RENT A CENTER INC DE
Form 10-Q
April 27, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from to

Commission File Number: 0-25370

Rent-A-Center, Inc.

(Exact name of registrant as specified in its charter)

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

5501 Headquarters Drive

Plano, Texas 75024

(Address, including zip code of registrant s

principal executive offices)

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of April 23, 2012:

Class	Outstanding
Common stock, $.01 par value per share	59,413,494

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Item 1. Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	Three Months Ended March 31, 2012	2011
	Unaudited	
Revenues		
Store		
Rentals and fees	$ 677,981	$ 610,428
Merchandise sales	122,859	99,266
Installment sales	17,495	16,687
Other	4,932	5,339
Franchise		
Merchandise sales	10,613	9,146
Royalty income and fees	1,374	1,312
	835,254	742,178
Cost of revenues		
Store		
Cost of rentals and fees	163,359	135,649
Cost of merchandise sold	95,016	68,579
Cost of installment sales	6,298	6,048
Franchise cost of merchandise sold	10,164	8,754
	274,837	219,030
Gross profit	560,417	523,148
Operating expenses		
Salaries and other expenses	430,803	397,198
General and administrative expenses	36,245	34,553
Amortization and write-down of intangibles	1,335	858
Impairment charge		7,320
Litigation expense		2,800
	468,383	442,729
Operating profit	92,034	80,419
Interest expense	8,977	9,760
Interest income	(181)	(154)
Earnings before income taxes	83,238	70,813
Income tax expense	31,297	26,583
NET EARNINGS	$ 51,941	$ 44,230
Basic earnings per common share	$ 0.88	$ 0.70
Diluted earnings per common share	$ 0.87	$ 0.69
Cash dividends paid per common share	$ 0.16	$ 0.06

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months Ended March 31, 2012	2011
	Unaudited	
Net earnings	$ 51,941	$ 44,230
Other comprehensive income:		
Foreign currency translation adjustments	2,976	789
Total other comprehensive income	2,976	789
COMPREHENSIVE INCOME	$ 54,917	$ 45,019

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and par value data)	March 31, 2012 Unaudited	December 31, 2011
ASSETS		
Cash and cash equivalents	$ 106,966	$ 88,065
Receivables, net of allowance for doubtful accounts of $7,201 in 2012 and $8,100 in 2011	44,886	48,221
Prepaid expenses and other assets	69,949	69,326
Rental merchandise, net		
On rent	757,670	766,425
Held for rent	185,799	186,768
Merchandise held for installment sale	3,617	4,097
Property assets, net	296,895	287,621
Goodwill, net	1,339,289	1,339,125
Other intangible assets, net	10,422	11,730
	$ 2,815,493	$ 2,801,378
LIABILITIES		
Accounts payable trade	$ 113,879	$ 105,064
Accrued liabilities	336,855	298,719
Deferred income taxes	299,660	297,711
Senior debt	351,740	440,675
Senior notes	300,000	300,000
	1,402,134	1,442,169
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Common stock, $.01 par value; 250,000,000 shares authorized; 108,079,125 and 107,799,899 shares issued in 2012 and 2011, respectively	1,079	1,077
Additional paid-in capital	766,982	757,933
Retained earnings	1,711,512	1,669,389
Treasury stock, 48,697,852 shares at cost in 2012 and 2011	(1,068,443)	(1,068,443)
Accumulated other comprehensive income	2,229	(747)
	1,413,359	1,359,209
	$ 2,815,493	$ 2,801,378

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended March 31, 2012	2011
	Unaudited	
Cash flows from operating activities		
Net earnings	$ 51,941	$ 44,230
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	157,417	132,397
Bad debt expense	325	521
Stock-based compensation expense	2,974	1,305
Depreciation of property assets	17,994	15,678
Loss on sale or disposal of property assets	120	92
Amortization of intangibles	1,335	858
Amortization of financing fees	691	505
Deferred income taxes	1,948	17,801
Tax benefit related to stock option exercises	(1,817)	(6,238)
Impairment charge		7,320
Changes in operating assets and liabilities, net of effects of acquisitions		
Rental merchandise	(147,133)	(155,784)
Receivables	3,011	6,141
Prepaid expenses and other assets	(1,376)	113,131
Accounts payable trade	8,816	(37,224)
Accrued liabilities	42,284	7,213
Net cash provided by operating activities	138,530	147,946
Cash flows from investing activities		
Purchase of property assets	(27,428)	(27,144)
Proceeds from sale of property assets	40	79
Acquisitions of businesses, net of cash acquired	(210)	(525)
Net cash used in investing activities	(27,598)	(27,590)
Cash flows from financing activities		
Purchase of treasury stock		(28,529)
Exercise of stock options	4,260	21,889
Tax benefit related to stock option exercises	1,817	6,238
Payments on capital leases	(9)	(137)
Proceeds from debt	146,145	115,305
Repayments of debt	(235,080)	(157,835)
Dividends paid	(9,466)	(3,803)
Net cash used in financing activities	(92,333)	(46,872)
Effect of exchange rate changes on cash	302	789
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,901	74,273
Cash and cash equivalents at beginning of period	88,065	70,727
Cash and cash equivalents at end of period	$ 106,966	$ 145,000

See accompanying notes to consolidated financial statements.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The interim financial statements of Rent-A-Center, Inc. included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC s rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. We suggest that these financial statements be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2011. In our opinion, the accompanying unaudited interim financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly our results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

Principles of Consolidation and Nature of Operations. These financial statements include the accounts of Rent-A-Center, Inc., and its direct and indirect subsidiaries. All intercompany accounts and transactions have been eliminated. Unless the context indicates otherwise, references to Rent-A-Center refer only to Rent-A-Center, Inc., the parent, and references to we, us and our refer to the consolidated business operations of Rent-A-Center and any or all of its direct and indirect subsidiaries. We report four operating segments: Core U.S., RAC Acceptance, International and ColorTyme.

Our Core U.S. segment consists of leasing household durable goods to customers on a rent-to-own basis. We also offer merchandise on an installment sales basis in certain of our stores. At March 31, 2012, we operated 2,983 company-owned stores nationwide and in Puerto Rico, including 40 retail installment sales stores under the names Get It Now and Home Choice.

Our RAC Acceptance segment generally offers the rent-to-own transaction to consumers who do not qualify for financing from the traditional retailer through kiosks located within such retailer s store locations. At March 31, 2012, we operated 763 RAC Acceptance locations.

Our International segment consists of our company-owned store locations in Canada and Mexico that lease household durable goods to customers on a rent-to-own basis. At March 31, 2012, we operated 30 stores in Canada under the name Rent-A-Centre and 57 stores in Mexico.

ColorTyme, Inc., an indirect wholly-owned subsidiary of Rent-A-Center, is a nationwide franchisor of rent-to-own stores. At March 31, 2012, ColorTyme had 218 franchised stores operating in 33 states. Our ColorTyme segment s primary source of revenue is the sale of rental merchandise to its franchisees, who in turn offer the merchandise to the general public for rent or purchase under a rent-to-own transaction. The balance of ColorTyme s revenue is generated primarily from royalties based on franchisees monthly gross revenues.

New Accounting Pronouncements. In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (ASU 2011-08), which allows companies to waive comparing the fair value of a reporting unit to its carrying amount in assessing the recoverability of goodwill if, based on qualitative factors, it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this standard has no impact on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share, but may change the way we perform our annual goodwill impairment test in the fourth quarter of 2012.

In June 2011, the FASB issued Accounting Standards Update 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05), which allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments to the Codification in the ASU did not change the items that must be reported in other

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

comprehensive income or when an item of other comprehensive income must be reclassified to net earnings, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. In December 2011, the FASB issued Accounting Standards Update 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (ASU 2011-12), which defers the presentation on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for annual and interim financial statements. We have added a separate consolidated statement of comprehensive income to the accompanying financial statements and there was no financial impact on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). The amendments in this ASU generally represent clarification of Topic 820, but also include instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). The amendments are effective for interim and annual periods beginning after December 15, 2011 and are to be applied prospectively. The adoption of ASU 2011-04 did not have a material impact on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

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

2. *Intangible Assets and Acquisitions.*

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

		March 31, 2012		December 31, 2011	
	Avg. Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Non-compete agreements	3	$ 6,104	$ 6,093	$ 6,104	$ 6,091
Customer relationships	2	70,682	67,099	70,648	65,901
Vendor relationships	11	7,538	710	7,538	568
Total		$ 84,324	$ 73,902	$ 84,290	$ 72,560

Estimated remaining amortization expense, assuming current intangible balances and no new acquisitions, for each of the years ending December 31, is as follows (in thousands):

	Estimated Amortization Expense
2012	$ 3,196
2013	1,389
2014	571

2015		568
2016		568
Thereafter		4,130
Total	$	10,422

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill allocated to the Core U.S., RAC Acceptance and International segments at March 31, 2012, was approximately $1.3 billion, $54.4 million, and $2.1 million, respectively. A summary of the changes in recorded goodwill, all of which were recorded in the Core U.S. segment, follows (in thousands):

	March 31, 2012	December 31, 2011
Balance as of January 1,	$ 1,339,125	$ 1,320,467
Additions from acquisitions	102	18,755
Goodwill related to stores sold or closed	(228)	(390)
Post purchase price allocation adjustments	290	293
Balance as of the end of the period	$ 1,339,289	$ 1,339,125

Additions to goodwill due to acquisitions in the first three months of 2012 were tax deductible.

3. *Senior Credit Facilities.* Our $750.0 million senior credit facilities consist of a $250.0 million, five-year term loan and a $500.0 million, five-year revolving credit facility. The amounts outstanding under the term loan were $231.3 million and $237.5 million at March 31, 2012, and December 31, 2011, respectively, and the amounts outstanding under the revolving credit facility were $105.0 million and $185.0 million at March 31, 2012, and December 31, 2011, respectively.

The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which $116.2 million had been so utilized as of March 31, 2012, and at which date $278.8 million was available. The revolving credit facility and the term loan expire on July 14, 2016.

Borrowings under our senior credit facility accrue interest at varying rates equal to, at our election, either (y) the prime rate plus 0.50% to 1.50%; or (z) the Eurodollar rate plus 1.50% to 2.50%. Interest periods range from seven days (for borrowings under the revolving credit facility only) to one, two, three or six months, at our election. The margins on the Eurodollar rate and on the prime rate, which were 2.00% and 1.00%, respectively, at March 31, 2012, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the amended credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under our senior credit facilities. A commitment fee equal to 0.30% to 0.50% of the average daily amount of the available revolving commitment is payable quarterly.

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

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

incur additional debt in excess of $250.0 million at any one time outstanding (other than subordinated debt, which is generally permitted if the maturity date is later than July 14, 2017);

repurchase our capital stock and 6 5/8% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x;

incur liens or other encumbrances;

merge, consolidate or sell substantially all our property or business;

sell assets, other than inventory, in the ordinary course of business;

make investments or acquisitions unless we meet financial tests and other requirements;

make capital expenditures; or

enter into an unrelated line of business.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our senior credit facilities require us to comply with several financial covenants. The table below shows the required and actual ratios under our credit facilities calculated as of March 31, 2012:

	Required Ratio		Actual Ratio
Maximum consolidated leverage ratio	No greater than	3.25:1	1.42:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.64:1

These financial covenants, as well as the related components of their computation, are defined in the amended and restated credit agreement governing our senior credit facility, which is included as an exhibit to our Current Report on Form 8-K dated as of July 14, 2011. In accordance with the credit agreement, the maximum consolidated leverage ratio was calculated by dividing the consolidated funded debt outstanding at March 31, 2012 ($554.3 million) by consolidated EBITDA for the three month period ended March 31, 2012 ($391.4 million). For purposes of the covenant calculation, (i) consolidated funded debt is defined as outstanding indebtedness less cash in excess of $25.0 million, and (ii) consolidated EBITDA is generally defined as consolidated net income (a) plus the sum of income taxes, interest expense, depreciation and amortization expense, extraordinary non-cash expenses or losses, and other non-cash charges, and (b) minus the sum of interest income, extraordinary income or gains, other non-cash income, and cash payments with respect to extraordinary non-cash expenses or losses recorded in prior fiscal quarters. Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure used to determine covenant compliance under our senior credit facilities.

The minimum fixed charge coverage ratio was calculated pursuant to the credit agreement by dividing consolidated EBITDA for the three month period ended March 31, 2012, as adjusted for certain capital expenditures ($525.3 million), by consolidated fixed charges for the three month period ended March 31, 2012 ($320.3 million). For purposes of the covenant calculation, consolidated fixed charges is defined as the sum of interest expense, lease expense, cash dividends, and mandatory debt repayments.

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

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

4. *Subsidiary Guarantors Senior Notes.*

On November 2, 2010, we issued $300.0 million in senior unsecured notes due November 2020, bearing interest at 6 5/8%, pursuant to an indenture dated November 2, 2010, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repay approximately $200.0 million of outstanding term debt under our senior credit facility. The remaining net proceeds were used to repurchase shares of our common stock.

The 2010 indenture contains covenants that limit our ability to:

- incur additional debt;

sell assets or our subsidiaries;

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

grant liens to third parties;

pay cash dividends or repurchase stock; and

engage in a merger or sell substantially all of our assets.

Events of default under the 2010 indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $50.0 million, as well as in the event a judgment is entered against us in excess of $50.0 million that is not discharged, bonded or insured.

The 6 5/8% notes may be redeemed on or after November 15, 2015, at our option, in whole or in part, at a premium declining from 103.313%. The 6 5/8% notes may be redeemed on or after November 15, 2018, at our option, in whole or in part, at par. The 6 5/8% notes also require that upon the occurrence of a change of control (as defined in the 2010 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facilities. We are not required to maintain any financial ratios under the 2010 indenture.

Rent-A-Center and its subsidiary guarantors have fully, jointly and severally, and unconditionally guaranteed the obligations of Rent-A-Center with respect to the 6 5/8% notes. Rent-A-Center has no independent assets or operations, and each subsidiary guarantor is 100% owned directly or indirectly by Rent-A-Center. The only direct or indirect subsidiaries of Rent-A-Center that are not guarantors are minor subsidiaries. There are no restrictions on the ability of any of the subsidiary guarantors to transfer funds to Rent-A-Center in the form of loans, advances or dividends, except as provided by applicable law.

5. *Income Taxes.* We are subject to federal, state, local and foreign income taxes. Along with our U.S. subsidiaries, we file a U.S. federal consolidated income tax return. With few exceptions, we are no longer subject to U.S. federal, state, foreign and local income tax examinations by tax authorities for years before 2007. The Appeals process with the Internal Revenue Service (IRS) Office of Appeals for the years 2001 through 2007 has been completed. We reached agreement on all issues except one issue with respect to the 2003 tax year, an issue which occurs in 2004 through 2007 taxable years as well. We believe the position and supporting case law applied by the IRS to this matter are incorrectly applied to our situation and that our fact pattern is distinguishable from the IRS position. This matter was heard by the United States Tax Court at trial during November 2011, and a decision is expected during the latter part of 2012. We continue to vigorously defend our position on the issue. Currently, we are also under examination in various states. We do not anticipate that adjustments, if any, regarding the 2003 through 2007 disputed issue or state examinations will result in a material change to our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

We provide for uncertain tax positions and related interest and adjust our unrecognized tax benefits and accrued interest in the normal course of our business. At March 31, 2012, our unrecognized tax benefits were consistent with December 31, 2011.

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

At March 31, 2012, our financial instruments include cash and cash equivalents, receivables, payables, senior debt and senior notes. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value at March 31, 2012 and December 31, 2011,

because of the short maturities of these instruments. Our senior debt is variable rate debt that re-prices frequently and entails no significant change in credit risk and, as a result, fair value approximates carrying value. The fair value of our senior notes is based on Level 1 inputs. At March 31, 2012, the fair value of our senior notes was

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$311.3 million, which was approximately $11.3 million above their carrying value of $300.0 million. At December 31, 2011, the fair value of our senior notes was $302.3 million, which was approximately $2.3 million above their carrying value of $300.0 million.

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

Our Core U.S. segment primarily operates rent-to-own stores in the United States and Puerto Rico whose customers enter into weekly, semi-monthly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. We retain the title to the merchandise during the term of the rental purchase agreement and ownership passes to the customer if the customer has continuously renewed the rental purchase agreement through the end of the term or exercises a specified early purchase option. This segment also includes the 40 stores operating in two states that utilize a retail model which generates installment credit sales through a retail sale transaction. Segment assets include cash, receivables, rental merchandise, property assets, goodwill and other intangible assets. Reported amounts also include our financial services business, which ceased operations in December 2010. During the first quarter of 2011, we recorded a pre-tax impairment charge of approximately $7.3 million related to the discontinuation of the financial services business, and a pre-tax litigation charge of approximately $2.8 million related to the settlement of wage and hour claims in California.

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

Our International segment consists of our company-owned store locations in Canada and Mexico, which is expanding its rent-to-own operations. The nature of this segment s operations and assets are the same as our Core U.S. segment. At March 31, 2012, we operated 30 stores in Canada and 57 stores in Mexico.

ColorTyme is a national franchisor of rent-to-own stores that use ColorTyme s trade names, service marks, trademarks and logos, and operate under distinctive operating procedures and standards. ColorTyme s primary source of revenue is the sale of rental merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own program. As franchisor, ColorTyme receives royalties of 2.0% to 4.0% of the franchisees monthly gross revenue and initial fees for new locations. Segment assets include cash, franchise fee receivables, property assets and intangible assets.

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

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RENT-A-CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment information for the three months ended March 31, 2012 and 2011 is as follows (in thousands, except location count):

	Three Months Ended March 31, 2012				
	Core U.S.	RAC Acceptance	International	ColorTyme	Total
Revenue	$ 727,830	$ 87,728	$ 7,709	$ 11,987	$ 835,254
Gross profit	510,057	43,170	5,367	1,823	560,417
Operating profit	95,208	2,868	(6,760)	718	92,034
Depreciation	15,756	828	1,385	25	17,994
Amortization	438	897			1,335
Capital expenditures	20,341	1,344	5,743		27,428

	Three Months Ended March 31, 2011				
	Core U.S.	RAC Acceptance	International	ColorTyme	Total
Revenue	$ 689,530	$ 38,413	$ 3,777	$ 10,458	$ 742,178
Gross profit	496,684	22,085	2,675	1,704	523,148
Operating profit	82,060	(586)	(1,823)	768	80,419
Depreciation	14,915	404	320	39	15,678
Amortization	106	752			858
Capital expenditures	20,509	925	5,710		27,144

	Location Count at March 31,				
	Core U.S.	RAC Acceptance	International	ColorTyme	Total
2012	2,983	763	87	218	4,051
2011	2,990	482	28	208	3,708

Segment information selected balance sheet data (in thousands):

	March 31, 2012				
	Core U.S.	RAC Acceptance	International	ColorTyme	Total
Rental merchandise, net					
On rent	$ 592,402	$ 155,273	$ 9,995	$	$ 757,670
Held for rent	177,063	1,632	7,104		185,799
Total assets	2,519,404	237,246	54,535	4,308	2,815,493

	December 31, 2011				
	Core U.S.	RAC Acceptance	International	ColorTyme	Total
Rental merchandise, net					
On rent	$ 619,189	$ 139,340	$ 7,896	$	$ 766,425
Held for rent	177,625	1,274	7,869		186,768
Total assets	2,536,115	217,157	44,535	3,571	2,801,378

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. *Earnings Per Share.*

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

	Three Months Ended March 31, 2012		
	Net Earnings	Weighted Average Shares	Per Share
Basic earnings per common share	$ 51,941	59,252	$ 0.88
Effect of dilutive stock options		683	
Diluted earnings per common share	$ 51,941	59,935	$ 0.87

	Three Months Ended March 31, 2011		
	Net Earnings	Weighted Average Shares	Per Share
Basic earnings per common share	$ 44,230	63,353	$ 0.70
Effect of dilutive stock options		939	
Diluted earnings per common share	$ 44,230	64,292	$ 0.69

For the three months ended March 31, 2012 and 2011, the number of stock options that were outstanding but not included in the computation of diluted earnings per common share and, therefore anti-dilutive, were 901,278 and 438,745, respectively.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

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

Forward-Looking Statements

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

- uncertainties regarding the ability to open new locations;
- our ability to acquire additional stores or customer accounts on favorable terms;
- our ability to control costs and increase profitability;
- our ability to enhance the performance of acquired stores;
- our ability to retain the revenue associated with acquired customer accounts;
- our ability to identify and successfully market products and services that appeal to our customer demographic;
- our ability to enter into new and collect on our rental or lease purchase agreements;
- the passage of legislation adversely affecting the rent-to-own industry;
- our failure to comply with applicable statutes or regulations governing our transactions;
- changes in interest rates;
- changes in the unemployment rate;
- economic pressures, such as high fuel costs, affecting the disposable income available to our current and potential customers;

economic conditions affecting consumer spending;

changes in our stock price, the number of shares of common stock that we may or may not repurchase, and future dividends, if any;

changes in estimates relating to self-insurance liabilities and income tax and litigation reserves;

changes in our effective tax rate;

fluctuations in foreign currency exchange rates;

our ability to maintain an effective system of internal controls;

changes in the number of share-based compensation grants, methods used to value future share-based payments and changes in estimated forfeiture rates with respect to share-based compensation;

the resolution of our litigation; and

the other risks detailed from time to time in our SEC reports.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under *Risk Factors* later in this report as well as our Annual Report on Form 10-K for our fiscal year ended December 31, 2011. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

Our Business

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

We were incorporated in Delaware in 1986. From 1993 to 2006, we pursued an aggressive growth strategy in which we opened new stores and sought to acquire underperforming rent-to-own stores to which we could apply our operating model. As a result of this strategy, the number of our locations grew from 27 to over 3,400 in 2006, primarily through acquisitions. We acquired over 3,300 stores during this period, including approximately 390 of our franchised stores. These acquisitions occurred in approximately 200 separate transactions, including ten transactions in each of which we acquired in excess of 50 locations.

Total financing requirements of a typical new Core U.S. store approximate $675,000, with roughly 60% of that amount relating to the purchase of rental merchandise inventory. A newly opened Core U.S. store is typically profitable on a monthly basis in the 8th to 12th month after its initial opening. Historically, a typical Core U.S. store has achieved cumulative break-even profitability in 24 to 28 months after its initial opening and has achieved results consistent with other Core U.S. stores that have been operating within the system for greater than two years by the end of its third year of operation. As a result, our quarterly earnings are impacted by how many new stores we opened during a particular quarter and the quarters preceding it. Historically, we achieved growth in our Core U.S. segment by opening new stores and acquiring underperforming rent-to-own stores to which we could apply our operating model. As a result, the acquired stores have generally experienced more significant revenue growth during the initial periods following their acquisition than in subsequent periods. Although we continue to believe there are attractive opportunities to expand our presence in the U.S. rent-to-own industry and we intend to continue our acquisition strategy of targeting under-performing and under-capitalized rent-to-own stores, the consolidation opportunities in the U.S. rent-to-own industry are more limited than in previous periods during which we experienced significant growth through acquisitions. Therefore, our historical results of operations and period to period comparisons of such results and other financial data, including the rate of earnings growth, may not be meaningful or indicative of future results.

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

As our U.S. store base matured, we began to focus on acquiring new customers through sources other than our existing U.S. rent-to-own store locations and to seek additional distribution channels for our products and services. One of our current growth strategies is our RAC Acceptance model. With this model, we operate kiosks within various traditional retailers locations where we generally offer the rent-to-own transaction to consumers who do not qualify for financing from such retailers. We operated 763 RAC Acceptance locations at March 31, 2012, and we intend to continue growing the RAC Acceptance segment by expanding the number of our retail partners. In addition, we are expanding our rent-to-own store operations in Canada and Mexico and seeking to identify other international markets in which we believe our products and services would be in demand.

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The Rental Purchase Transaction

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

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

Convenient payment options. Our customers may make weekly, semi-monthly or monthly payments, in our stores, kiosks, online or by telephone. We accept cash and credit or debit cards. Approximately 76% of our agreements are on a weekly term.

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

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

Delivery & set-up included. We generally offer same day or 24-hour delivery and installation of our merchandise at no additional cost to the customer.

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

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

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

Rental payments are generally made in advance on a weekly basis in our Core U.S. and International segments and monthly in our RAC Acceptance segment and, together with applicable fees, constitute our primary revenue source.

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

Our Operating Segments

We report four operating segments: Core U.S., RAC Acceptance, International, and ColorTyme. Additional information regarding our operating segments is provided in the Notes to the Consolidated Financial Statements contained in this report.

Core U.S.

Our Core U.S. segment, consisting of our company-owned stores located in the United States and Puerto Rico, is our largest operating segment, comprising approximately 87% of our consolidated net revenues and substantially all of our net earnings for the three months ended March 31, 2012. We continue to believe there are attractive opportunities to expand our presence in the U.S. rent-to-own industry. We plan to continue

opening new stores in targeted markets and acquiring existing rent-to-own stores and store account portfolios. We will focus new market penetration in adjacent areas or regions that we believe

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are underserved by the rent-to-own industry. In addition, we intend to pursue our acquisition strategy of targeting under-performing and under-capitalized rent-to-own stores. Periodically, we critically evaluate the markets in which we operate and will close, sell or merge underperforming stores.

Our strategy to grow further the Core U.S. segment is focused on providing compelling product values for our customers through the use of strategic merchandise purchases. In addition, we seek to expand the offering of product lines to appeal to more customers, thus growing our customer base. At March 31, 2012, we operated 2,983 company-owned stores nationwide and in Puerto Rico, including 40 retail installment sales stores under the names Get It Now and Home Choice.

RAC Acceptance

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

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

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

We intend to grow the RAC Acceptance segment by increasing the number of our retail partners and by implementing joint marketing efforts with our retail partners to expand consumer awareness of the rent-to-own transaction. As of March 31, 2012, we operated 763 kiosk locations inside furniture and electronics retailers located in 34 states and Puerto Rico. We expect to open approximately 200 kiosk locations in 2012.

International

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

In Canada, we are focusing on improving operational efficiencies in our existing stores. At March 31, 2012, we operated 30 stores and expect to open approximately ten rent-to-own store locations in 2012.

In Mexico, our strategy includes entering complementary new market areas, while expanding our presence in currently existing market areas. At March 31, 2012, we operated 57 stores and expect to open approximately 60 rent-to-own store locations in 2012.

ColorTyme

ColorTyme is our nationwide franchisor of rent-to-own stores. At March 31, 2012, ColorTyme franchised 218 stores in 33 states. These rent-to-own stores primarily offer high quality durable products such as consumer electronics, appliances, computers, furniture and accessories.

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All of the ColorTyme franchised stores use ColorTyme s trade names, service marks, trademarks and logos. All stores operate under distinctive operating procedures and standards. ColorTyme s primary source of revenue is the sale of rental merchandise to its franchisees who, in turn, offer the merchandise to the general public for rent or purchase under a rent-to-own transaction.

As franchisor, ColorTyme receives royalties of 2.0% to 4.0% of the franchisees monthly gross revenue and, generally, an initial fee up to $20,000 per new location.

Some of ColorTyme s franchisees may be in locations where they directly compete with our company-owned stores, which could negatively impact the business, financial condition and operating results of our company-owned stores.

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

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

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

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

As of March 31, 2012, the amount reserved for losses within our self-insured retentions with respect to workers compensation, general liability and vehicle liability insurance was $115.0 million, as compared to $114.2 million at December 31, 2011. 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.

Litigation Reserves. We are the subject of litigation in the ordinary course of our business. Historically, our litigation has involved lawsuits alleging various regulatory violations. In preparing our financial statements at a given point in time, we reserve for loss contingencies that are both probable and reasonably estimable.

Each quarter, we make estimates of our probable losses, if reasonably estimable, and record such amounts in our consolidated financial statements. These amounts represent our best estimate, or may be the minimum range of probable loss when no single best estimate is determinable. We, together with our counsel, monitor developments related to these legal matters and, when appropriate, adjustments are made to reflect current facts and circumstances. Legal fees and expenses associated with the defense of all of our litigation are expensed as such fees and expenses are incurred. At March 31, 2012, and December 31, 2011, we had no reserves relating to probable losses for our outstanding litigation. We do not expect these losses to have a material impact on our consolidated financial statements if and when such losses are incurred.

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

Valuation of Goodwill. We perform an assessment of goodwill for impairment at the reporting unit level annually as of December 31 of each year, or when events or circumstances indicate that impairment may have occurred. Factors which could necessitate an interim impairment assessment include a sustained decline in our stock price, prolonged negative industry or economic trends and significant underperformance relative to expected historical or projected future operating results. Our reporting units are generally our reportable operating segments identified in Note 7 to the consolidated financial statements. At March 31, 2012, the amount of goodwill allocated to the Core U.S., RAC Acceptance and International segments was approximately $1.3 billion, $54.4 million and $2.1 million, respectively, and no impairment of goodwill was indicated.

If we make changes to our reserves in accordance with the policies described above, 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 $1.0 million in our estimates would result in a corresponding $0.01 change in our earnings per common share.

Based on an assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe 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 report. However, we do not suggest that other general risk factors, such as those discussed later in this report and in our Annual Report on Form 10-K for our fiscal year ended December 31, 2011, as well as changes in our growth objectives or performance of new or acquired stores, could not adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Significant Accounting Policies

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

Revenue. Merchandise is rented to customers pursuant to rental purchase agreements which provide for weekly, semi-monthly or monthly rental terms with non-refundable rental payments. Generally, the customer has the right to acquire title either through a purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term 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.

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

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

Depreciation of Rental Merchandise. Depreciation of rental merchandise is included in the cost of rentals and fees on our statement of earnings. Generally, we depreciate our rental merchandise using the income forecasting method. Under the income forecasting method, merchandise held for rent is not depreciated and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity-based method similar to the units of production method. We depreciate merchandise held for rent (except for computers and tablets) that is at least 270 days old and held for rent for at least 180 consecutive days using the straight-line method for a period generally not to exceed 20 months.

On computers and tablets that are 24 months old or older and which have become idle, depreciation is recognized using the straight-line method for a period of at least six months, generally not to exceed an aggregate depreciation period of 30 months.

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

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

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

Stock-Based Compensation Expense. We recognize share-based payment awards to our employees and directors at the estimated fair value on the grant date. Determining the fair value of any share-based award requires information about several variables that could include, but are not limited to, expected stock volatility over the term of the award, expected dividend yields and the predicted employee exercise behavior. We base expected life on historical exercise and post-vesting employment-termination experience, and expected volatility on historical realized volatility trends. In addition, all stock-based compensation expense is recorded net of an estimated forfeiture rate. The forfeiture rate is based upon historical activity and is analyzed at least quarterly as actual forfeitures occur. Stock options granted during the three months ended March 31, 2012, were valued using the binomial method pricing model with the following assumptions for employee options: an expected volatility of 37.20% to 47.67%, a risk-free interest rate of 0.12% to 0.65%, an expected dividend yield of 1.7%, and an expected life of 4.43 years. Restricted stock units are valued using the last trade before the day of the grant. During the three months ended March 31, 2012, we recognized $3.0 million in pre-tax compensation expense related to stock options and restricted stock units.

Three Months Ended March 31, 2012 compared to Three Months Ended March 31, 2011

Store Revenue. Total store revenue increased by $91.6 million, or 12.5%, to $823.3 million for the three months ended March 31, 2012, from $731.7 million for the three months ended March 31, 2011. Store revenue increased due to growth in the RAC Acceptance segment and an increase in merchandise sales over the comparable prior period in the Core U.S. and RAC Acceptance segments.

Same store revenues represent those revenues earned in 2,960 stores that were operated by us for each of the entire three month periods ended March 31, 2012 and 2011. Same store revenues increased by $45.6 million, or 7.1%, to $690.7 million for the three months ended March 31, 2012, as compared to $645.1 million in 2011. The increase in same store revenues was attributable to growth in the RAC Acceptance segment, changes in promotional sales strategies in the Core U.S. segment and an increase in merchandise sales in both of these segments.

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Cost of Rentals and Fees. Cost of rentals and fees consists of depreciation of rental merchandise. Cost of rentals and fees for the three months ended March 31, 2012, increased by $27.8 million, or 20.4%, to $163.4 million as compared to $135.6 million in 2011. This increase in cost of rentals and fees expense was primarily attributable to an increase in rentals and fees revenue in 2012 as compared to 2011. Cost of rentals and fees expressed as a percentage of store rentals and fees revenue increased to 24.1% for the three months ended March 31, 2012, as compared to 22.2% in 2011, driven by higher merchandise costs in the RAC Acceptance segment and changes in promotional sales strategies in the Core U.S. segment.

Cost of Merchandise Sold. Cost of merchandise sold increased by $26.4 million, or 38.5%, to $95.0 million for the three months ended March 31, 2012, from $68.6 million in 2011, driven by an increase in early purchase options. The gross margin percent of merchandise sales decreased to 22.7% for the three months ended March 31, 2012, from 30.9% in 2011 primarily as a result of higher merchandise costs in the RAC Acceptance segment and changes in promotional sales strategies in the Core U.S. segment.

Gross Profit. Gross profit increased by $37.3 million, or 7.1%, to $560.4, million for the three months ended March 31, 2012, from $523.1 million in 2011, primarily due to increased store revenue as discussed above. Gross profit as a percentage of total revenue decreased to 67.1% for the three months ended March 31, 2012 from 70.5% in 2011 due to the lower margins as a percentage of revenue in the RAC Acceptance segment and decreased margins related to changes in promotional sales strategies in the Core U.S. segment.

Salaries and Other Expenses. Salaries and other expenses increased by $33.6 million, or 8.5%, to $430.8 million for the three months ended March 31, 2012, as compared to $397.2 million in 2011. This increase was primarily attributable to increased expenses associated with the expansion of our RAC Acceptance and International segments. Charge offs in our Core U.S. rental stores due to customer stolen merchandise, expressed as a percentage of revenues, were approximately 2.2% for the three months ended March 31, 2012, as compared to 2.2% in 2011. Salaries and other expenses expressed as a percentage of total store revenue decreased to 52.3% for the three months ended March 31, 2012, from 54.3% in 2011 due to an increase in store revenue while continuing to manage labor and other store-related expenses.

General and Administrative Expenses. General and administrative expenses increased by $1.6 million, or 4.9%, to $36.2 million for the three months ended March 31, 2012, as compared to $34.6 million in 2011. General and administrative expenses expressed as a percentage of total revenue decreased slightly to 4.3% for the three months ended March 31, 2012, from 4.7% in 2011.

Operating Profit. Operating profit increased by $11.6 million, or 14.4%, to $92.0 million for the three months ended March 31, 2012, as compared to $80.4 million in 2011. Operating profit as a percentage of total revenue increased to 11.0% for the three months ended March 31, 2012, from 10.8% for 2011. Operating profit in 2012 was favorably impacted by increased gross profit as discussed above. Operating profit in 2012 also increased as compared to 2011 due to the $7.3 million impairment charge related to the discontinuation of our financial services business and the $2.8 million litigation charge during the three months ended March 31, 2011, both of which were reported in the Core U.S. segment. These increases were partially offset by an increase in expenses associated with our continued expansion of the RAC Acceptance and International segments.

Interest Expense. Interest expense decreased by $783,000, or 8.0%, to $9.0 million for the three months ended March 31, 2012, as compared to $9.8 million in 2011. This decrease was attributable to a reduction in our outstanding debt and a decrease in our weighted average interest rate to 4.96% for the three months ended March 31, 2012, as compared to 5.72% in 2011.

Net Earnings and Earnings per Share. Net earnings increased by $7.7 million, or 17.4%, to $51.9 million for the three months ended March 31, 2012, as compared to $44.2 million in 2011. This increase was primarily attributable to an increase in operating profit and a decrease in interest expense, partially offset by an increase in income tax expense in 2012 as compared to 2011. Diluted earnings per share for the three months ended March 31, 2012, were $0.87 compared to $0.69 in 2011. The increase was due primarily to the increase in net income and was also favorably impacted by a decrease in average diluted shares outstanding.

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Liquidity and Capital Resources

Overview. For the three months ended March 31, 2012, we generated $138.5 million in operating cash flow. In addition to funding operating expenses, we used $88.9 million in cash to reduce outstanding debt, $27.4 million in cash for capital expenditures and paid cash dividends of $9.5 million. We ended the quarter with $107.0 million of cash and cash equivalents.

Analysis of Cash Flow. Cash provided by operating activities decreased by $9.4 million to $138.5 million for the three months ended March 31, 2012 from $147.9 million in 2011. This decrease was attributable to tax refunds of approximately $110.0 million received in the first quarter of 2011, offset by favorable changes in accounts payable and accrued liabilities.

Cash used in investing activities was $27.6 million for each of the three month periods ended March 31, 2012 and 2011 as we continued the development of new point of sale systems and processes designed to further enhance our management information system, our international and domestic expansion and costs associated with store reimaging.

Cash used in financing activities increased by $45.4 million to $92.3 million for the three months ended March 31, 2012 from $46.9 million in 2011. This increase in 2012 as compared to 2011 was primarily related to greater repayments of outstanding indebtedness, a decrease in stock option exercises and increased payments of dividends in 2012 compared to 2011, partially offset by no repurchases of our common stock in 2012.

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

We believe the cash flow generated from operations, together with amounts available under our senior credit facilities, will be sufficient to fund our liquidity requirements as discussed above during the next twelve months. Our revolving credit facilities, including our $20 million line of credit at Intrust Bank, provide us with revolving loans in an aggregate principal amount not exceeding $520.0 million, of which $283.8 million was available at April 23, 2012. At April 23, 2012, we had $84.5 million in cash. To the extent we have available cash that is not necessary to fund the items listed above, we may make additional payments to service our existing debt, declare and pay dividends on our common stock, or repurchase additional shares of our common stock. While our operating cash flow has been strong and we expect this strength to continue, our liquidity could be negatively impacted if we do not remain as profitable as we expect.

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

Litigation. In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. Significant settlement amounts or final judgments could materially and adversely affect our liquidity. Please refer to *Legal Proceedings* later in this report.

Deferred Taxes. On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the 2009 Recovery Act) which extended the bonus depreciation provision of the 2008 Stimulus Act by continuing the bonus first-year depreciation deduction of 50% of the adjusted basis of qualified property placed in service during 2009. On September 27, 2010, President Obama signed into law the 2010 Jobs Act, which again extended the bonus depreciation provision of the 2009 Recovery Act by continuing the bonus first-year

depreciation deduction of 50% of the adjusted basis of

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qualified property placed in service during 2010. On December 17, 2010, President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the 2010 Tax Relief Act), which enacted 100% bonus depreciation on assets purchased after September 8, 2010 and before January 1, 2012. This act also provided 50% bonus depreciation on assets purchased between January 1, 2012 and December 31, 2012.

Accordingly, our cash flow again benefited in 2011 from having a lower cash tax obligation which, in turn, provided additional cash flow from operations. We estimate that the tax acts discussed above resulted in a net benefit of $104.0 million, $50.0 million of which is deferred, resulting in a 2011 cash flow benefit of $54.0 million. We estimate that the remaining tax deferral associated with these acts approximates $266.0 million at December 31, 2011, of which approximately 72%, or $192.0 million will reverse in 2012 and the remainder will reverse between 2013 and 2014.

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	(In thousands)	
Beginning merchandise value	$ 957,290	$ 842,271
Inventory additions through acquisitions	81	88
Purchases	277,321	247,307
Depreciation of rental merchandise	(157,417)	(132,397)
Cost of goods sold	(101,314)	(74,627)
Skips and stolens	(21,825)	(16,820)
Other inventory deletions [(1)]	(7,050)	(4,923)
Ending merchandise value	$ 947,086	$ 860,899

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

Capital Expenditures. We make capital expenditures in order to maintain our existing operations as well as for new capital assets in new and acquired stores. We spent $27.4 million and $27.1 million on capital expenditures during the three month periods ended March 31, 2012 and 2011, respectively, and expect to spend an aggregate of approximately $105.0 million in 2012.

Acquisitions and New Location Openings. During the first three months of 2012, we used approximately $210,000 in cash acquiring locations and accounts in two separate transactions.

The table below summarizes the location activity for the three months ended March 31, 2012.

	Three Months Ended March 31, 2012				
	Core U.S.	RAC Acceptance	International	ColorTyme	Total
Locations at beginning of period	2,994	750	80	216	4,040
New location openings	4	45	7	4	60
Closed locations					
Merged with existing locations	14	18			32
Sold or closed with no surviving location	1	14		2	17

Locations at end of period	2,983	763	87	218	4,051
Acquired locations closed and accounts merged with existing locations	2				2
Total approximate purchase price *(in thousands)*	$ 210	$	$	$	$ 210

The profitability of our locations tends to grow at a slower rate approximately five years after entering our system. As a result of the increasing maturity of our store base, in order for us to show improvements in our profitability, it is important for us to open new locations as well as increase revenue in our existing locations. We intend to accomplish such revenue growth by acquiring customer accounts on favorable terms, providing compelling product values for our customers through the use of

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strategic merchandise purchases and seeking additional distribution channels for our products and services. We cannot assure you that we will be able to acquire customer accounts on favorable terms, or at all, or that we will be able to maintain the revenue from any such acquired customer accounts at the rates we expect, or at all. We also cannot assure you that we will be successful in identifying additional distribution channels for our products and services, or that such operations will be as profitable as we expect, or at all.

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

The table below shows the scheduled maturity dates of our senior term loan outstanding at March 31, 2012.

Year Ending December 31,	(In thousands)
2012	$ 18,750
2013	25,000
2014	25,000
2015	25,000
2016	137,500
	$ 231,250

The full amount of the revolving credit facility may be used for the issuance of letters of credit, of which $116.2 million had been so utilized as of April 23, 2012, at which date $120.0 million was outstanding and $263.8 million was available. The revolving credit facility and the term loan expire on July 14, 2016.

Borrowings under our senior credit facility accrue interest at varying rates equal to, at our election, either (y) the prime rate plus 0.50% to 1.50%; or (z) the Eurodollar rate plus 1.50% to 2.50%. Interest periods range from seven days (for borrowings under the revolving credit facility only) to one, two, three or six months, at our election. The weighted average Eurodollar rate on our outstanding debt was 0.25% at April 23, 2012. The margins on the Eurodollar rate and on the prime rate, which were 2.00% and 1.00%, respectively, at March 31, 2012, may fluctuate dependent upon an increase or decrease in our consolidated leverage ratio as defined by a pricing grid included in the amended credit agreement. We have not entered into any interest rate protection agreements with respect to term loans under our senior credit facilities. A commitment fee equal to 0.30% to 0.50% of the average daily amount of the available revolving commitment is payable quarterly.

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

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

- incur additional debt in excess of $250.0 million at any one time outstanding (other than subordinated debt, which is generally permitted if the maturity date is later than July 14, 2017);
- repurchase our capital stock and 6 5/8% notes and pay cash dividends in the event the pro forma senior leverage ratio is greater than 2.50x;
- incur liens or other encumbrances;

merge, consolidate or sell substantially all our property or business;

sell assets, other than inventory, in the ordinary course of business;

make investments or acquisitions unless we meet financial tests and other requirements;

make capital expenditures; or

enter into an unrelated line of business.

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Our senior credit facilities require us to comply with several financial covenants. The table below shows the required and actual ratios under our credit facilities calculated as of March 31, 2012:

		Required Ratio	Actual Ratio
Maximum consolidated leverage ratio	No greater than	3.25:1	1.42:1
Minimum fixed charge coverage ratio	No less than	1.35:1	1.64:1

These financial covenants, as well as the related components of their computation, are defined in the amended and restated credit agreement governing our senior credit facility, which is included as an exhibit to our Current Report on Form 8-K dated as of July 14, 2011. In accordance with the credit agreement, the maximum consolidated leverage ratio was calculated by dividing the consolidated funded debt outstanding at March 31, 2012 ($554.3 million) by consolidated EBITDA for the three month period ended March 31, 2012 ($391.4 million). For purposes of the covenant calculation, (i) consolidated funded debt is defined as outstanding indebtedness less cash in excess of $25.0 million, and (ii) consolidated EBITDA is generally defined as consolidated net income (a) plus the sum of income taxes, interest expense, depreciation and amortization expense, extraordinary non-cash expenses or losses, and other non-cash charges, and (b) minus the sum of interest income, extraordinary income or gains, other non-cash income, and cash payments with respect to extraordinary non-cash expenses or losses recorded in prior fiscal quarters. Consolidated EBITDA is a non-GAAP financial measure that is presented not as a measure of operating results, but rather as a measure used to determine covenant compliance under our senior credit facilities.

The minimum fixed charge coverage ratio was calculated pursuant to the credit agreement by dividing consolidated EBITDA for the three month period ended March 31, 2012, as adjusted for certain capital expenditures ($525.3 million), by consolidated fixed charges for the three month period ended March 31, 2012 ($320.3 million). For purposes of the covenant calculation, consolidated fixed charges is defined as the sum of interest expense, lease expense, cash dividends, and mandatory debt repayments.

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

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

6 5/8% Senior Notes. On November 2, 2010, we issued $300.0 million in senior unsecured notes due November 2020, bearing interest at 6 5/8%, pursuant to an indenture dated November 2, 2010, among Rent-A-Center, Inc., its subsidiary guarantors and The Bank of New York Mellon Trust Company, as trustee. A portion of the proceeds of this offering were used to repay approximately $200.0 million of outstanding term debt under our senior credit facility. The remaining net proceeds were used to repurchase shares of our common stock.

The 2010 indenture contains covenants that limit our ability to:

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

grant liens to third parties;

pay cash dividends or repurchase stock; and

engage in a merger or sell substantially all of our assets.

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Events of default under the 2010 indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $50.0 million, as well as in the event a judgment is entered against us in excess of $50.0 million that is not discharged, bonded or insured.

The 6 5/8% notes may be redeemed on or after November 15, 2015, at our option, in whole or in part, at a premium declining from 103.313%. The 6 5/8% notes may be redeemed on or after November 15, 2018, at our option, in whole or in part, at par. The 6 5/8% notes also require that upon the occurrence of a change of control (as defined in the 2010 indenture), the holders of the notes have the right to require us to repurchase the notes at a price equal to 101% of the original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of repurchase. This would trigger an event of default under our senior credit facilities. We are not required to maintain any financial ratios under the 2010 indenture.

Store Leases. We lease space for substantially all of our Core U.S. and International stores and certain support facilities under operating leases expiring at various times through 2021. Most of our store leases are five year leases and contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed-upon formulas.

ColorTyme Guarantees. Our subsidiary, ColorTyme Finance, Inc., is a party to an agreement with Citibank, N.A., pursuant to which Citibank provides up to $25.0 million in aggregate financing to qualifying franchisees of ColorTyme. Under the Citibank agreement, upon an event of default by the franchisee under agreements governing this financing and upon the occurrence of certain other events, Citibank can assign the loans and the collateral securing such loans to ColorTyme Finance, with ColorTyme Finance paying or causing to be paid the outstanding debt to Citibank and then succeeding to the rights of Citibank under the debt agreements, including the right to foreclose on the collateral. Rent-A-Center and ColorTyme Finance guarantee the obligations of the franchise borrowers under the Citibank facility. An additional $20.0 million of financing is provided by Texas Capital Bank, National Association (Texas Capital Bank) under an agreement similar to the Citibank financing, which is guaranteed by Rent-A-Center East, Inc., a subsidiary of Rent-A-Center. The maximum guarantee obligations under these agreements, excluding the effects of any amounts that could be recovered under collateralization provisions, is $45.0 million, of which $23.2 million was outstanding as of March 31, 2012.

Contractual Cash Commitments. The table below summarizes debt, lease and other minimum cash obligations outstanding as of March 31, 2012:

		Payments Due by Period			
Contractual Cash Obligations	**Total**	**2012**	**2013-2014**	**2015-2016**	**Thereafter**
			(In thousands)		
Senior Debt (including current portion)	$ 351,740[1]	$ 34,240	$ 50,000	$ 267,500	$
6 5/8% Senior Notes[2]	478,874	19,876	39,750	39,750	379,498
Operating Leases	574,834	142,138	283,924	138,306	10,466
Total[3]	$ 1,405,448	$ 196,254	$ 373,674	$ 445,556	$ 389,964

(1) Amount referenced does not include interest payments. Our new senior credit facilities bear interest at varying rates equal to the Eurodollar rate plus 1.5% to 2.5% or the prime rate plus 0.5% to 1.5% at our election. The weighted average Eurodollar rate on our outstanding debt at March 31, 2012 was 0.25%.

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

(3) As of March 31, 2012, we have $8.8 million in uncertain tax positions. Because of the uncertainty of the amounts to be ultimately paid as well as the timing of such payments, uncertain tax positions are not reflected in the contractual obligations table.

Repurchases of Outstanding Securities. Under our current common stock repurchase program, our Board of Directors has authorized the purchase, from time to time, in the open market and privately negotiated transactions, up to an aggregate of $800.0 million of Rent-A-Center common stock. As of March 31, 2012, we had purchased a total of 29,322,753 shares of Rent-A-Center common stock for an aggregate purchase price of $715.5 million under this common stock repurchase program. We did not repurchase any shares during the three months ended

March 31, 2012.

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Economic Conditions. Although our performance has not suffered in previous economic downturns, we cannot assure you that demand for our products, particularly in higher price ranges, will not significantly decrease in the event of a prolonged recession. Fluctuations in our current and potential customers monthly disposable income or high levels of unemployment could adversely impact our results of operations.

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

Effect of New Accounting Pronouncements

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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.
Interest Rate Sensitivity

As of March 31, 2012, we had $300.0 million in senior notes outstanding at a fixed interest rate of 6 5/8%. We also had $231.3 million outstanding in term loans, $105.0 million outstanding on our revolving credit facility and $15.5 million outstanding on our Intrust line of credit, each at interest rates indexed to the Eurodollar rate. The fair value of the 6 5/8% senior notes, based on the closing price at March 31, 2012, was $311.3 million. Carrying value approximates fair value for all other indebtedness.

Market Risk

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

Interest Rate Risk

We have senior credit facilities with variable interest rates indexed to prime or Eurodollar rates that exposes us to the risk of increased interest costs if interest rates rise. As of March 31, 2012, we have not entered into any interest rate swap agreements. The credit markets have experienced adverse conditions, including wide fluctuations in rates. Such volatility in the credit markets could increase the costs associated with our existing long-term debt. Based on our overall interest rate exposure at March 31, 2012, a hypothetical 1.0% increase or decrease in interest rates would have the effect of causing a $3.4 million additional pre-tax charge or credit to our statement of earnings.

Item 4. Controls and Procedures.
Evaluation of disclosure controls and procedures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a 15(e) and 15d 15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is (1) recorded, processed, summarized and reported within the time period specified in the SEC s rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective.

Changes in internal controls. For the quarter ended March 31, 2012, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II Other Information

Item 1. Legal Proceedings.
From time to time, we, along with our subsidiaries, are party to various legal proceedings arising in the ordinary course of business. In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. We reserve for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of our litigation are expensed as such fees and expenses are incurred. As of March 31, 2012, we had no reserves relating to probable losses for our outstanding litigation. We do not expect these losses to have a material impact on our consolidated financial statements if and when such losses are incurred.

We continue to monitor our litigation exposure, and will review the adequacy of our legal reserves on a quarterly basis in accordance with applicable accounting rules. Please refer to *Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Involving Critical Estimates, Uncertainties or Assessments in Our Financial Statements* regarding our process for evaluating our litigation reserves.

Item 1A. *Risk Factors.*
You should carefully consider the risks described below before making an investment decision. We believe these are all the material risks currently facing our business. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should also refer to the other information included in this report, including our consolidated financial statements and related notes.

Future revenue and earnings growth depends on our ability to execute our growth strategies.

Our Core U.S. store base is mature. As a result, our same store sales have increased more slowly than in historical periods, or in some cases, decreased. Accordingly, we are focused on acquiring new customers through sources other than our existing U.S. rent-to-own stores, providing compelling product values for our customers through the use of strategic merchandise purchases as well as seeking additional distribution channels for our products and services. Our primary growth strategies are our RAC Acceptance and International segments. Effectively managing growth can be challenging, particularly as we continue to expand into channels outside our traditional rent-to-own store model and expand internationally. This growth places significant demands on management and operational systems. If we are unable to successfully execute these growth strategies, our revenue and earnings may grow more slowly or even decrease.

We are highly dependent on the financial performance of our Core U.S. operating segment.

Our financial performance is highly dependent on our Core U.S. segment, which comprised approximately 87% of our consolidated net revenues and substantially all of our net earnings for the three months ended March 31, 2012. Any significant decrease in the financial performance of the Core U.S. segment may also have a material adverse impact on our ability to implement our growth strategies.

Our RAC Acceptance segment depends on the success of our third-party retail partners and our continued relationship with them.

Our RAC Acceptance segment revenues depend in part on the ability of unaffiliated third-party retailers to attract customers. In addition, in most cases, our agreements with such third-party retailers may be terminated at the retailer s election. The failure of our third-party retail partners to maintain quality and consistency in their operations and their ability to continue to provide products and services, or the loss of the relationship with any of these third-party retailers and an inability to replace them, could cause our RAC Acceptance segment to lose customers, substantially decreasing the revenues and earnings of our RAC Acceptance segment. This could adversely affect our financial results and slow our overall growth. In 2011, approximately 28.9% of the total revenue of the RAC Acceptance segment originated at our RAC Acceptance kiosks located in stores operated by a nationwide furniture retailer and 68 of its licensees, collectively. An additional approximately 37.3% of the total revenues in the RAC Acceptance segment in 2011 was generated by our RAC Acceptance kiosks located in stores operated by three of our other third-party

retail partners. We may be unable to continue growing the RAC Acceptance segment if we are unable to find third-party retailers willing to partner with us or if we are unable to enter into agreements with third-party retailers acceptable to us.

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Our operations in Canada and Mexico are subject to political or regulatory changes and significant changes in the economic environment and other concerns.

We entered the Canadian market in 2004 and operated 30 stores in Canada as of March 31, 2012. We opened our first store in Mexico in October 2010, and operated 57 stores in Mexico as of March 31, 2012. Our growth plans include significant expansion in our International segment. Changes in the business, regulatory or political climate in Canada or Mexico could adversely affect our operations in those countries, which could negatively impact our growth plans. Mexico is also subject to other potential risks and uncertainties that are beyond our control, such as violence, social unrest, enforcement of property rights and public safety and security that could restrict or eliminate our ability to open new or operate some or all of our locations in Mexico, or significantly reduce customer traffic or demand.

A significant change in foreign currency exchange rates could adversely affect our cash flow or financial performance.

We have operations in Canada and Mexico. Our assets, investments in, earnings from and dividends from each of these must be translated to U.S. dollars from their respective functional currencies of the Canadian dollar and Mexican peso. Accordingly, we are exposed to risks associated with the fluctuations of these foreign currencies. Such foreign currency exchange rates and fluctuations may have an impact on our future costs or on future cash flows from our international operations, and could adversely affect our financial performance.

Our continued expansion into international markets presents unique challenges which may subject us to risks associated with the legislative, judicial, accounting, regulatory, political, cultural and economic factors specific to the countries or regions in which we may operate in the future, which could adversely affect our anticipated growth.

Expansion of our International segment, including into new international markets, is one of our primary growth objectives. As these operations grow, they may require greater management and financial resources. International operations require the integration of personnel with varying cultural and business backgrounds and an understanding of the relevant differences in the cultural, legal and regulatory environments. In addition, these operations are subject to the potential risks of changing economic and financial conditions in each of its markets, exchange rate fluctuations, legal and regulatory requirements in local jurisdictions, tariffs and trade barriers, difficulties in staffing and managing local operations, failure to understand the local culture and market, difficulties in protecting intellectual property, the burden of complying with foreign laws, including tax laws and financial accounting standards, and adverse local economic, political and social conditions in certain countries.

Our transactions are regulated by and subject to the requirements of various federal and state laws and regulations, which may require significant compliance costs and expose us to litigation. Any negative change in these laws or the passage of unfavorable new laws could require us to alter our business practices in a manner that may be materially adverse to us.

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 rent-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 ten states limit the total amount that may be charged over the life of a rental purchase agreement and the laws of four states limit the cash prices for which we may offer merchandise.

Our consumer lease is governed by federal and state laws and regulations other than the applicable state rental purchase statute. The federal regulations applicable to the consumer lease require certain disclosures similar to the rent-to-own statutes, but are generally less restrictive as to pricing and other charges. Since the initial term of our consumer lease exceeds 90 days, this consumer lease is subject to regulation by the Consumer Financial Protection Agency established under the Dodd-Frank Act. We currently utilize this consumer lease in two states.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Similar to other consumer transactions, our rental purchase and consumer lease transactions are also governed by various federal and state consumer protection statutes. These consumer protection statutes, as well as the rental purchase statutes under which we operate, 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.

Although there is currently no comprehensive federal legislation regulating rental purchase transactions, adverse federal legislation may be enacted in the future. From time to time, both favorable and adverse legislation seeking to regulate our business has been introduced in Congress. In addition, various legislatures in the states where we currently do business may adopt new legislation or amend existing legislation that could require us to alter our business practices in a manner that could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to legal proceedings from time to time which seek material damages. The costs we incur in defending ourselves or associated with settling any of these proceedings, as well as a material final judgment or decree against us, could materially adversely affect our financial condition by requiring the payment of the settlement amount, a judgment or the posting of a bond.

In our history, we have defended class action lawsuits alleging various regulatory violations and have paid material amounts to settle such claims. Significant settlement amounts or final judgments could materially and adversely affect our liquidity. The failure to pay any material judgment would be a default under our senior credit facilities and the indenture governing our outstanding senior unsecured notes.

Our operations are dependent on effective management information systems. Failure of these systems could negatively impact our ability to manage store operations, which could have a material adverse effect on our business, financial condition and results of operations.

We utilize integrated management information and control 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 systems to perform as designed, loss of data or any interruption of our information systems for a significant period of time could disrupt our business. If the information 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 are currently investing in the development of new point of sale systems and processes to further enhance our management information system. Such enhancements to or replacement of our management information system could have a significant impact on our ability to conduct our core business operations and increase our risk of loss resulting from disruptions of normal operating processes and procedures that may occur during the implementation of new technology. We can make no assurances that the costs of investments in our new point of sale systems and processes will not exceed estimates, that such systems and processes will be implemented without material disruption, or that such systems and processes will be as beneficial as predicted. If any of these events occur, our results of operations could be harmed.

If we fail to protect the integrity and security of customer and employee information, we could be exposed to litigation or regulatory enforcement and our business could be adversely impacted.

We collect and store certain personal information provided to us by our customers and employees in the ordinary course of our business. Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate our network security and, if successful, misappropriate confidential customer or employee information. In addition, one of our employees, contractors or other third party 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 of customer or employee information could disrupt our operations, damage our reputation, and expose us to claims from customers, employees, regulators and other persons, any of which could have an adverse effect on our business, financial condition and results of operations. In addition, the costs associated with information security, such as increased investment in technology, the costs of compliance with privacy laws, and costs incurred to prevent or remediate information security breaches, could adversely impact our business.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

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

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

If a default were to occur, the lenders under our senior credit facilities could accelerate the amounts outstanding under the credit facilities. In addition, the lenders under these agreements could terminate their commitments to lend to us. If the lenders under these agreements accelerate the repayment of borrowings, we may not have sufficient liquid assets at that time to repay the amounts then outstanding under our indebtedness or be able to find additional alternative financing. Even if we could obtain additional alternative financing, the terms of the financing may not be favorable or acceptable to us.

The existing indebtedness under our senior credit facilities is secured by substantially all of our assets. Should a default or acceleration of this indebtedness occur, the holders of this indebtedness could sell the assets to satisfy all or a part of what is owed.

A change of 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 our senior credit facilities, an event of default would result if a third party became the beneficial owner of 35.0% or more of our voting stock or upon certain changes in the constitution of Rent-A-Center s Board of Directors. As of March 31, 2012, $336.3 million was outstanding under our senior credit facilities.

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

If a specified change in control occurs and the lenders under our debt instruments accelerate these obligations, we may not have sufficient liquid assets to repay amounts outstanding under these agreements.

Rent-A-Center s organizational documents and our debt instruments 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 relating to business combinations. Our senior credit facilities and the indenture governing our senior unsecured notes each contain various change of control provisions which, in the event of a change of control, would cause a default under those provisions. These provisions and arrangements could delay, deter or prevent a merger, consolidation, tender offer or other business combination or change of control involving us that could include a premium over the market price of Rent-A-Center s common stock that some or a majority of Rent-A-Center s stockholders might consider to be in their best interests.

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RENT-A-CENTER, INC. AND SUBSIDIARIES

Rent-A-Center is a holding company and is dependent on the operations and funds of its subsidiaries.

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

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 ability to meet market expectations with respect to the growth and profitability of our RAC Acceptance and International segments;
- quarterly variations in our results of operations, which may be impacted by, among other things, changes in same store sales or when and how many locations we acquire or open;
- quarterly variations in our competitors results of operations;
- changes in earnings estimates or buy/sell recommendations by financial analysts; and
- the stock price performance of comparable companies.

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

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

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

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

If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

Item 6. Exhibits.

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

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RENT-A-CENTER, INC. AND SUBSIDIARIES

SIGNATURES

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

RENT-A-CENTER, INC.

By /s/ ROBERT D. DAVIS
Robert D. Davis

Executive Vice President Finance,

Treasurer and Chief Financial Officer

Date: April 27, 2012

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INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Rent-A-Center, Inc., as amended (Incorporated herein by reference to Exhibit 3.1 to the registrant s Current Report on Form 8-K dated as of December 31, 2002.)
3.2	Certificate of Amendment to the Certificate of Incorporation of Rent-A-Center, Inc., dated May 19, 2004 (Incorporated herein by reference to Exhibit 3.2 to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
3.3	Amended and Restated Bylaws of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 3.1 to the registrant s Current Report on Form 8-K dated as of September 28, 2011.)
4.1	Form of Certificate evidencing Common Stock (Incorporated herein by reference to Exhibit 4.1 to the registrant s Registration Statement on Form S-4/A filed on January 13, 1999.)
4.2	Indenture, dated as of November 2, 2010, by and among Rent-A-Center, Inc., as Issuer, the Guarantors named therein, as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.1 to the registrant s Current Report on Form 8-K dated as of November 2, 2010.)
4.3	Registration Rights Agreement relating to the 6.625% Senior Notes due 2020, dated as of November 2, 2010, among Rent-A-Center, Inc., the subsidiary guarantors party thereto and J.P. Morgan Securities LLC, as representative for the initial purchasers named therein (Incorporated herein by reference to Exhibit 4.1 to the registrant s Current Report on Form 8-K dated as of November 2, 2010.)
4.4	Supplemental Indenture, dated as of December 21, 2010, among Diamondback Merger Sub, Inc., Rent-A-Center, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.4 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2010.)
4.5	Supplemental Indenture, dated as of December 21, 2010, among The Rental Store, Inc., Rent-A-Center, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated herein by reference to Exhibit 4.5 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2010.)
10.1	Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to the registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.)
10.2	Amended and Restated Guarantee and Collateral Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2004, made by Rent-A-Center, Inc. and certain of its Subsidiaries in favor of JPMorgan Chase Bank, as Administrative Agent (Incorporated herein by reference to Exhibit 10.2 to the registrant s Current Report on Form 8-K dated July 15, 2004.)
10.3	Franchisee Financing Agreement, dated April 30, 2002, but effective as of June 28, 2002, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.14 to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.)
10.4	Supplemental Letter Agreement to Franchisee Financing Agreement, dated May 26, 2003, by and between Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 10.23 to the registrant s Registration Statement on Form S-4 filed July 11, 2003.)

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INDEX TO EXHIBITS

Exhibit No.	Description
10.5	First Amendment to Franchisee Financing Agreement, dated August 30, 2005, by and among Texas Capital Bank, National Association, ColorTyme, Inc. and Rent-A-Center East, Inc. (Incorporated herein by reference to Exhibit 10.7 to the registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.)
10.6	Franchise Financing Agreement, dated as of August 2, 2010, between ColorTyme, Inc. and Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant s Current Report on Form 8-K dated as of August 2, 2010.)
10.7	Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by Rent-A-Center, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant s Current Report on Form 8-K dated as of August 2, 2010.)
10.8	Unconditional Guaranty of Rent-A-Center, Inc., dated as of August 2, 2010, executed by ColorTyme Finance, Inc. in favor of Citibank, N.A. (Incorporated herein by reference to Exhibit 10.1 to the registrant s Current Report on Form 8-K dated as of August 2, 2010.)
10.9	Form of Stock Option Agreement issuable to Directors pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2004.)
10.10	Form of Stock Option Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.21 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2004.)
10.11	Summary of Director Compensation (Incorporated herein by reference to Exhibit 10.11 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2011.)
10.12	Form of Stock Compensation Agreement issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.15 to the registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.13	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Amended and Restated Rent-A-Center, Inc. Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.16 to the registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.14	Form of Loyalty and Confidentiality Agreement entered into with management (Incorporated herein by reference to Exhibit 10.17 to the registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
10.15	Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.17 to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.16	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.18 to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.)
10.17	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.19 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2006.)
10.18	Form of Long-Term Incentive Cash Award issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.20 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2006.)

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Exhibit No.	Description
10.19	Rent-A-Center, Inc. 2006 Equity Incentive Plan and Amendment (Incorporated herein by reference to Exhibit 4.5 to the registrant s Registration Statement on Form S-8 filed with the SEC on January 4, 2007.)
10.20	Form of Stock Option Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Equity Incentive Plan (Incorporated herein by reference to Exhibit 10.22 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2006.)
10.21	Form of Stock Compensation Agreement issuable to management pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2006.)
10.22	Form of Stock Option Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.24 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2006.)
10.23	Form of Deferred Stock Unit Award Agreement issuable to Directors pursuant to the Rent-A-Center, Inc. 2006 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.23 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2010.)
10.24	Form of Executive Transition Agreement entered into with management (Incorporated herein by reference to Exhibit 10.21 to the registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.25	Employment Agreement, dated October 2, 2006, between Rent-A-Center, Inc. and Mark E. Speese (Incorporated herein by reference to Exhibit 10.22 to the registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.26	Non-Qualified Stock Option Agreement, dated October 2, 2006, between Rent-A-Center, Inc. and Mark E. Speese (Incorporated herein by reference to Exhibit 10.23 to the registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.)
10.27	Rent-A-Center, Inc. Non-Qualified Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.28 to the registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
10.28	Rent-A-Center, Inc. 401-K Plan (Incorporated herein by reference to Exhibit 10.30 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2008.)
10.29	Fourth Amended and Restated Credit Agreement, dated as of May 28, 2003, as amended and restated as of July 14, 2011, among Rent-A-Center, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Bank of America, N.A., Compass Bank and Wells Fargo Bank, N.A., as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the registrant s Current Report on Form 8-K dated as of July 14, 2011.)
10.30	Rent-A-Center East, Inc. Retirement Savings Plan for Puerto Rico Employees (Incorporated herein by reference to Exhibit 99.1 to the registrant s Registration Statement on Form S-8 filed January 28, 2011.)
21.1	Subsidiaries of Rent-A-Center, Inc. (Incorporated herein by reference to Exhibit 21.1 to the registrant s Annual Report on Form 10-K for the year ended December 31, 2011.)
31.1*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
31.2*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis

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Exhibit No.	Description
32.1*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Mark E. Speese
32.2*	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Robert D. Davis
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

Management contract or compensatory plan or arrangement.

* Filed herewith.

** The XBRL-related information in Exhibit No. 101 to this Quarterly Report on Form 10-Q is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.