end of year	$ 159,449	$ 70,494	$ 155,391
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 14,222	$ 32,114	$ 37,530
Income taxes (excludes $32,318, $2,074, and $47,837 of income taxes refunded in 2020, 2019 and 2018, respectively)	$ 51,569	$ 24,332	$ 2,227

See accompanying notes to consolidated financial statements.

RENT-A-CENTER, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A — Nature of Operations and Summary of Accounting Policies

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

Principles of Consolidation and Nature of Operations

The financial statements included herein include the accounts of Rent-A-Center, Inc. and its direct and indirect subsidiaries. All intercompany accounts and transactions have been eliminated. Unless the context indicates otherwise, references to ''Rent-A- Center'' refer only to Rent-A-Center, Inc., the parent, and references to the ''Company,'' ''we,'' ''us'' and ''our'' refer to the consolidated business operations of Rent-A-Center and any or all of its direct and indirect subsidiaries. We report four operating segments: Rent-A-Center Business, Preferred Lease, Mexico and Franchising.

Our Rent-A-Center Business segment consists of company-owned lease-to-own stores in the United States and Puerto Rico that lease household durable goods to customers on a lease-to-own basis. We also offer merchandise on an installment sales basis in certain of our stores under the names ''Get It Now'' and ''Home Choice.'' Our Rent-A-Center Business segment operates through our company-owned stores and e-commerce platform through rentacenter.com. At December 31, 2020, we operated 1,845 company-owned stores nationwide and in Puerto Rico, including 44 retail installment sales stores.

Our Preferred Lease segment, which operates in the United States and Puerto Rico, and includes the operations of Merchants Preferred (as defined in Note B below) acquired in August 2019, generally offers the lease-to-own transaction to consumers who do not qualify for financing from the traditional retailer through kiosks located within such retailer's locations, including staffed options, unstaffed or virtual options, or a combination of the two (the hybrid model). The hybrid model can be staffed by a Preferred Lease employee (staffed locations) or employ a virtual solution where customers, either directly or with the assistance of a representative of the third-party retailer, initiate the lease-to-own transaction online in the retailers' locations using our virtual solutions (virtual locations).

Our Mexico segment consists of our company-owned lease-to-own stores in Mexico that lease household durable goods to customers on a lease-to-own basis. At December 31, 2020, we operated 121 stores in Mexico.

Rent-A-Center Franchising International, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a franchisor of lease-to-own stores. At December 31, 2020, Franchising had 462 franchised stores operating in 33 states. Our Franchising segment's primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a lease-to-own transaction. The balance of our Franchising segment's revenue is generated primarily from royalties based on franchisees' monthly gross revenues.

Rental Merchandise

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

Rental merchandise that is damaged and inoperable is expensed when such impairment occurs. If a customer does not return the merchandise or make payment, the remaining book value of the rental merchandise associated with delinquent accounts is generally charged off on or before the 90th day following the time the account became past due in the Rent-A-Center Business and Mexico segments, and during the month following the 150th day in the Preferred Lease segment. We maintain a reserve for these expected expenses. In addition, any minor repairs made to rental merchandise are expensed at the time of the repair. Expenses related to merchandise losses, damaged merchandise, or merchandise repairs are recorded to other store expenses in our consolidated statement of operations.

Cash Equivalents

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

Revenues

Merchandise is rented to customers pursuant to rental purchase agreements which provide for weekly, semi-monthly or monthly rental terms with non-refundable rental payments. Generally, the customer has the right to acquire title either through a purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term and merchandise sales revenue is recognized when the customer exercises the purchase option and pays the cash price due. Cash received prior to the period in which it should be recognized is deferred and recognized according to the rental term. Revenue is accrued for uncollected amounts due based on historical collection experience. However, the total amount of the rental purchase agreement is not accrued because the customer can terminate the rental agreement at any time and we cannot enforce collection for non-payment of future rents.

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

Revenues from the sale of rental merchandise are recognized upon shipment of the merchandise to the franchisee. Franchise royalty income and fee revenue is recognized upon completion of substantially all services and satisfaction of all material conditions required under the terms of the franchise agreement. Initial franchise fees charged to franchisees for new or converted franchise stores are recognized on a straight-line basis over the term of the franchise agreement.

Receivables and Allowance for Doubtful Accounts

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

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

Our trade and notes receivables consist primarily of amounts due from our rental customers for renewal and uncollected rental payments, Franchising receivables, and other corporate related receivables. The majority of our Franchising trade and notes receivables relate to amounts due from franchisees for inventory purchases, earned royalties and other obligations. Credit is extended based on an evaluation of a franchisee's financial condition and collateral is generally not required. Trade receivables are generally due within 30 days and are reported as amounts due from franchisees, net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. Franchising determines its allowance by considering a number of factors, including the length of time receivables are past due, previous loss history, the franchisee's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Franchising writes off trade receivables that are 90 or more days past due and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Property Assets and Related Depreciation

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

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

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

Goodwill and Other Intangible Assets

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

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

Based on our assessment, if the fair value of the reporting unit exceeds its carrying value, then the goodwill is not deemed impaired. If the carrying value of the reporting unit exceeds fair value, goodwill is deemed impaired and the impairment is measured as the difference between the carrying value and the fair value of the respective reporting unit. We determine the fair value of each reporting unit using methodologies which include the present value of estimated future cash flows and comparisons of multiples of enterprise values to earnings before interest, taxes, depreciation and amortization. The analysis is based upon available information regarding expected future cash flows and discount rates. Discount rates are generally based upon our weighted average cost of capital.

As an alternative to performing a quantitative assessment to measure the fair value of the reporting unit, the Company may perform a qualitative assessment for impairment if it believes it is not more likely than not that the carrying value of the net assets of the reporting unit exceeds its fair value.

At December 31, 2020, the amount of goodwill attributable to the Rent-A-Center Business and Preferred Lease segments was approximately $1.5 million and $68.7 million, respectively. We currently do not have goodwill balances attributable to our Mexico or Franchising segments.

Acquired customer relationships are amortized over a 21-month period, non-compete agreements are amortized over the contractual life of the agreements, vendor relationships are amortized over a 7 or 15 year period, and other intangible assets are amortized over the life of the asset. Intangible assets are amortized using methods that we believe reflect the pattern in which the economic benefits of the related asset are consumed, including using a straight-line method.

Accounting for Impairment of Long-Lived Assets

We evaluate all long-lived assets, including intangible assets, excluding goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the related assets may not be recoverable by the undiscounted net cash flows they will generate. Impairment is recognized when the carrying amounts of such assets exceed their fair value. We determine the fair value of our long-lived assets using methodologies which include the present value of estimated future cash flows of the asset, or related fair market values for similar assets.

Self-Insurance Liabilities

We have self-insured retentions with respect to losses under our workers' compensation, general liability, vehicle liability and health insurance programs. We establish reserves for our liabilities associated with these losses by obtaining forecasts for the ultimate expected losses and estimating amounts needed to pay losses within our self-insured retentions. We make assumptions on our liabilities within our self-insured retentions using actuarial loss forecasts, company-specific development factors, general industry loss development factors, and third-party claim administrator loss estimates which are based on known facts surrounding individual claims. These assumptions incorporate expected increases in health care costs. Periodically, we reevaluate our estimate of liability within our self-insured retentions. At that time, we evaluate the adequacy of our reserves by comparing amounts reserved on our balance sheet for anticipated losses to our updated actuarial loss forecasts and third-party claim administrator loss estimates, and make adjustments to our reserves as needed.

Foreign Currency Translation

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

Other Comprehensive (Loss) Income

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

Income Taxes

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

We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. A number of years may elapse before a particular matter, for which we have recorded a liability, is audited and effectively settled. We review our tax positions quarterly and adjust our liability for unrecognized tax benefits in the period in which we determine the issue is effectively settled with the tax authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available. We classify accrued interest and penalties related to unrecognized tax benefits as interest expense and general & administrative expense, respectively.

Sales Taxes

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

Earnings Per Common Share

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

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred. Advertising expense was $50.9 million, $58.8 million and $74.6 million, for the years ended December 31, 2020, 2019 and 2018, respectively. Advertising expense is net of vendor allowances of $24.8 million, $21.2 million, and $17.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Stock-Based Compensation

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

Reclassifications

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

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent losses and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. However, uncertainties, including future unknown impacts of the COVID-19 pandemic, may affect certain estimates and assumptions inherent in the financial reporting process, which may impact reported amounts of assets and liabilities in future periods and cause actual results to differ from those estimates.

Newly Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which requires immediate recognition of estimated current expected credit losses, rather than recognition when incurred. We adopted ASU 2016-13 and all related amendments, including ASU 2020-02 and ASU 2020-03, beginning January 1, 2020, using a modified retrospective approach. Under such approach, we recognized the cumulative-effect of our adoption of the guidance as an adjustment to the opening balance of retained earnings for the quarter ended March 31, 2020. The application of this new methodology is limited to our installment notes receivables and trade receivables with our franchisees, primarily related to merchandise sales. The comparative information has not been restated and continues to be reported under the accounting standards in effect for periods ending prior to January 1, 2020.

The cumulative effect as of January 1, 2020 resulting from the adoption of ASU 2016-13 and related amendments was a net decrease to opening retained earnings in our condensed consolidated balance sheet of $0.8 million. See Note D for additional information regarding our trade and note receivables and related allowances for doubtful accounts.

In January 2017, the FASB issued ASU 2017-04, *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating the hypothetical purchase price allocation and instead using the difference between the carrying amount and the fair value of the reporting unit. We adopted ASU 2017-04 beginning January 1, 2020, using a prospective approach. There was no impact on our financial statements for the twelve months ended December 31, 2020 resulting from the adoption of this ASU.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement,* which removes, modifies, and adds certain disclosure requirements in ASC 820, to improve the effectiveness of the fair value measurement disclosures. We adopted ASU 2018-13 beginning January 1, 2020, using a prospective approach. There was no impact on our financial statements for the twelve months ended December 31, 2020 resulting from the adoption of this ASU.

In August 2018, the FASB issued ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40); Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement,* which requires implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customer in a software licensing agreement under the internal-use software guidance in ASC 350-40. We adopted ASU 2018-15 beginning January 1, 2020, using a prospective approach. Following our adoption of this ASU, deferred implementation costs related to cloud computing arrangements are recorded to prepaid expenses and other assets in our condensed consolidated balance sheet and subsequently amortized to other store expenses in our condensed consolidated statement of operations. Impacts to our financial statements resulting from the adoption of this ASU were immaterial to our financial statements for the twelve months ended December 31, 2020.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which replaces existing accounting literature relating to the classification of, and accounting for, leases. Under ASU 2016-02, a company must recognize for all leases (with the exception of leases with terms of 12 months or less) a liability representing a lessee's obligation to make lease payments arising from a lease, and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting is largely unchanged, with certain improvements to align lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. Adoption of ASU 2016-02 requires the use of a modified retrospective transition method to measure leases at the beginning of the earliest period presented in the consolidated financial statements. In July 2018, the FASB issued ASU 2018-11, allowing companies to apply a transition method for adoption of the new standard as of the adoption date, with recognition of any cumulative-effects as adjustments to the opening balance of retained earnings in the period of adoption. We adopted these ASUs beginning January 1, 2019 and elected the transition method under ASU 2018-11.

Our lease-to-own agreements, which comprise the majority of our annual revenue, fall within the scope of ASU 2016-02 under lessor accounting; however, the new standard does not significantly affect the timing of recognition or presentation of revenue for our rental contracts.

As a lessee, the new standard affected a substantial portion of our lease contracts. As of December 31, 2019, we had $281.6 million operating lease right-of-use assets and $285.0 million operating lease liabilities in our condensed consolidated balance sheet. Upon adoption, we identified impairment losses related to closure of our product service centers and Rent-A-Center Business stores resulting in a cumulative-effect decrease of $2.0 million, net of tax, to our January 1, 2019 retained earnings balance. There were no significant effects to our condensed consolidated statements of operations or condensed consolidated statements of cash flows.

We elected a package of optional practical expedients in our adoption of the new standard, including the option to retain the current classification for leases entered into prior to the date of adoption; the option not to reassess initial direct costs for capitalization for leases entered into prior to the date of adoption; and the option not to separate lease and non-lease components for our lease-to-own agreements as a lessor, and our real estate, and certain categories of equipment leases, as a lessee.

In conjunction with the adoption of the new lease accounting standard, we implemented a new back-office lease administration and accounting system to support the new accounting and disclosure requirements as a lessee. In addition, we implemented changes to our previous accounting policies, processes, and internal controls to ensure compliance with the new standard.

In February 2018, the FASB issued ASU 2018-02, Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a company to reclassify to retained earnings the disproportionate income tax effects of the Tax Act on items with accumulated other comprehensive income that the FASB refers to as having been stranded in accumulated other comprehensive income. The adoption of ASU 2018-02 was required for us beginning January 1, 2019. We elected not to exercise the option to reclassify stranded tax effects within accumulated other comprehensive income in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act (or portion thereof) is recorded.

Note B — Acquisitions and Divestitures

Acima Acquisition

On December 20, 2020, we entered into an Agreement and Plan of Merger (the ''Merger Agreement'') with Radalta, LLC, a Utah limited liability company and wholly owned subsidiary of the Company, Acima Holdings, LLC, a Utah limited liability company (''Acima''), and Aaron Allred, solely in his capacity as the representative of the former owners of Acima, providing for the merger of Radalta, LLC with and into Acima, with Acima surviving as a wholly owned subsidiary of the Company (the ''Merger''). The Merger was completed on February 17, 2021. In accordance with the Merger Agreement, we issued to the former owners of Acima an aggregate of 10,779,923 shares of our common stock (the ''Aggregate Stock Consideration''), with a value of $51.14 per share based on the closing price of our common stock on the date of closing, and paid to them aggregate cash consideration of $1,273.3 million (the ''Aggregate Cash Consideration''). Under the terms of the Merger Agreement, $50.0 million of the Aggregate Cash Consideration was placed into escrow at the closing of the Merger to cover certain potential tax and regulatory indemnification obligations of the former owners of Acima under the Merger Agreement.

In accordance with the terms of the Merger Agreement, the portion of the Aggregate Stock Consideration issued to former owners of Acima who are also employees of Acima is subject to certain vesting conditions over a three year period. The portion of the Aggregate Stock Consideration issued to non-employee former owners of Acima is subject to the terms of an 18-month lockup agreement, pursuant to which one-third of the aggregate shares of common stock of the Company received by a non-employee former owner in the Merger becomes transferable after each six month period following the closing of the Merger. The Company entered into a Registration Rights Agreement, dated as of February 17, 2021, pursuant to which certain former owners of Acima are entitled to registration rights in respect of the portion of the Aggregate Stock Consideration received by them in the Merger.

In connection with the signing of the Merger Agreement, we entered into employment agreements with certain executives of Acima, including Aaron Allred, Chairman and Founder of Acima, which became effective upon the closing of the Merger.

As of the date of this Annual Report on Form 10-K, we are unable to disclose supplemental pro forma financial information, including combined revenue and earnings of the recently merged companies, for the year ended December 31, 2020, or the preliminary fair value of assets acquired and liabilities assumed in connection with this acquisition, due to the unavailability of Acima's financial statements as of December 31, 2020, and as of the date of the Merger. We intend to report the above information in our Quarterly Report on Form 10-Q for the period ended March 31, 2021.

Merchants Preferred Acquisition

On August 13, 2019, we completed the acquisition of substantially all of the assets of Merchants Preferred, a nationwide provider of virtual lease-to-own services (''Merchant's Preferred''). The aggregate purchase price was approximately $46.4 million, including net cash consideration of approximately $28.0 million, and 701,918 shares of our common stock valued at $27.31 per share, as of the date of closing, less working capital adjustments of approximately $0.9 million.

Assets acquired and liabilities assumed in connection with the acquisition have been recorded at their fair values. The following table provides the final estimated fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date:

(in thousands)		**August 13, 2019**
Receivables	$	1,813
Prepaid expenses and other assets		154
Rental merchandise		17,904
Software		4,300
Right of use operating leases		404
Other intangible assets		8,900
Goodwill		13,403
Lease liabilities		(487)
Net identifiable assets acquired	$	46,391

The fair value measurements were primarily based on significant unobservable inputs (level 3) developed using company-specific information. Certain fair value estimates were determined based on an independent valuation of the net assets acquired, including identifiable intangible assets, relating to dealer relationships, of $8.9 million, and software of $4.3 million. The fair value for dealer relationships and software were estimated using common industry valuation methods for similar asset types, based primarily on cost inputs and projected cash flows. The dealer relationships and software assets were both assigned remaining lives of 10 years.

In addition, we recorded goodwill of $13.4 million, which consists of the excess of the net purchase price over the fair value of the net assets acquired. The goodwill was not deductible for tax purposes.

Merchants Preferred results of operations are reflected in our consolidated statements of operations from the date of acquisition.

In connection with this acquisition, we recorded approximately $1.4 million in acquisition-related expenses during the twelve months ended December 31, 2019 including expenses related to legal, professional, and banking transaction fees. These costs were included in other charges and (gains) in our consolidated statement of operations.

Other Acquisitions

The following table provides information concerning the other acquisitions, excluding Merchants Preferred, made during the years ended December 31, 2020, 2019 and 2018.

	Year Ended December 31,		
(Dollar amounts in thousands)	**2020**	**2019**	**2018**
Number of stores acquired remaining open	—	—	1
Number of stores acquired that were merged with existing stores	2	4	6
Number of transactions	2	4	7
Total purchase price	$ 700	$ 504	$ 2,048
Amounts allocated to:			
Goodwill	$ —	$ 66	$ 169
Customer relationships	177	85	289
Rental merchandise	523	353	1,590

Purchase prices are determined by evaluating the average monthly rental income of the acquired stores and applying a multiple to the total for lease-to-own store acquisitions. Operating results of the acquired stores and accounts have been included in the financial statements since their date of acquisition.

The weighted average amortization period was approximately 21 months for intangible assets added during the year ended December 31, 2020.

California Refranchise Sale

On October 5, 2020, we sold all 99 Rent-A-Center Business corporate stores in the state of California to an experienced franchisee. We received cash consideration of approximately $16 million, including approximately $1 million in respect of related franchise fees. The sale included idle and on-rent inventory of approximately $30.0 million and property assets of approximately $0.8 million, resulting in a total loss on sale of approximately $16.6 million. The loss on sale was recorded to other charges and (gains) in our consolidated statement of operations.

Note C — Revenues

The following tables disaggregates our revenue:

	Twelve Months Ended December 31, 2020				
	Rent-A-Center Business	Preferred Lease	Mexico	Franchising	Consolidated
(In thousands)			Unaudited		
Store					
Rentals and fees	$ 1,604,615	$ 610,908	$ 47,568	$ —	$ 2,263,091
Merchandise sales	177,223	198,517	2,977	—	378,717
Installment sales	68,500	—	—	—	68,500
Other	2,303	726	38	778	3,845
Total store revenues	1,852,641	810,151	50,583	778	2,714,153
Franchise					
Merchandise sales	—	—	—	80,023	80,023
Royalty income and fees	—	—	—	20,015	20,015
Total revenues	$ 1,852,641	$ 810,151	$ 50,583	$ 100,816	$ 2,814,191

	Twelve Months Ended December 31, 2019				
	Rent-A-Center Business	Preferred Lease	Mexico	Franchising	Consolidated
(In thousands)			Unaudited		
Store					
Rentals and fees	$ 1,585,997	$ 587,502	$ 50,903	$ —	$ 2,224,402
Merchandise sales	140,372	161,235	3,023	—	304,630
Installment sales	70,434	—	—	—	70,434
Other	3,683	523	34	555	4,795
Total store revenues	1,800,486	749,260	53,960	555	2,604,261
Franchise					
Merchandise sales	—	—	—	49,135	49,135
Royalty income and fees	—	—	—	16,456	16,456
Total revenues	$ 1,800,486	$ 749,260	$ 53,960	$ 66,146	$ 2,669,852

Lease Purchase Agreements

Rent-A-Center Business, Preferred Lease, and Mexico

Rentals and Fees. Rental merchandise is leased to customers pursuant to rental purchase agreements which provide for weekly, semi-monthly or monthly rental terms with non-refundable rental payments. At the expiration of each rental term, customers may renew the rental agreement for the next rental term. Generally, the customer has the right to acquire title of the merchandise either through a purchase option or through payment of all required rental terms. Customers can terminate the rental agreement at the end of any rental term without penalty. Therefore, rental transactions are accounted for as operating leases.

Rental payments received at our Rent-A-Center Business, Preferred Lease (excluding virtual) and Mexico locations must be prepaid in advance of the next rental term. Under the virtual business model, revenues are earned prior to the rental payment due date. Therefore, virtual business revenue is accrued prior to receipt of the rental payment, net of estimated returns and uncollectible renewal payments. Under both models, rental revenue is recognized over the rental term. See Note D for additional information regarding accrued rental revenue.

Cash received for rental payments, including fees, prior to the period in which it should be recognized, is deferred and recognized according to the rental term. At December 31, 2020 and 2019, we had $45.8 million and $39.9 million, respectively, in deferred revenue included in accrued liabilities related to our rental purchase agreements. Revenue related to various payment, reinstatement or late fees is recognized when paid by the customer at the point service is provided. Rental merchandise is depreciated using the income forecasting method and is recognized in cost of sales over the rental term.

We also offer additional product plans along with our rental agreements which provide customers with liability protection against significant damage or loss of a product, and club membership benefits, including various discount programs and product service and replacement benefits in the event merchandise is damaged or lost, and payment insurance in the event eligible customers become unemployed. Customers renew product plans in conjunction with their rental term renewals, and can cancel the plans at any time. Revenue for product plans is recognized over the term of the plan. Costs incurred related to product plans are primarily recognized in cost of sales.

Revenue from contracts with customers

Rent-A-Center Business, Preferred Lease, and Mexico

Merchandise Sales. Merchandise sales include payments received for the exercise of the early purchase option offered through our rental purchase agreements or merchandise sold through point of sale transactions. Revenue for merchandise sales is recognized when payment is received and ownership of the merchandise passes to the customer. The remaining net value of merchandise sold is recorded to cost of sales at the time of the transaction.

Installment Sales. Revenue from the sale of merchandise in our retail installment stores is recognized when the installment note is signed and control of the merchandise has passed to the customer. The cost of merchandise sold through installment agreements is recognized in cost of sales at the time of the transaction. We offer extended service plans with our installment agreements which are administered by third parties and provide customers with product service maintenance beyond the term of the installment agreement. Payments received for extended service plans are deferred and recognized, net of related costs, when the installment payment plan is complete and the service plan goes into effect. Customers can cancel extended service plans at any time during the installment agreement period and receive a refund for payments previously made towards the plan. At December 31, 2020 and 2019, we had $3.1 million and $2.9 million, respectively, in deferred revenue included in accrued liabilities related to extended service plans.

Other. Other revenue consisted of revenue generated by other miscellaneous product plans offered to our rental and installment customers. Revenue for other product plans is recognized in accordance with the terms of the applicable plan agreement.

Franchising

Merchandise Sales. Revenue from the sale of rental merchandise is recognized upon shipment of the merchandise to the franchisee.

Royalty Income and Fees. Franchise royalties, including franchisee contributions to corporate advertising funds, represent sales-based royalties calculated as a percentage of gross rental payments and sales. Royalty revenue is accrued and recognized as rental payments and merchandise sales occur. Franchise fees are initial fees charged to franchisees for new or converted franchise stores. Franchise fee revenue is recognized on a straight-line basis over the term of the franchise agreement. At December 31, 2020 and 2019, we had $4.7 million and $4.5 million, respectively, in deferred revenue included in accrued liabilities related to franchise fees.

Note D — Receivables and Allowance for Doubtful Accounts

Installment sales receivables consist primarily of receivables due from customers for the sale of merchandise in our retail installment stores. Installment sales receivable associated with the sale of merchandise at our Get It Now and Home Choice stores generally consist of the sales price of the merchandise purchased and any additional fees for services the customer has chosen, less the customer's down payment. No interest is accrued and interest income is recognized each time a customer makes a payment, generally on a monthly basis. Interest paid on installment agreements for the twelve months ended December 31, 2020, 2019 and 2018 was $11.5 million, $10.8 million, and $11.0 million, respectively.

Trade and notes receivables consist primarily of amounts owed from our franchisees for inventory purchases, earned royalties and other obligations; and other corporate related receivables. Credit is extended based on an evaluation of a franchisee's financial condition and collateral is generally not required. Trade receivables are generally due within 30 days.

Receivables consist of the following:

	December 31,	
(In thousands)	2020	2019
Installment sales receivable	$ 61,794	$ 56,370
Trade and notes receivables	36,256	33,354
Total receivables	98,050	89,724
Less allowance for doubtful accounts	(8,047)	(5,601)
Total receivables, net of allowance for doubtful accounts	$ 90,003	$ 84,123

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

The allowance for our Franchising trade and note receivables is determined by considering a number of factors, including the length of time receivables are past due, previous loss history, the franchisee's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Trade receivables that are more than 90 days past due are either written-off or fully reserved in our allowance for doubtful accounts. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

The allowance for doubtful accounts related to trade and notes receivable was $1.0 million and $1.5 million, and the allowance for doubtful accounts related to installment sales receivable was $7.0 million and $4.1 million at December 31, 2020 and 2019, respectively.

Changes in our allowance for doubtful accounts are as follows:

	Year Ended December 31,		
(In thousands)	2020	2019	2018
Beginning allowance for doubtful accounts	$ 5,601	$ 4,883	$ 4,167
Estimated uncollectible payments and returns[1]	14,636	15,077	14,610
Accounts written off, net of recoveries	(12,190)	(14,359)	(13,894)
Ending allowance for doubtful accounts	$ 8,047	$ 5,601	$ 4,883

[1] *Uncollectible installment payments, franchisee obligations, and other corporate receivables are recognized in other store operating expenses in our condensed consolidated financial statements.*

Note E — Rental Merchandise

	December 31,	
(In thousands)	2020	2019
On rent		
Cost	$ 1,169,333	$ 1,112,130
Less accumulated depreciation	(406,447)	(414,860)
Net book value, on rent	$ 762,886	$ 697,270
Held for rent		
Cost	$ 165,879	$ 163,636
Less accumulated depreciation	(19,613)	(25,218)
Net book value, held for rent	$ 146,266	$ 138,418

Note F — Property Assets

	December 31,	
(In thousands)	2020	2019
Software	$ 279,141	$ 300,690
Building and leasehold improvements	196,179	207,620
Furniture and equipment	163,623	174,741
Transportation equipment	503	567
Construction in progress	7,269	5,346
Total property assets	646,715	688,964
Less accumulated depreciation	(505,074)	(522,826)
Total property assets, net of accumulated depreciation	$ 141,641	$ 166,138

We had $4.8 million and $3.8 million of capitalized software costs included in construction in progress at December 31, 2020 and 2019, respectively. For the years ended December 31, 2020, 2019 and 2018, we placed in service internally developed software of approximately $9.5 million, $6.0 million and $9.7 million, respectively.

On December 27, 2019, we completed the sale of our corporate headquarters for proceeds of $43.2 million, and entered into a lease agreement for a reduced portion, approximately 60%, of the total square footage of the building. Assets written-off in connection with this transaction included building assets of $14.0 million, including furniture and equipment, and land of $6.7 million. We recorded a total gain on sale of approximately $21.8 million in the fourth quarter of 2019. The gain was recorded to other charges and (gains) in our consolidated statement of operations. The lease includes an initial term of 12 years, with two five year renewal option periods at our discretion. In accordance with ASC 842, we recorded operating lease right-of-use assets and operating lease liabilities of $19.0 million for this lease in our condensed consolidated balance sheet.

Note G — Leases

We lease space for all of our Rent-A-Center Business and Mexico stores under operating leases expiring at various times through 2027. In addition, we lease space for certain support facilities under operating leases expiring at various times through 2032. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed formulas. We evaluate all leases to determine if it is likely that we will exercise future renewal options and in most cases we are not reasonably certain of exercise due to competing market rental rates and lack of significant penalty or business disruption incurred by not exercising the renewal options. We include month-to-month leases in operating lease right-of-use assets and operating lease liabilities in our condensed consolidated balance sheet. In certain situations involving the sale of a Rent-A-Center Business corporate store to a franchisee, we enter into a lease assignment agreement with the buyer, but we remain the primary obligor under the original lease for the remaining active term. These assignments are therefore classified as subleases and the original lease is included in our operating lease right-of-use assets and operating lease liabilities in our condensed consolidated balance sheet.

We lease vehicles for all of our Rent-A-Center Business stores under operating leases with lease terms expiring twelve months after the start date of the lease. We classify these leases as short-term and have elected the short-term lease exemption for our vehicle leases, and have therefore excluded them from our operating lease right-of-use assets within our condensed consolidated balance sheet. We also lease vehicles for all of our Mexico stores which have terms expiring at various times through 2024 with rental rates adjusted periodically for inflation. Finally, we have a minimal number of equipment leases, primarily related to temporary storage containers and certain back office technology hardware assets.

For all of the leases described above, we have elected not to separate the lease and non-lease components and instead account for these as a single component. In addition, we have elected to use available practical expedients that eliminate the requirement to reassess whether expired or existing contracts contained leases, and the requirement to reassess the lease classification for any existing leases prior to our adoption of ASU 2016-02 on January 1, 2019.

Operating lease right-of-use assets and operating lease liabilities are discounted using our incremental borrowing rate, since the implicit rate is not readily determinable. We do not currently have any financing leases.

Operating lease costs are recorded on a straight-line basis within other store expenses in our condensed consolidated statements of operations.

Total operating lease costs by expense type:

	Twelve Months Ended	
(in thousands)	**December 31, 2020**	**December 31, 2019**
Operating lease cost included in other store expenses[(1)(2)]	$ 140,186	$ 148,314
Operating lease cost included in other charges[(2)]	1,236	9,222
Sublease receipts	(9,727)	(7,683)
Total operating lease charges	$ 131,695	$ 149,853

(1) *Includes short-term lease costs, which are not significant.*
(2) *Excludes variable lease costs of $34.6 million and $35.1 million for the twelve months ended December 31, 2020 and 2019, respectively.*

Supplemental cash flow information related to leases:

	Twelve Months Ended	
(in thousands)	**December 31, 2020**	**December 31, 2019**
Cash paid for amounts included in measurement of operating lease liabilities	$ 113,243	$ 120,826
Cash paid for short-term operating leases not included in operating lease liabilities	22,339	27,402
Right-of-use assets obtained in exchange for new operating lease liabilities	104,771	78,250

Weighted-average discount rate and weighted-average remaining lease term:

(in thousands)	**December 31, 2020**	**December 31, 2019**
Weighted-average discount rate[(1)]	6.8%	7.7%
Weighted-average remaining lease term (in years)	4	4

(1) *January 1, 2019 incremental borrowing rate was used for leases in existence at the time of adoption of ASU 2016-02.*

Reconciliation of undiscounted operating lease liabilities to the present value operating lease liabilities at December 31, 2020:

(In thousands)	**Operating Leases**
2021	$ 107,898
2022	81,114
2023	55,176
2024	37,554
2025	22,662
Thereafter	18,883
Total undiscounted operating lease liabilities	323,287
Less: Interest	(37,933)
Total present value of operating lease liabilities	$ 285,354

In response to the COVID-19 pandemic and related government restrictions negatively impacting our operations, we renegotiated certain store lease agreements in the second quarter to obtain rent relief in the near term, in order to help offset the negative financial impacts of COVID-19. As of December 31, 2020, we renegotiated approximately 500 lease agreements, receiving near term rent abatements of approximately $2.3 million and rent deferrals of approximately $2.1 million. On April 10, 2020, the Financial Accounting Standards Board (''FASB'') staff issued a question-and-answer document providing guidance for lease concessions provided to lessees in response to the effects of COVID-19. Such guidance allows lessees to make an election not to evaluate whether a lease concession provided by a lessor should be accounted for as a lease modification in the event the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee. We elected this practical expedient in our accounting for any lease concessions provided in connection with our renegotiated lease agreements that did not result in a substantial increase in the rights of or obligations to the lessor. As a result of this election, we recognized rent abatement credits of approximately $0.8 million for the year ended December 31, 2020 in our condensed consolidated statement of operations.

Note H — Goodwill and Other Intangible Assets

Goodwill

In the fourth quarter of 2020, we completed a qualitative assessment for impairment of goodwill as of October 1, 2020, concluding it was not more likely than not that the carrying value of the net assets of our reporting units exceeded their respective fair values and therefore no impairment of goodwill existed as of December 31, 2020.

At December 31, 2020 and 2019, the amount of goodwill attributable to the Rent-A-Center Business and Preferred Lease segments was approximately $1.5 million and $68.7 million, respectively.

A summary of the changes in recorded goodwill follows:

	Year Ended December 31,	
(In thousands)	**2020**	**2019**
Beginning goodwill balance	$ 70,217	$ 56,845
Additions from acquisitions	—	13,700
Post purchase price allocation adjustments	—	(328)
Ending goodwill balance	$ 70,217	$ 70,217

Other Intangible Assets

Amortizable intangible assets consist of the following:

		December 31, 2020		**December 31, 2019**	
(Dollar amounts in thousands)	**Avg. Life (years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer relationships	2	$ 80,008	$ 79,853	$ 80,036	$ 79,941
Vendor relationships	9	9,760	2,046	9,760	1,113
Non-compete agreements	3	6,719	6,719	6,747	6,727
Total other intangible assets		$ 96,487	$ 88,618	$ 96,543	$ 87,781

Aggregate amortization expense (in thousands):

Year Ended December 31, 2020	$	1,070
Year Ended December 31, 2019	$	723
Year Ended December 31, 2018	$	671

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

(In thousands)		**Estimated Amortization Expense**
2021	$	1,008
2022		927
2023		890
2024		890
2025		890
Thereafter		3,264
Total amortization expense	$	7,869

Note I — Accrued Liabilities

	December 31,	
(In thousands)	**2020**	**2019**
Accrued insurance costs	$ 94,744	$ 104,557
Accrued compensation	48,027	38,547
Deferred revenue	61,066	52,589
Taxes other than income	48,038	28,397
Accrued legal settlement	5,440	440
Deferred compensation	9,437	9,711
Accrued interest payable	1,041	1,391
Accrued dividends	17,003	15,912
Accrued other	35,787	24,233
Total Accrued liabilities	$ 320,583	$ 275,777

Note J — Income Taxes

For financial statement purposes, earnings before income taxes by source was comprised of the following:

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Domestic	$ 212,859	$ 212,406	$ 11,290
Foreign	9,920	11,377	2,551
Earnings before income taxes	$ 222,779	$ 223,783	$ 13,841

A reconciliation of the federal statutory rate of 21% to the effective rate follows:

	Year Ended December 31,		
	2020	2019	2018
Tax at statutory rate	21.0%	21.0%	21.0%
State income taxes	2.8%	4.3%	17.6%
Effect of foreign operations	(0.3)%	0.3%	(1.2)%
Effect of current and prior year credits	(0.8)%	(2.7)%	(31.4)%
Change in unrecognized tax benefits	0.3%	—%	10.9%
Other permanent differences	(0.7)%	0.2%	14.9%
Prior year return to provision adjustments	1.1%	(2.7)%	7.3%
Benefit of CARES Act	(7.5)%	—%	—%
Valuation allowance	(9.3)%	1.2%	(0.5)%
Other, net	—%	0.8%	—%
Effective income tax rate	6.6%	22.4%	38.6%

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

	Year Ended December 31,		
(In thousands)	2020	2019	2018
Current expense (benefit)			
Federal	$ 14,354	$ (6,996)	$ (2,573)
State	4,735	528	816
Foreign	1,608	796	724
Total current	20,697	(5,672)	(1,033)
Deferred expense (benefit)			
Federal	12,576	37,309	4,691
State	(2,956)	16,439	3,325
Foreign	(15,653)	2,161	(1,634)
Total deferred	(6,033)	55,909	6,382
Total income tax expense (benefit)	$ 14,664	$ 50,237	$ 5,349

Deferred tax assets (liabilities) consist of the following:

(In thousands)	December 31, 2020	2019
Deferred tax assets		
Net operating loss carryforwards	$ 32,834	$ 34,928
Accrued liabilities	45,776	45,671
Intangible assets	9,676	13,088
Lease obligations	67,999	71,104
Other assets including credits	10,079	10,915
Foreign tax credit carryforwards	5,643	7,815
Total deferred tax assets	172,007	183,521
Valuation allowance	(21,645)	(43,555)
Deferred tax assets, net	150,362	139,966
Deferred tax liabilities		
Rental merchandise	(206,833)	(193,878)
Property assets	(18,935)	(24,513)
Lease assets	(66,661)	(69,035)
Other liabilities	(561)	(1,635)
Total deferred tax liabilities	(292,990)	(289,061)
Net deferred taxes	$ (142,628)	$ (149,095)

At December 31, 2020, we had net operating loss carryforwards of approximately $293 million for state and $58 million for foreign jurisdictions, partially offset by valuation allowance. We also had federal, state and foreign tax credit carryforwards of approximately $12.8 million of which a portion has been offset by a valuation allowance. The net operating losses and credits will expire in various years between 2021 and 2040.

We file income tax returns in the U.S. and multiple foreign jurisdictions with varying statutes of limitations. In the normal course of business, we are subject to examination by various taxing authorities. We are currently under examination by certain Federal and state revenue authorities for the fiscal years 2011 through 2018. The following is a summary of all tax years that are open to examination.

- U.S. Federal — 2013 and forward
- U.S. States — 2011 and forward
- Foreign — 2013 and forward

We do not anticipate that adjustments as a result of these audits, if any, will have a material impact to our consolidated statement of operations, consolidated balance sheets, and statement of cash flows or earnings per share.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. As a result, in 2020, we decreased the valuation allowance against net operating losses and credits in multiple state jurisdictions. After review of the positive evidence generated during the year related to our foreign operations in Mexico, management now believes that a portion of the deferred tax assets will more likely than not be utilized. As a result, $12.2 million has been removed from the valuation allowance related to foreign deferred tax assets in Mexico.

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

(In thousands)	Year Ended December 31, 2020	2019	2018
Beginning unrecognized tax benefit balance	$ 24,208	$ 36,364	$ 37,319
Additions (Reductions) based on tax positions related to current year	1,204	(654)	(206)
Additions for tax positions of prior years	45	415	735
Reductions for tax positions of prior years	(2,086)	(11,917)	(488)
Settlements	(1,187)	—	(996)
Ending unrecognized tax benefit balance	$ 22,184	$ 24,208	$ 36,364

Included in the balance of unrecognized tax benefits at December 31, 2020, is $2.7 million, net of federal benefit, which, if ultimately recognized, will affect our annual effective tax rate.

As of December 31, 2020, we have accrued approximately $2.7 million for the payment of interest for uncertain tax positions and recorded interest expense of approximately $0.4 million for the year then ended, which are excluded from the reconciliation of unrecognized tax benefits presented above. These amounts are net of the reversal of interest expense due to settlement of certain tax positions and closing of tax years.

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act, (the ''CARES Act''). The CARES Act included several tax relief options for companies, including a five-year net operating loss carryback. Rent-A-Center elected to carryback its 2018 net operating losses of $119.5 million to offset the Company's 2013 taxable income, thus generating a refund of $41.8 million and an income tax benefit of $16.7 million. The tax benefit is the result of the federal income tax rate differential between the current statutory rate of 21% and the 35% rate applicable to 2013.

The effect of the tax rate change for items originally recognized in other comprehensive income was properly recorded in tax expense from continuing operations. This results in stranded tax effects in accumulated other comprehensive income at December 31, 2020. Companies can make a policy election to reclassify from accumulated other comprehensive income to retained earnings the stranded tax effects directly arising from the change in the federal corporate tax rate. We did not exercise the option to reclassify stranded tax effects within accumulated other comprehensive income in each period in which the effect of the change in the U.S. federal corporate income tax rate resulting from the Tax Cuts and Jobs Act of 2017 was recorded.

Note K — Senior Debt

As of December 31, 2020, we were party to a Term Loan Credit Agreement (the ''Prior Term Loan Credit Agreement'') providing for a seven-year $200 million senior secured term loan facility and an Asset Based Loan Credit Agreement (the ''Prior ABL Credit Agreement'') providing a five-year asset-based revolving credit facility (the ''Prior ABL Credit Facility'') with commitments of up to $300 million, the proceeds of which were used for the redemption of all of our previously outstanding senior notes due 2020.

The amount of outstanding borrowings under the Prior Term Loan Credit Agreement was $197.5 million at December 31, 2020. We had no amounts outstanding under our Prior ABL Credit Facility at December 31, 2020, and had $209.3 million available for borrowing.

Proceeds from the Prior Term Loan Credit Agreement were net of original issue discount of $2.0 million upon issuance from the lenders.

In addition, in connection with the closing of the Prior Term Loan Credit Agreement and the Prior ABL Credit Agreement, we incurred approximately $6.3 million in debt issuance costs. As of December 31, 2020, the total unamortized balance of debt issuance costs and original issue discount related to our Prior Term Loan Credit Agreement and Prior ABL Credit Agreement reported in our consolidated balance sheet were $5.4 million and $1.6 million, respectively.

We also utilized the Prior ABL Credit Facility for the issuance of letters of credit. As of December 31, 2020, we have issued letters of credit in the aggregate outstanding amount of $90.7 million primarily relating to workers compensation insurance claims.

The debt facilities as of December 31, 2020 and 2019 are as follows:

		December 31, 2020			December 31, 2019		
(In thousands)	Facility Maturity	Maximum Facility	Amount Outstanding	Amount Available	Maximum Facility	Amount Outstanding	Amount Available
Senior Debt:							
Prior Term Loan	August 5, 2026	$200,000	$197,500	$ —	$200,000	$199,500	$ —
Prior ABL Credit Facility	August 5, 2024	300,000	—	209,268	300,000	40,000	168,200
Total		500,000	197,500	209,268	500,000	239,500	168,200
Other indebtedness:							
Line of credit		—	—	—	—	—	—
Total		$500,000	197,500	$209,268	$500,000	239,500	$168,200
Unamortized debt issuance costs			(7,010)			(8,587)	
Total senior debt, net			$190,490			$230,913	

The table below shows the scheduled maturity dates of our outstanding debt at December 31, 2020 for each of the years ending December 31:

(in thousands)	Prior Term Loan	Prior ABL Credit Facility	Total
2021	$ 2,000	$ —	$ 2,000
2022	2,000	—	2,000
2023	2,000	—	2,000
2024	2,000	—	2,000
2025	2,000	—	2,000
Thereafter	187,500	—	187,500
Total senior debt	$ 197,500	$ —	$ 197,500

On February 17, 2021 in connection with the Merger, we entered into two new credit facilities as described below and issued 6.375% unsecured senior notes as described in Note L, the proceeds of which were used, in part, to prepay in full all outstanding borrowings under the Prior ABL Credit Facility and Prior Term Loan Credit Agreement, fund the Aggregate Cash Consideration upon closing of the Merger to acquire Acima, repay all outstanding indebtedness of Acima and its subsidiaries and pay certain fees and expenses incurred in connection with the Merger. Please reference Note B for discussion of our recent acquisition of Acima.

ABL Credit Agreement

On February 17, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, that provides for a five-year asset-based revolving credit facility with commitments of $550 million and a letter of credit sublimit of $150 million, which commitments may be increased, at the Company's option and under certain conditions, by up to an additional $125 million in the aggregate (the ''ABL Credit Facility'').

Under the ABL Credit Facility, the Company may borrow only up to the lesser of the level of the then-current borrowing base and the aggregate amount of commitments under the ABL Credit Facility. The borrowing base is tied to the amount of eligible installment sales accounts, inventory and eligible rental contracts, reduced by reserves.

The ABL Credit Facility bears interest at a fluctuating rate determined by reference to the eurodollar rate plus an applicable margin of 1.50% to 2.00%. A commitment fee equal to 0.250% to 0.375% of the unused portion of the ABL Credit Facility fluctuates dependent upon average utilization for the prior month as defined by a pricing grid included in the documentation governing the ABL Credit Facility.

Loans under the ABL Credit Facility may be borrowed, repaid and re-borrowed until February 17, 2026, at which time all amounts borrowed must be repaid. The obligations under the ABL Credit Facility are guaranteed by the Company and certain of its wholly owned domestic restricted subsidiaries, subject to certain exceptions. The obligations under the ABL Credit Facility and such guarantees are secured on a first-priority basis by all of the Company's and the subsidiary guarantors' accounts, inventory, deposit accounts, securities accounts, cash and cash equivalents, rental agreements, general intangibles (other than equity interests in the Company's subsidiaries), chattel paper, instruments, documents, letter of credit rights, commercial tort claims related to the foregoing and other related assets and all proceeds thereof related to the foregoing, subject to permitted liens and certain exceptions (such assets, collectively, the ''ABL Priority Collateral'') and a second-priority basis in substantially all other present and future tangible and intangible personal property of the Company and the subsidiary guarantors, subject to certain exceptions.

The ABL Facility contains covenants that are usual and customary for similar facilities and transactions and that, among other things, restrict the ability of the Company and its restricted subsidiaries to create certain liens and enter into certain sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; consolidate or merge with, or convey, transfer or lease all or substantially all of the Company's and its restricted subsidiaries' assets, to another person; pay dividends or make other distributions on, or repurchase or redeem, the Company's capital stock or certain other debt; and make other restricted payments.

The ABL Facility also requires the maintenance of a consolidated fixed charge coverage ratio of 1.10 to 1.00 at the end of each fiscal quarter when either (i) certain specified events of default have occurred and are continuing or (ii) availability is less than or equal to the greater of $56.25 million and 15% of the line cap then in effect. These covenants are subject to a number of limitations and exceptions set forth in the documentation governing the ABL Facility.

The documentation governing the ABL Facility provides for customary events of default, including, but not limited to, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving the Company and its significant subsidiaries.

Term Loan Credit Agreement

On February 17, 2021, we entered into a term loan credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and lenders party thereto, that provides for a seven-year $875 million senior secured term loan facility (the ''Term Loan Facility''). Subject in each case to certain restrictions and conditions, the Company may add up to $500 million of incremental term loan facilities to the Term Loan Facility or utilize incremental capacity under the Term Loan Facility at any time by issuing or incurring incremental equivalent term debt.

Interest on borrowings under the Term Loan Facility is payable at a fluctuating rate of interest determined by reference to the eurodollar rate plus an applicable margin of 4.00%, subject to a 0.75% LIBOR floor. Borrowings under the Term Loan Facility amortize in equal quarterly installments in an amount equal to 1.000% per annum of the original aggregate principal amount thereof, with the remaining balance due at final maturity.

The Term Loan Facility is secured by a first-priority security interest in substantially all of present and future tangible and intangible personal property of the Company and the subsidiary guarantors, other than the ABL Priority Collateral, and by a second-priority security interest in the ABL Priority Collateral, subject to certain exceptions. The obligations under the Term Loan Facility are guaranteed by the Company and the Company's material wholly-owned domestic restricted subsidiaries that also guarantee the ABL Credit Facility.

The Term Loan contains covenants that are usual and customary for similar facilities and transactions and that, among other things, restrict the ability of the Company and its restricted subsidiaries to create certain liens and enter into certain sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; consolidate or merge with, or convey, transfer or lease all or substantially all of the Company's and its restricted subsidiaries' assets, to another person; pay dividends or make other distributions on, or repurchase or redeem, the Company's capital stock or certain other debt; and make other restricted payments. The Term Loan also includes mandatory prepayment requirements related to asset sales (subject to reinvestment), debt incurrence (other than permitted debt) and excess cash flow, subject to certain limitations described therein. Any voluntary prepayment of the Term Loan Facility made using proceeds from a substantially concurrent incurrence of indebtedness and in connection with a repricing transaction in the first six months following the closing date of the Acquisition will be subject to a 1.00% prepayment premium, except that no such prepayment premium will be required in connection with a change of control or a transformative acquisition. These covenants are subject to a number of limitations and exceptions set forth in the documentation governing the Term Loan.

The Term Loan provides for customary events of default, including, but not limited to, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving the Company and its significant subsidiaries.

The Term Loan Facility was fully drawn at the closing of the Merger to fund a portion of the Aggregate Cash Consideration payable in the Merger, repay certain outstanding indebtedness of the Company and its subsidiaries, repay all outstanding indebtedness of Acima and its subsidiaries and pay certain fees and expenses incurred in connection with the Merger. A portion of such proceeds were used to repay $197.5 million outstanding under the Prior Term Loan Credit Agreement.

Note L — Senior Notes

On November 2, 2010, we issued $300 million in senior unsecured notes due November 2020, bearing interest at 6.625%, and on May 2, 2013, we issued $250 million in senior unsecured notes due May 2021, bearing interest at 4.75%. The 6.625% and 4.75% senior notes were redeemed effective August 5, 2019, at a price equal to 100% of their principal amount plus accrued and unpaid interest to, but excluding, the redemption date. In connection with redeeming our senior unsecured notes, we recorded a write-down of previously unamortized debt issuance costs of approximately $2.0 million in the third quarter of 2019.

On February 17, 2021, we issued $450 million in senior unsecured notes due February 15, 2029, at par value, bearing interest at 6.375% (the ''Notes''), the proceeds of which were used to fund a portion of the Aggregate Cash Consideration upon closing of the Merger to acquire Acima. Interest on the Notes is payable in arrears on February 15 and August 15 of each year, beginning on August 15, 2021.

The Company may redeem some or all of the Notes at any time on or after February 15, 2024 for cash at the redemption prices set forth in the indenture governing the Notes, plus accrued and unpaid interest to, but not including, the redemption date. Prior to February 15, 2024, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at a redemption price of 106.375% plus accrued and unpaid interest to, but not including, the redemption date. In addition, the Company may redeem some or all of the Notes prior to February 15, 2024, at a redemption price of 100% of the principal amount of the Notes plus accrued and unpaid interest to, but not including, the redemption date, plus a ''make-whole'' premium. If the Company experiences specific kinds of change of control, it will be required to offer to purchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

The Notes are the Company's general unsecured senior obligations, and are effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, structurally subordinated to all existing and future indebtedness and other liabilities of the Company's non-guarantor subsidiaries, equal in right of payment to all of the Company's and Company's guarantor subsidiaries' existing and future senior indebtedness and senior in right of payment to all of the Company's future subordinated indebtedness, if any. The Notes are jointly and severally guaranteed on a senior unsecured basis by certain of the Company's domestic subsidiaries that have outstanding indebtedness or guarantee other specified indebtedness, including the ABL Credit Facility and the Term Loan Facility.

The indenture governing the Notes contains covenants that limit, among other things, the Company's ability and the ability of some of the Company's restricted subsidiaries to create liens, transfer or sell assets, incur indebtedness or issue certain preferred stock, pay dividends, redeem stock or make other distributions, make other restricted payments or investments, create restrictions on payment of dividends or other amounts to the Company by its restricted subsidiaries, merge or consolidate with other entities, engage in certain transactions with affiliates and designate the Company's subsidiaries as unrestricted subsidiaries. These covenants are subject to a number of exceptions and qualifications. The covenants limiting restricted payments, restrictions on payment of dividends or other amounts to the Company by its restricted subsidiaries, the ability to incur indebtedness, asset dispositions and transactions with affiliates will be suspended if and while the Notes have investment grade ratings from any two of Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch, Inc.

The indenture governing the Notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all the then outstanding Notes issued under the Indenture to be due and payable.

Note M — Contingencies

From time to time, we, along with our subsidiaries, are party to various legal proceedings and governmental inquiries arising in the ordinary course of business. We reserve for loss contingencies that are both probable and reasonably estimable. We regularly monitor developments related to these legal proceedings, and review the adequacy of our legal reserves on a quarterly basis. We do not expect these losses to have a material impact on our condensed consolidated financial statements if and when such losses are incurred. Nevertheless, we cannot predict the impact of future developments affecting our claims and lawsuits, and any resolution of a claim or lawsuit or reserve within a particular fiscal period may materially and adversely impact our results of operations for that period.

We are subject to unclaimed property audits by states in the ordinary course of business. The property subject to review in the audit process include unclaimed wages, vendor payments and customer refunds. State escheat laws generally require entities to report and remit abandoned and unclaimed property to the state. Failure to timely report and remit the property can result in assessments that could include interest and penalties, in addition to the payment of the escheat liability itself. We routinely remit escheat payments to states in compliance with applicable escheat laws.

Acima Consumer Financial Protection Bureau investigation. Prior to the execution of the Merger Agreement, Acima received a Civil Investigative Demand dated October 1, 2020 (the ‘‘CID’’) from the Consumer Financial Protection Bureau (the ‘‘CFPB’’) requesting certain information, documents and data relating to Acima’s products, services and practices for the period from January 1, 2015 to the date on which responses to the CID are provided in full. The purpose of the CID is to determine whether Acima extends credit, offers leases, or otherwise offers or provides a consumer financial product or service and whether Acima complies with certain consumer financial protection laws. The Company is fully cooperating with the CFPB investigation and expects to submit responses to all existing requests of the CFPB no later than the end of March 2021. The CFPB has not made any allegations in the investigation, and we are currently unable to predict the eventual scope, ultimate timing or outcome of the CFPB investigation.

On the terms and subject to the conditions set forth in the Merger Agreement, the former owners of Acima have agreed to indemnify Rent-A-Center for certain losses arising after the consummation of the Merger with respect to the CID and certain pre-closing taxes. The indemnification obligations of the former owners of Acima are limited to an indemnity holdback in the aggregate amount of $50 million, which amount was escrowed at the closing of the Merger, and will be Rent-A-Center’s sole recourse against the former owners of Acima with respect to all of the indemnifiable claims under the Merger Agreement. Other than with respect to any pending or unresolved claims for indemnification submitted by Rent-A-Center prior to such time, and subject to other limited exceptions, the escrowed amount will be released to the former owners of Acima as follows: (i) in respect of the CID, on the earlier of the third anniversary of the closing date of the Merger and the date on which a final determination is entered providing for a resolution of the matters regarding the CID and (ii) in respect of certain pre-closing taxes, on August 18, 2022, the first business day following the date that is 18 months after the closing date of the Merger.

There can be no assurance that the CID will be finally resolved prior to the release to the former owners of Acima of the escrowed funds reserved therefor, or that such escrowed amount will be sufficient to address all covered losses or that the CFPB’s ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of consumer financial protection laws that could lead to enforcement actions, proceedings or litigation, whether by the CFPB, other state or federal agencies, or other parties, and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to Acima’s business practices or operations that could materially and adversely affect the Company’s business, financial condition, results of operations or reputation.

California Attorney General. The California Attorney General (‘‘CAG’’) previously issued an investigative subpoena seeking information with respect to our Acceptance Now business practices (now part of the Preferred Lease segment). The request for documents and information was sought in connection with a broader investigation of the lease-to-own industry in California. Since receiving such demand, we have cooperated with the CAG in connection with its investigation and made several productions of requested documents. In March 2020, the CAG put forth proposed settlement terms to address alleged violations of California law. After several rounds of negotiations, in September 2020, the CAG proposed revised terms. In both cases, the proposed settlement terms include civil penalties, disgorgement of certain revenues, additional training requirements, and recommended changes to Acceptance Now business practices. We believe that our business practices are in compliance with California law and are continuing to discuss resolution of the inquiry with the CAG. At this point, while we cannot predict the ultimate outcome, we do not believe any such outcome will have a material impact on our condensed consolidated financial statements.

Note N — Other Charges and (Gains)

Store Consolidations. During 2020, we closed 28 Rent-A-Center Business stores, resulting in pre-tax charges of $1.5 million in other miscellaneous shutdown and holding costs, $0.4 million in lease impairment charges, $0.1 million in disposal of fixed assets, and $0.1 million in severance and other payroll-related costs. During 2019, we closed 88 Rent-A-Center Business stores, resulting in pre-tax charges of $3.7 million in lease impairment charges, $2.3 million in other miscellaneous shutdown and holding costs, $0.9 million in disposal of fixed assets, and $0.4 million in severance and other payroll-related costs. During 2018, we closed 138 Rent-A-Center Business stores and 9 locations in Mexico, resulting in pre-tax charges of $11.2 million, consisting of $8.1 million in lease obligation costs, $1.6 million in disposal of fixed assets, $1.3 million in other miscellaneous shutdown costs, and $0.2 million in severance and other payroll-related cost.

Cost Savings Initiatives. During 2018, we began the execution of multiple cost savings initiatives, including reductions in overhead and supply chain operations. In connection with these initiatives, we recorded pre-tax charges during 2020 consisting of $0.8 million in severance and other payroll-related costs, $0.4 million in lease impairment charges, and $0.4 million in other miscellaneous shutdown and holding costs. Costs incurred during 2019 consisted of

$4.9 million in lease impairment charges, $2.6 million in severance and other payroll-related costs, $2.3 million in other miscellaneous shutdown and holding costs, and $0.4 million in disposal of fixed assets. Costs incurred during 2018 related to these initiatives included pre-tax charges of $13.1 million in severance and other payroll-related costs, $6.8 million in contract termination fees, $2.3 million in other miscellaneous shutdown costs, $3.4 million in lease obligation costs, $1.9 million in legal and advisory fees, $1.9 million related to the write-down of capitalized software, and $1.0 million in disposal of fixed assets.

COVID-19 Pandemic. In March 2020, national efforts to contain the COVID-19 virus began to be implemented. In connection with COVID-19, during 2020, we incurred approximately $1.4 million in sanitization cleaning and personal protective equipment expenses, $0.4 million in payroll-related costs, and $0.2 million in lease expense related to closed stores and idled vehicles, partially offset by real estate lease abatement credits of $0.8 million for our Rent-A-Center Business stores.

Social Unrest. During the second quarter of 2020, we incurred expenses resulting from certain civil unrest that occurred in connection with efforts to institute law enforcement and other social and political reforms. In connection with this unrest, approximately 30 Rent-A-Center Business stores were looted and/or damaged, resulting in $0.9 million of inventory write-offs and less than $0.1 million in disposal of fixed assets during 2020.

California Refranchise Sale. On October 5, 2020, we sold all 99 Rent-A-Center Business corporate stores in the state of California to an experienced franchisee. We received cash consideration of approximately $16 million, including approximately $1 million paid for related franchise fees. The sale included idle and on-rent inventory of approximately $30.0 million and property assets of approximately $0.8 million, resulting in a total loss on sale of approximately $16.6 million.

Acima Acquisition. On December 20, 2020, we entered into a definitive agreement to acquire Acima Holdings LLC, a leading provider of virtual lease-to-own solutions, which was completed on February 17, 2021. In connection with this acquisition, we recorded approximately $6.4 million in acquisition-related expenses during 2020 primarily including legal and other professional fees.

Vintage Settlement. On April 22, 2019, we agreed to settle all litigation with Vintage Rodeo Parent, LLC, Vintage Rodeo Acquisition, Inc., Vintage Capital Management, LLC (collectively, ''Vintage Capital'') and B. Riley Financial, Inc. (''B. Riley'') relating to our termination of the Agreement and Plan of Merger, by and among Vintage Rodeo Parent, LLC, Vintage Rodeo Acquisition, Inc. and Rent-A-Center, Inc. (the ''Vintage Merger Agreement''). In such settlement, we received a payment of $92.5 million in cash in May 2019, of which we retained net pre-tax proceeds of approximately $80 million following payment of all remaining costs, fees and expenses relating to the termination (the ''Vintage Settlement Proceeds''). The Vintage Settlement Proceeds were recorded as a pre-tax gain upon receipt.

Merchants Preferred Acquisition. On August 13, 2019, we completed the acquisition of substantially all of the assets of Merchants Preferred, a nationwide virtual lease-to-own provider. In connection with this acquisition, we recorded approximately $1.4 million in acquisition-related expenses during 2019 including expenses related to legal, professional, and banking transaction fees.

Sale/Partial Leaseback of Corporate Headquarters. On December 27, 2019, we completed the sale of our corporate headquarters for proceeds of $43.2 million, and entered into a lease agreement for a reduced portion, approximately 60%, of the total square footage of the building. In connection with the sale, we recorded a total gain of approximately $21.8 million in the fourth quarter of 2019.

Activity with respect to other charges and (gains) for the years ended December 31, 2019 and 2020 is summarized in the below table:

(In thousands)	**Accrued Charges at December 31, 2018**	**Charges & Adjustments**	**Payments & Adjustments**	**Accrued Charges at December 31, 2019**	**Charges & Adjustments**	**Payments & Adjustments**	**Accrued (Charges at December 31, 2020**
Cash:							
Labor reduction costs	$ 7,623	$ 3,039	$ (9,924)	$ 738	$ 1,334	$ (1,728)	$ 344
Lease obligation costs[1]	4,882	—	(4,882)	—	(645)	645	—
Contract termination costs	—	—	—	—	—	—	—
Other miscellaneous	—	4,615	(4,615)	—	1,889	(1,889)	—
Total cash charges	$ 12,505	7,654	$ (19,421)	$ 738	2,578	$ (2,972)	$ 344
Non-cash:							
Rental merchandise losses[2]		—			860		
Asset impairments[3]		9,938			2,749		
Other[4]		(78,320)			30,368		
Total other (gains) charges		$ (60,728)			$ 36,555		

(1) *Includes lease abatement credits in 2020 related to renegotiated lease agreements in response to COVID-19. Upon adoption of ASU 2016-02, in 2019, previously accrued lease obligation costs related to discontinued operations were eliminated and are now reflected as an adjustment to our operating lease right-of-use assets in our condensed consolidated balance sheet.*

(2) *Reflects merchandise losses due to looting.*

(3) *Asset impairments primarily includes impairments of operating lease right-of-use assets and other property assets related to the closure of Rent-A-Center Business stores and previously closed product service centers, store damage related to looting, as well as a write-down of capitalized software for the year ended December 31, 2020. Asset impairments primarily includes impairments of operating lease right-of-use*

assets and other property assets related to the closure of Rent-A-Center Business stores and our product service centers for the year ended December 31, 2019.

(4) *Other primarily includes a $16.6 million loss on the sale of our stores in California, $6.4 million in expenses related to the Merger, $7.9 million for legal settlement reserves, $1.2 million for state tax audit assessment reserves, $1.4 million in expenses related to COVID-19, partially offset by $2.8 million in proceeds received from the sale of a class action claim and $0.3 million in insurance proceeds related to Hurricane Maria in 2017 for the year ended December 31, 2020. Other primarily includes $92.5 million in Vintage Settlement Proceeds, $21.8 million gain on the sale of our corporate headquarters, and $1.1 million in insurance proceeds related to the 2017 hurricanes, offset by $21.4 million in incremental legal and professional fees related to the termination of the Vintage Merger Agreement and the Merchants Preferred acquisition, $13.0 million for the Blair class action settlement, $2.4 million in state tax audit assessments, and $0.3 million in other litigation settlements for the year ended December 31, 2019.*

Note O — Stock-Based Compensation

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

On March 9, 2016, upon the recommendation of the Compensation Committee, the Board adopted, subject to stockholder approval, the 2016 Plan and directed that it be submitted for the approval of the stockholders. On June 2, 2016, the stockholders approved the 2016 Plan. The 2016 Plan authorizes the issuance of a total of 6,500,000 shares of common stock. Any shares of common stock granted in connection with an award of stock options or stock appreciation rights will be counted against this limit as one share and any shares of common stock granted in connection with awards of restricted stock, restricted stock units, deferred stock or similar forms of stock awards other than stock options and stock appreciation rights will be counted against this limit as two shares of common stock for every one share of common stock granted in connection with such awards. No shares of common stock will be deemed to have been issued if (1) such shares covered by the unexercised portion of an option that terminates, expires, or is cancelled or settled in cash or (2) such shares are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash. In any calendar year, (1) no employee will be granted options and/or stock appreciation rights for more than 800,000 shares of common stock; (2) no employee will be granted performance-based equity awards under the 2016 Plan (other than options and stock appreciation rights), covering more than 800,000 shares of common stock; and (3) no employee will be granted performance-based cash awards for more than $5,000,000. At December 31, 2020 and 2019, there were 2,767,703 and 2,556,180 shares, respectively, allocated to equity awards outstanding in the 2016 Plan.

The 2006 Plan authorizes the issuance of 7,000,000 shares of Rent-A-Center's common stock that may be issued pursuant to awards granted under the 2006 Plan, of which no more than 3,500,000 shares may be issued in the form of restricted stock, deferred stock or similar forms of stock awards which have value without regard to future appreciation in value of or dividends declared on the underlying shares of common stock. In applying these limitations, the following shares will be deemed not to have been issued: (1) shares covered by the unexercised portion of an option that terminates, expires, or is canceled or settled in cash, and (2) shares that are forfeited or subject to awards that are forfeited, canceled, terminated or settled in cash. At December 31, 2020 and 2019, there were 263,657 and 450,531 shares, respectively, allocated to equity awards outstanding in the 2006 Plan. The 2006 Plan expired in accordance with its terms on March 24, 2016, and all shares remaining available for grant under the 2006 Plan were canceled.

We acquired the Equity Incentive Plan (formerly known as the Rent-Way, Inc. 2006 Equity Incentive Plan) in conjunction with our acquisition of Rent-Way in 2006. There were 2,468,461 shares of our common stock reserved for issuance under the Equity Incentive Plan. There were 231,454 and 398,551 shares allocated to equity awards outstanding in the Equity Incentive Plan at December 31, 2020 and 2019, respectively. The Equity Incentive Plan expired in accordance with its terms on January 13, 2016, and all shares remaining available for grant under the Equity Incentive Plan were canceled.

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

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

Stock-based compensation expense for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Year Ended December 31,		
(In thousands)	2020	2019	2018
Stock options	$ 1,878	$ 1,273	$ 1,388
Restricted share units	10,406	5,685	4,573
Total stock-based compensation expense	12,284	6,958	5,961
Tax benefit recognized in the statements of earnings	3,062	1,562	1,739
Stock-based compensation expense, net of tax	$ 9,222	5,396	$ 4,222

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

The fair value of unvested options that we expect to result in compensation expense was approximately $4.3 million with a weighted average number of years to vesting of 2.76 at December 31, 2020.

Information with respect to stock option activity related to the Plans for the year ended December 31, 2020 follows:

	Equity Awards Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (In thousands)
Balance outstanding at January 1, 2020	1,834,862	$ 21.70		
Granted	463,124	25.32		
Exercised	(496,018)	20.63		
Forfeited	(97,863)	20.03		
Expired	(45,940)	29.63		
Balance outstanding at December 31, 2020	1,658,165	$ 22.91	6.39	$ 25,957
Exercisable at December 31, 2020	752,200	$ 25.96	3.97	$ 9,345

The intrinsic value of options exercised during the years ended December 31, 2020, 2019, and 2018 was $5.8 million, $5.1 million, and $0.4 million, respectively, resulting in tax benefits of $2.0 million, $1.8 million, and $0.1 million, respectively, which are reflected as an outflow from operating activities and an inflow from financing activities in the consolidated statements of cash flows.

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

	Year Ended December 31,		
	2020	2019	2018
Weighted average grant date fair value	$ 7.28	$ 8.92	$ 3.80
Weighted average risk free interest rate	0.93%	2.07%	2.51%
Weighted average expected dividend yield	4.75%	1.28%	—%
Weighted average expected volatility	49.44%	50.93%	49.58%
Weighted average expected life (in years)	4.62	4.63	4.63

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

	Restricted Awards Outstanding	Weighted Average Grant Date Fair Value
Balance outstanding at January 1, 2020	1,570,400	$ 14.38
Granted	600,449	27.79
Vested	(667,233)	10.18
Forfeited	(119,665)	18.98
Balance outstanding at December 31, 2020	1,383,951	$ 20.09

Restricted stock units are valued using the closing price reported by the Nasdaq Global Select Market on the trading day immediately preceding the day of the grant. Unrecognized compensation expense for unvested restricted stock units at December 31, 2020, was approximately $15.2 million expected to be recognized over a weighted average period of 1.73 years.

Note P — Deferred Compensation Plan

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

The Deferred Compensation Plan allows participants to defer up to 50% of their base compensation and up to 100% of any bonus compensation. Participants may invest the amounts deferred in measurement funds that are the same funds offered as the investment options in the Rent-A-Center, Inc. 401(k) Retirement Savings Plan. We may make discretionary contributions to the Deferred Compensation Plan, which are subject to a three-year graded vesting schedule based on the participant's years of service with us. We are obligated to pay the deferred compensation amounts in the future in accordance with the terms of the Deferred Compensation Plan. Assets and associated liabilities of the Deferred Compensation Plan are included in prepaid and other assets and accrued liabilities in our consolidated balance sheets. For the years ended December 31, 2020, 2019 and 2018, we made matching cash contributions of approximately $160 thousand, $150 thousand and $50 thousand, respectively, which represents 50% of the employees' contributions to the Deferred Compensation Plan up to an amount not to exceed 6% of each employee's respective compensation. No other discretionary contributions were made for the years ended December 31, 2020, 2019 and 2018. The deferred compensation plan assets and liabilities were approximately $9.5 million and $9.7 million as of December 31, 2020 and 2019, respectively.

Note Q — 401(k) Plan

We sponsor a defined contribution plan under Section 401(k) of the Internal Revenue Code for certain employees who have completed at least three months of service. Employees may elect to contribute up to 50% of their eligible compensation on a pre-tax basis, subject to limitations. We may make discretionary contributions to the 401(k) plan. Employer matching contributions are subject to a three-year graded vesting schedule based on the participant's years of service with us. For the years ended December 31, 2020, 2019 and 2018, we made matching cash contributions of $5.5 million, $6.6 million and $6.3 million, respectively, which represents 50% of the employees' contributions to the 401(k) plan up to an amount not to exceed 6% of each employee's respective compensation. Employees are permitted to elect to purchase our common stock as part of their 401(k) plan, up to specified limitations. As of both December 31, 2020 and 2019, 8.2% of the total plan assets consisted of our common stock.

Note R — Fair Value

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

Our financial instruments include cash and cash equivalents, receivables, payables, and borrowings against our ABL Credit Facility and Term Loan Facility. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value at December 31, 2020 and December 31, 2019, because of the short maturities of these instruments. In addition, the interest rates on our Term Loan Facility and ABL Credit Facility are variable and, therefore, the carrying value of outstanding borrowings approximates their fair value.

Note S — Stock Repurchase Plan

Under our current common stock repurchase program, our Board of Directors has authorized the purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $75 million of Rent-A-Center common stock. During the twelve months ended December 31, 2020, the Company repurchased 1,463,377 shares of our common stock for an aggregate purchase price of $26.6 million, which includes shares having an aggregate purchase price of $10.0 million that were purchased under a repurchase program that was previously authorized by our Board of Directors until its replacement by the current program in March 2020. We did not repurchase any shares of common stock during the three months ended December 31, 2020. Under the March 2020 authorization, $58.4 million remains available for repurchases in the open market and privately negotiated transactions.

Note T — Segment Information

The operating segments reported below are the segments for which separate financial information is available and for which segment results are evaluated by the chief operating decision makers. Our operating segments are organized based on factors including, but not limited to, type of business transactions, geographic location and store ownership. All operating segments offer merchandise from certain basic product categories: furniture, consumer electronics, appliances, computers, and accessories. Smartphones are also offered in our Rent-A-Center Business stores and franchise locations. In addition, in the Rent-A-Center Business segment, we have recently expanded into other product categories including tires, tools, handbags and other accessories.

We report financial operating performance under four operating segments. To better reflect the Company's current strategic focus, our retail partner business operations are now reported as the Preferred Lease segment (formerly Acceptance Now), which includes our virtual, staffed and hybrid business models; and our Rent-A-Center Business segment (formerly Core U.S.), which operates our company-owned stores and e-commerce platform through rentacenter.com. In addition, we report operating results for our Mexico and Franchising segments. Reportable segments and their respective operations are defined as follows.

Our Rent-A-Center Business segment primarily operates lease-to-own stores in the United States and Puerto Rico whose customers enter into weekly, semi-monthly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain the title to the merchandise during the term of the rental purchase agreement and ownership passes to the customer if the customer has continuously renewed the rental purchase agreement through the end of the term or exercises a specified early purchase option. This segment also includes the 44 stores operating in two states that utilize a retail model which generates installment credit sales through a retail sale transaction. Segment assets include cash, receivables, rental merchandise, property assets and other intangible assets.

Our Preferred Lease segment, which operates in the United States and Puerto Rico, and includes the operations of the 2019 acquisition of Merchants Preferred, generally offers the lease-to-own transactions to consumers who do not qualify for financing from the traditional retailer. Our Preferred Lease operating model is highly agile and dynamic because we can open and close locations quickly and efficiently. Generally, our Preferred Lease staffed locations consist of an area with a computer, desk and chairs. We occupy the space without charge by agreement with each retailer. In our virtual locations, transactions are initiated through an electronic portal accessible by retail partners on their store computers. Accordingly, capital expenditures with respect to new Preferred Lease locations are minimal. The transaction offered at our Preferred Lease locations (excluding virtual) is generally similar to that of the Rent-A-Center Business segment; however, we generally pay the retail price for merchandise purchased from our retail partners and subsequently leased to the customer. In addition, the majority of the customers in this segment enter into monthly rather than weekly agreements. Under the virtual business model, revenues are earned prior to the renal payment due date. Therefore, revenue is accrued prior to receipt of the rental payment, net of estimated returns and uncollectible renewal payments. Segment assets include cash, rental merchandise, property assets, goodwill and other intangible assets.

Our Mexico segment currently consists of our company-owned lease-to-own stores in Mexico. The nature of this segment's operations and assets are the same as our Rent-A-Center Business segment.

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

Segment information as of and for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Revenues			
Rent-A-Center Business	$ 1,852,641	$ 1,800,486	$ 1,855,712
Preferred Lease	810,151	749,260	722,562
Mexico	50,583	53,960	49,613
Franchising	100,816	66,146	32,578
Total revenues	$ 2,814,191	$ 2,669,852	$ 2,660,465

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Gross profit			
Rent-A-Center Business	$ 1,294,695	$ 1,255,153	$ 1,299,809
Preferred Lease	321,110	333,798	339,616
Mexico	35,665	37,488	34,364
Franchising	20,682	17,632	14,379
Total gross profit	$ 1,672,152	$ 1,644,071	$ 1,688,168

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Operating profit (loss)			
Rent-A-Center Business	$ 333,379	$ 235,964	$ 147,787
Preferred Lease	57,847	83,066	93,951
Mexico	5,798	5,357	2,605
Franchising	12,570	7,205	4,385
Total segments	409,594	331,592	248,728
Corporate	(172,258)	(77,733)	(192,591)
Total operating profit	$ 237,336	$ 253,859	$ 56,137

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Depreciation and amortization			
Rent-A-Center Business	$ 19,912	$ 20,822	$ 25,566
Preferred Lease	2,066	1,533	1,677
Mexico	413	401	1,006
Franchising	40	45	172
Total segments	22,431	22,801	28,421
Corporate	34,227	38,303	40,525
Total depreciation and amortization	$ 56,658	$ 61,104	$ 68,946

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Capital expenditures			
Rent-A-Center Business	$ 14,869	$ 10,255	$ 17,173
Preferred Lease	161	141	203
Mexico	392	172	295
Total segments	15,422	10,568	17,671
Corporate	19,123	10,589	10,291
Total capital expenditures	$ 34,545	$ 21,157	$ 27,962

	December 31,		
(In thousands)	**2020**	**2019**	**2018**
On rent rental merchandise, net			
Rent-A-Center Business	$ 444,945	$ 411,482	$ 424,829
Preferred Lease	299,660	268,845	242,978
Mexico	18,281	16,943	16,001
Total on rent rental merchandise, net	$ 762,886	$ 697,270	$ 683,808

	December 31,		
(In thousands)	**2020**	**2019**	**2018**
Held for rent rental merchandise, net			
Rent-A-Center Business	$ 136,219	$ 131,086	$ 117,294
Preferred Lease	2,228	1,254	1,207
Mexico	7,819	6,078	5,161
Total held for rent rental merchandise, net	$ 146,266	$ 138,418	$ 123,662

(In thousands)	December 31, 2020	2019	2018
Assets by segment			
Rent-A-Center Business	$ 999,252	$ 953,151	$ 714,914
Preferred Lease	389,650	357,859	312,151
Mexico	42,278	33,707	29,321
Franchising	14,729	11,095	4,287
Total segments	1,445,909	1,355,812	1,060,673
Corporate	305,071	226,986	336,244
Total assets	$ 1,750,980	$ 1,582,798	$ 1,396,917

(In thousands)	December 31, 2020	2019	2018
Assets by country			
United States	$ 1,708,702	$ 1,547,895	$ 1,366,405
Mexico	42,278	33,707	29,321
Canada	—	1,196	1,191
Total assets	$ 1,750,980	$ 1,582,798	$ 1,396,917

(In thousands)	Year Ended December 31, 2020	2019	2018
Rentals and fees by inventory category			
Furniture and accessories	$ 1,028,876	$ 982,644	$ 962,241
Appliances	358,931	346,668	344,548
Consumer electronics	322,261	358,619	410,184
Computers	119,015	103,171	120,756
Smartphones	59,205	62,948	62,592
Other products and services	374,803	370,352	344,539
Total rentals and fees	$ 2,263,091	$ 2,224,402	$ 2,244,860

(In thousands)	Year Ended December 31, 2020	2019	2018
Revenue by country			
United States	$ 2,763,608	$ 2,615,892	$ 2,610,432
Mexico	50,583	53,960	49,612
Canada	—	—	421
Total revenues	$ 2,814,191	$ 2,669,852	$ 2,660,465

Note U — Earnings Per Common Share

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

	Year Ended December 31,		
(In thousands, except per share data)	**2020**	**2019**	**2018**
Numerator:			
Net earnings	$ 208,115	$ 173,546	$ 8,492
Denominator:			
Weighted-average shares outstanding	54,187	54,325	53,471
Effect of dilutive stock awards	1,567	1,630	1,071
Weighted-average dilutive shares	55,754	55,955	54,542
Basic earnings per share	$ 3.84	$ 3.19	$ 0.16
Diluted earnings per share	$ 3.73	$ 3.10	$ 0.16
Anti-dilutive securities excluded from diluted earnings per common share:			
Anti-dilutive restricted share units	1	—	—
Anti-dilutive performance share units	3	290	200
Anti-dilutive stock options	949	1,109	1,498

Note V — Unaudited Quarterly Data

Summarized quarterly financial data for the years ended December 31, 2020, and 2019 is as follows:

(In thousands, except per share data)	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Year Ended December 31, 2020				
Revenues	$ 701,939	$ 683,746	$ 712,015	$ 716,491
Gross profit	420,178	399,532	425,028	427,414
Operating profit	48,875	53,635	80,187	54,639
Net earnings	49,292	38,493	64,030	56,300
Basic earnings per common share	$ 0.90	$ 0.72	$ 1.19	$ 1.04
Diluted earnings per common share	$ 0.88	$ 0.70	$ 1.15	$ 1.00

(In thousands, except per share data)	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Year Ended December 31, 2019				
Revenues	$ 696,694	$ 655,925	$ 649,371	$ 667,862
Gross profit	424,866	408,071	399,996	411,138
Operating profit	17,349	129,829	38,847	67,834
Net earnings	7,323	94,455	31,277	40,491
Basic earnings per common share	$ 0.14	$ 1.74	$ 0.57	$ 0.74
Diluted earnings per common share	$ 0.13	$ 1.70	$ 0.56	$ 0.72

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

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) under the Securities Exchange Act of 1934, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of December 31, 2020, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective.

Management's Annual Report on Internal Control over Financial Reporting

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

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

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

Changes in Internal Control over Financial Reporting

For the year ended December 31, 2020, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that, in the aggregate, have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

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

Item 11. Executive Compensation.(*)

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

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

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

* *The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2021 Annual Meeting of Stockholders of Rent-A-Center, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.*

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of June 17, 2018, by and among Rent-A-Center, Inc., Vintage Rodeo Parent, LLC and Vintage Rodeo Acquisition, Inc. (Incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated as of June 17, 2018.)
2.2	Asset Purchase Agreement (the ''Asset Purchase Agreement''), dated July 12, 2019, among Rent-A-Center, Inc., Braveheart Acquisition, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company, C/C Financial Corp., a Delaware corporation d/b/a Merchants Preferred , MPLPS II Holdings, LLC, a Delaware limited liability company, MPLPS II, LLC, a Delaware limited liability company, MP Lease-Purchase Services, Inc., a Delaware corporation, and Synterra Capital Management LLC (Incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated as of July 15, 2019.)
2.3	Agreement and Plan of Merger, dated as of December 20, 2020, by and among Rent-A-Center, Inc., Radalta, LLC, Acima Holdings, LLC and Aaron Allred, solely in his capacity as Member Representative (Incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated as of December 20, 2020.)
3.1	Certificate of Incorporation of Rent-A-Center, Inc., as amended (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of December 31, 2002.)
3.2	Certificate of Amendment to the Certificate of Incorporation of Rent-A-Center, Inc., dated May 19, 2004 (Incorporated herein by reference to Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
3.3	Amended and Restated Bylaws of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K dated as of December 1, 2020.)
3.4	Certificate of Designations of Series D Preferred Stock of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated as of March 29, 2017.)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 10-Q dated as of March 31, 2017.)
4.2	Indenture, dated as of February 17, 2021, by and between Radiant Funding SPV, LLC and Truist Bank (Incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.)
4.3*	Description of Rent-A-Center, Inc.'s Common Stock
10.1†	Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
10.2†	Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.3†	Form of Stock Option Agreement issuable to management pursuant to the Amended and Restated Rent-A- Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004.)
10.4†*	Summary of Director Compensation
10.5†	Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.)

Exhibit No.	Description
10.6†	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005.)
10.7†	Form of Loyalty and Confidentiality Agreement entered into with management (Incorporated herein by reference to Exhibit 10.14 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2016.)
10.8†	Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.17 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.9†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.18 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.10†	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.11†	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.12†	Rent-A-Center, Inc. 2006 Equity Incentive Plan and Amendment (Incorporated herein by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-8 filed with the SEC on January 4, 2007.)
10.13†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.14†	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.15†	Form of Stock Option Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2006.)
10.16†	Form of Deferred Stock Unit Award Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2010.)
10.17†	Form of Executive Transition Agreement entered into with management (Incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended August 31, 2016.)
10.18†	Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.36 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.19†	Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.28 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
10.20†	Rent-A-Center, Inc. 401-K Plan (Incorporated herein by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008.)
10.21†	Rent-A-Center East, Inc. Retirement Savings Plan for Puerto Rico Employees (Incorporated herein by reference to Exhibit 99.1 to the registrant's Registration Statement on Form S-8 filed January 28, 2011.)
10.22	Master Confirmation Agreement, dated as of May 2, 2013, between Rent-A-Center, Inc. and Goldman Sachs & Co. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 2, 2013.)
10.23†	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.37 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.24†	Form of Stock Compensation Agreement (RSU) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.38 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.25†	Form of Stock Compensation Agreement (PSU) issuable to management pursuant to the Rent-A-Center, Inc. 2016 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.39 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.)
10.28†	CEO Employment Agreement, dated December 30, 2017, between Mitchell E. Fadel and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of April 3, 2018.)
10.29	Letter Agreement, dated May 25, 2018, by and among Rent-A-Center, Inc., Engaged Capital Flagship Master Fund, LP, Engaged Capital Co-Invest V, LP, Engaged Capital Co-Invest V-A, LP, Engaged Capital Flagship Fund, LP, Engaged Capital Flagship Fund, Ltd., Engaged Capital, LLC, Engaged Capital Holdings, LLC and Glenn W. Welling (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of May 25, 2018.)
10.30	Amended and Restated Employment Agreement, entered into as of April 16, 2019, between Rent-A-Center, Inc. and Mitchell E. Fadel (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K on April 16, 2019.)
10.31	Term Loan Credit Agreement, dated as of August 5, 2019, between Rent-A-Center, Inc., the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.42 to the registrant's Quarterly Report on Form 10-Q on August 9, 2019.)

Exhibit No.	Description
10.32	ABL Credit Agreement, dated as of August 5, 2019, between Rent-A-Center, Inc., the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.43 to the registrant's Quarterly Report on Form 10-Q on August 9, 2019.)
10.33	First Amendment to ABL Credit Agreement dated as of January 26, 2021, by and among Rent-A-Center, Inc., each other Loan Party party thereto, JPMorgan Chase Bank, N.A., as administrative agent and each of the Lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of January 27, 2021).
10.34	Term Loan Guarantee and Collateral Agreement, dated as of August 5, 2019, between Rent-A-Center, Inc., its subsidiaries named as guarantors therein and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.44 to the registrant's Current Report on Form 10-Q on August 9, 2019.)
10.35	ABL Guarantee and Collateral Agreement, dated as of August 5, 2019, between Rent-A-Center, Inc., its subsidiaries named as guarantors therein and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.45 to the registrant's Quarterly Report on Form 10-Q on August 9, 2019.)
10.36	Agreement Containing Consent Order, dated February 21, 2020, by and between the Bureau of Competition and Rent-A-Center, Inc. (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of February 21, 2020.)
10.37	ABL Credit Agreement dated as of February 17, 2021, among Rent-A-Center, Inc., as Borrower, the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.)
10.38	Term Loan Credit Agreement dated as of February 17, 2021, among Rent-A-Center, Inc., as Borrower, the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.)
10.39	Registration Rights Agreement, dated as of February 17, 2021, by and among Rent-A-Center, Inc. and certain former owners of Acima Holdings, LLC (Incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated as of February 17, 2021.)
21.1*	Subsidiaries of Rent-A-Center, Inc.
23.1*	Consent of Ernst & Young LLP
23.2*	Consent of KPMG LLP
31.1*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mitchell E. Fadel
31.2*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Maureen B. Short
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mitchell E. Fadel
32.2*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Maureen B. Short
101.INS*	XBRL Instance Document - The instance document does not appear in the interactive data files because its XBRL tags are embedded within the inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover page Interactive Data File (embedded within the inline XBRL document contained in Exhibit 101)

† *Management contract or compensatory plan or arrangement.*

* *Filed herewith.*

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

RENT-A-CENTER, INC.

By: /s/ MITCHELL E. FADEL

Mitchell E. Fadel
Chief Executive Officer

Date: February 26, 2021

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

Signature	Title	Date
/s/ MITCHELL E. FADEL **Mitchell E. Fadel**	*Chief Executive Officer and Director* *(Principal Executive Officer)*	February 26, 2021
/s/ MAUREEN B. SHORT **Maureen B. Short**	*EVP, Chief Financial Officer* *(Principal Financial and Accounting Officer)*	February 26, 2021
/s/ JEFFREY J. BROWN **Jeffrey J. Brown**	*Director*	February 26, 2021
/s/ MICHAEL J. GADE **Michael J. Gade**	*Director*	February 26, 2021
/s/ CHRISTOPHER B. HETRICK **Christopher B. Hetrick**	*Director*	February 26, 2021
/s/ HAROLD LEWIS **Harold Lewis**	*Director*	February 26, 2021
/s/ GLENN P. MARINO **Glenn P. Marino**	*Director*	February 26, 2021
/s/ CAROL A. MCFATE **Carol A. McFate**	*Director*	February 26, 2021
/s/ BRINSON CALEB SILVER **Brinson Caleb Silver**	*Director*	February 26, 2021