SECOND AMENDED/CONSOLIDATED CLASS ACTION COMPLAINT

Plaintiffs, through their attorneys, bring this action on behalf of themselves and all others similarly situated, on personal knowledge as to themselves and their activities, investigation of and consultation with confidential sources, and on information and belief as to all other matters, based on investigation conducted by counsel, including inter alia, review of public filings with the United States Securities and Exchange Commission ("SEC"), press releases, analysts' reports, media reports and interviews with former employees.

THE NATURE OF THE CASE

1. This is a securities class action brought on behalf of all persons who purchased the common stock of Defendant Rent-A-Center, Inc. ("Rent-A-Center" or the "Company") between April 25, 2001 and October 8, 2001, inclusive (the "Class Period"). The claims asserted in this
action arise under Section 10(b), 20(a) and 20A of the Securities and Exchange Act of 1934 (the "Exchange Act"), Rule 10b-5 promulgated thereunder by the SEC and Sections 11, 12(a)(2) and 15 of the Securities Exchange Act of 1933 ("1933 Act").

2. Rent-A-Center is the largest U.S. rent-to-own operator, with over 2000 Company-owned stores nationwide and a 26% market share in the industry. The Company leases household goods to consumers who do not wish to purchase the merchandise outright. Under Rent-A-Center’s leases, customers can become owners of the goods after the conclusion of the lease, or can terminate the lease and return the products at any time. Since its inception, Rent-A-Center has grown rapidly, from 114 stores in 1995 to approximately 2,184 stores by 2001.

3. At the beginning of 2001, Rent-A-Center common stock rose steadily, climbing to $42.1875 per share on April 3, 2001. It was under these favorable conditions that the Company decided to plan a substantial Secondary Offering ("Secondary Offering" or the "Offering") of its common stock. Although the Registration Statement for the Offering was not filed with the SEC until April 5, 2001, news of the Offering was leaked to the market, and on April 4, 2001, the stock price dropped to $34.375 from the previous day’s close of $42.1875, a decrease of 18.5%. Defendants knew that if such a decline in the price of Rent-A-Center common stock continued, their plans for the Secondary Offering would be seriously compromised and Defendants would never have been able to complete the Secondary Offering on favorable terms and Defendants Talley and Speese would not have been able to pocket over $151 million and $21 million, respectively, from the sale of their personally-owned common stock.

4. Thus, in order to prevent a further decline and increase the value of the Company’s stock, during the Class Period, as set forth in detail herein, the Defendants materially misled the
investing public by: (1) failing to disclose that the Company was drastically cutting expenses in order to report inflated levels of profitability which the Defendants knew would not continue in the future; (2) fraudulently deferring expenses in order to report favorable operating results; (3) failing to disclose that the Company engaged in cost-cutting measures that were in violation of federal law; (4) issuing false and misleading statements asserting that the Company’s decreased earnings estimates were caused by unanticipated rising expenses; and (5) issuing false and misleading Financial Statements, which artificially and improperly inflated the operating results of Rent-A-Center at all relevant times.

5. As a result, Rent-A-Center materially overstated and misrepresented its true operating results during the Class Period. These misrepresentations included, but were not limited to, the following: First, Rent-A-Center knowingly took steps to reduce expenses immediately prior to and during the Class Period in order to report inflated levels of profitability, which the Defendants knew would not continue in the future. Indeed, the Company was making undisclosed cuts in salaries and labor costs during the Class Period in an effort to keep expenses down, including reducing hourly employees’ salaries by 20% as well as increasing the length of each employee’s work week.

6. Second, Rent-A-Center knowingly took steps to fraudulently defer expenses immediately prior to and during the Class Period in order to falsely portray favorable operating results. For example, the Company routinely deferred paying monthly expenses submitted by its retail stores for 2-3 months in order to show more favorable profits when Defendants knew, or recklessly disregarded, that such deferrals could not continue in the future.

7. Third, as part of Defendants’ scheme to falsely portray favorable operating results, the Company engaged in aggressive promotions and discounts in order to attract customers. As a
result of these aggressive sales techniques, Defendants were able to report sales and falsely boost revenue even though the promotions and discounts adversely impacted long-term revenues. As discussed further herein, and as admitted by Defendants on the final day of the Class Period, these aggressive sales techniques adversely impacted long-term revenues because such techniques caused Rent-A-Center's stores to give products away at such low rates that the Company was unable to recognize revenue on most of these sales.

8. **Fourth,** Defendants knowingly failed to quantify and disclose the Company's exposure to loss ensuing from a putative nationwide class action based on alleged gender-discrimination, entitled *Bunch v. Rent-A-Center* (the "Bunch Action"), pending in the Federal District Court in Illinois, when Defendants knew that Plaintiffs in the Bunch Action had already made a formal demand and the exposure to loss should have been reported.

9. As a result of these material misrepresentations and omissions, Rent-A-Center's true value in the marketplace was materially overstated. But for these misrepresentations and omissions, Defendants would never have been able to complete the Secondary Offering on favorable terms and Defendants Talley and Speese would not have been able to pocket over **$151 million** and **$21 million**, respectively, from the sale of their personally-owned common stock.

10. The true financial condition of Rent-A-Center was revealed on October 8, 2001, when the Company issued a press release announcing its earnings for the third quarter 2001, the period ended September 30, 2001. The Company announced that earnings would be between $0.50 to $0.52 per share, well below the July 30, 2001 third quarter estimates of $0.68 to $0.70 per share, which were fueled by reliance upon Defendants' materially false and misleading statements during the Class Period.
11. Although Defendants cited to "surprise" and "unexpected" rising expenses as the cause of decreased earnings, these expenses were in fact known to Defendants at all relevant times during the Class Period. In truth, the decrease in earnings during the Class Period was caused by the Defendants' elimination of their unsustainable misleading and undisclosed cost-cutting measures which had allowed the Defendants to under-report the Company's expenses and falsely portray favorable operating results prior to, and in contemplation of, the Secondary Offering. Moreover, Defendants knew, or recklessly disregarded, that the Company's aggressive sales and promotional campaigns, which enabled the Defendants to report an increase in the number of sales during the Class Period, would negatively affect the Company's long-term gross margins, because the terms of the promotions were such that the Company was not making money on most of these transactions.

12. Adding insult to injury, as part of the October 8, 2001 press release, the Company also announced the immediate retirement of Defendant Talley as Chief Executive Officer and Chairman, and the ascension of Defendant Speese to those positions. According to the press release, in connection with Defendant Tally's retirement, Rent-A-Center and Defendant Talley had entered into a stock repurchase agreement whereby the Company agreed to purchase $25 million in Rent-A-Center common stock owned by Defendant Talley. Thus, in addition to the $151 million Defendant Talley received as a result of the sale of his personally-owned Company stock in connection with, and immediately following the Secondary Offering, the Company announced - - on the same day that it reported a decrease in earnings to investors - - that it was paying Defendant Talley an additional $25 million as part of his retirement.
13. Not surprisingly, in response to these announcements, the price of Rent-A-Center common stock dropped by 19%, from a $25 per share close on October 8, 2001, to $20.13 on October 9, 2001.

14. As a result of the foregoing, the purchasers of Rent-A-Center’s common stock during the Class Period suffered substantial damages because the market price thereof was artificially inflated by Defendants’ material misrepresentations and omissions during the Class Period.

15. Each of the Defendants sued for fraud engaged or participated in the implementation of manipulative devices to inflate Rent-A-Center’s reported profits and financial condition, made or participated in the making of false and misleading statements and participated in a scheme to defraud or a course of business that operated as a fraud or a deceit on purchasers of Rent-A-Center’s publicly traded securities between April 25, 2001 and October 8, 2001. Accordingly, Lead Plaintiffs seek damages and other appropriate relief to compensate class members for the losses caused by Defendants’ violations of the securities laws.

**JURISDICTION AND VENUE**

16. The claims asserted herein arise under and pursuant to Sections 10(b), 20(a) and 20A of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78j(b), 78t(a) and 78t-l], Rule 10b5 promulgated thereunder by the Securities and Exchange Commission ("SEC") [17 C.F.R. § 240.10b-5], and Sections 11, 12(a)(2) and 15 of the Securities Exchange Act of 1933 ("1933 Act") [15 U.S.C. §§ 77k, 77l(2) and 77o].

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Certain Defendants named herein, including L. Dowell Arnette, Robert D. Davis, Laurence M. Berg, Peter P. Copses, J.V. Lentell, Morgan Stanley, Lehman Brothers, Bear Stearns and Robinson Humphrey are not sued for fraud, but rather, only under non-fraud provisions of the 1933 and 1934 Acts. No allegations of fraud are made against or directed at these Defendants.
17. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] and Section 22 of the 1933 Act [15 U.S.C. § 77v].

18. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). All or a substantial part of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred all or in substantial part in this District and Rent-A-Center maintains its chief executive office and principal place of business within this District, and all Defendants reside in this District.

19. In connection with the wrongs complained of herein, Rent-A-Center, directly or indirectly, used the means and instrumentalities of interstate commerce, including the United States mails and interstate telephone communications, and the facilities of the national securities markets.

THE PARTIES

20. By Order dated October 10, 2002, the Court appointed the following persons Lead Plaintiffs pursuant to 15 U.S.C. § 78(u)-4:

(a) Elizabeth Bergbower, who purchased Rent-A-Center common stock at artificially inflated prices during the Class Period and has been damaged thereby.

(b) Mark Rice, who purchased Rent-A-Center common stock at artificially inflated prices during the Class Period and has been damaged thereby.

21. Defendant Rent-A-Center Incorporation, is a Delaware corporation with its principal executive offices located at 5700 Tennyson Parkway, Third Floor, Plano Texas, 75024. Rent-A-Center operates a chain of rent-to-own stores nationwide which offer leases to consumers on household goods.
22. The Individual Defendants (the "Individual Defendants"), at all times relevant to this action, served in the capacities listed below and received substantial compensation:

(a) Defendant J. Ernest Talley ("Talley") was Chairman of the Board and Chief Executive Officer until October 8, 2001. During the Class Period, while in possession of adverse undisclosed information about the Company, Talley sold 3,655,000 shares of common stock for $151,192,000 in illegal insider trading proceeds.

(b) Defendant Mark E. Speese ("Speese") was a director of Rent-A-Center from 1990 to October 8, 2001. Thereafter, Speese served as Chief Executive Officer and Chairman of the Board. Speese previously served as Vice Chairman from September 1999 until March 2001 and as President and Chief Operating Officer from November through March 1999. During the Class Period, while in possession of adverse undisclosed information about the Company, Speese sold 500,000 shares of common stock for $21,250,000 in illegal insider trading proceeds.

(c) Defendant Mitchell E. Fadel ("Fadel") was at all relevant times the President and a director of Rent-A-Center.

(d) Defendant Robert D. Davis ("Davis") was at all relevant times Senior Vice President of Finance, Chief Financial Officer and Treasurer of Rent-A-Center.

(e) Defendant L. Dowell Arnette ("Arnette") was at all relevant times a director and Executive Vice President of Growth of Rent-A-Center.

(f) Defendant Laurence M. Berg ("Berg") was at all relevant times a director of Rent-A-Center.

(g) Defendant Peter P. Copses ("Copses") was at all relevant times a director of Rent-A-Center.
Defendant J. V. Lentell ("Lentell") was at all relevant times a director of Rent-A-Center.

23. Defendants Arnette, Davis, Berg, Copses and Lentell were directors of Rent-A-Center. These directors are Defendants only as to the claims alleged under the 1933 Act. Each of these Defendants signed the Registration Statement issued pursuant to Rent-A-Center’s Secondary Offering during the Class Period. As described herein, such Registration Statement contained false and misleading statements as to Rent-A-Center’s business operations and financial results.

24. Defendant Morgan Stanley Dean Witter & Co. is a large integrated financial services institution that through its controlled subsidiaries and divisions (collectively "Morgan Stanley"), provides commercial and investment banking services, commercial loans to corporate entities, and advisory services regarding the structuring of financial transactions, including engaging in or helping to structure derivatives and hedging financial transactions, acting as underwriter in the sale of corporate securities to the public and providing investment analysis and opinions on public companies, including its clients, via reports issued by securities analysts. Morgan Stanley is a Defendant only as to the claims alleged under the 1933 Act. Morgan Stanley acted as a co-underwriter for Rent-A-Center’s Secondary Offering during the Class Period. As underwriters of the offerings, Morgan Stanley was obligated to make reasonable and diligent investigations of the statements contained in the Registration Statement at the time they were filed with the SEC and/or became effective. As described herein, such Registration Statement contained false and misleading statements as to Rent-A-Center’s business operations and financial results.

25. Defendant Bear, Sterns & Co. is a large integrated financial services institution that through its controlled subsidiaries and divisions (collectively "Bear Stearns"), provides commercial
and investment banking services, commercial loans to corporate entities, and advisory services regarding the structuring of financial transactions, including engaging in or helping to structure derivatives and hedging financial transactions, acting as underwriter in the sale of corporate securities to the public and providing investment analysis and opinions on public companies, including its clients, via reports issued by securities analysts. Bear Stearns is a Defendant only as to the claims alleged under of the 1933 Act. Bear Stearns acted as a co-underwriter for Rent-A-Center's Secondary Offering during the Class Period. As underwriters of the offerings, Bear Stearns was obligated to make reasonable and diligent investigations of the statements contained in the Registration Statement at the time they were filed with the SEC and/or became effective. As described herein, such Registration Statement contained false and misleading statements as to Rent-A-Center's business operations and financial results.

26. Defendant Lehman Brothers Holding, Inc. is a large integrated financial services institution that through its controlled subsidiaries and divisions (collectively "Lehman Brothers"), provides commercial and investment banking services, commercial loans to corporate entities, and advisory services regarding the structuring of financial transactions, including engaging in or helping to structure derivatives and hedging financial transactions, acting as underwriter in the sale of corporate securities to the public and providing investment analysis and opinions on public companies, including its clients, via reports issued by securities analysts. Lehman Brothers is a Defendant only as to the claims alleged under of the 1933 Act. Lehman Brothers acted as a co-underwriter for Rent-A-Center's Secondary Offering during the Class Period. As underwriters of the offerings, Lehman Brothers was obligated to make reasonable and diligent investigations of the statements contained in the Registration Statement at the time they were filed with the SEC and/or
became effective. As described herein, such Registration Statement contained false and misleading statements as to Rent-A-Center's business operations and financial results.

27. Defendant Robinson Humphrey Co. is a large integrated financial services institution that through its controlled subsidiaries and divisions (collectively "Robinson Humphrey"), provides commercial and investment banking services, commercial loans to corporate entities, and advisory services regarding the structuring of financial transactions, including engaging in or helping to structure derivatives and hedging financial transactions, acting as underwriter in the sale of corporate securities to the public and providing investment analysis and opinions on public companies, including its clients, via reports issued by securities analysts. Robinson Humphrey is a Defendant only as to the claims alleged under the 1933 Act. Robinson Humphrey acted as a co-underwriter for Rent-A-Center's Secondary Offering during the Class Period. As underwriters of the offerings, Robinson Humphrey was obligated to make reasonable and diligent investigations of the statements contained in the Registration Statement at the time they were filed with the SEC and/or became effective. As described herein, such Registration Statement contained false and misleading statements as to Rent-A-Center's business operations and financial results.

28. The Individual Defendants, as senior officers and/or directors of Rent-A-Center, were controlling persons of the Company. Each exercised his power and influence to cause Rent-A-Center to engage in the fraudulent practices complained of herein.

29. Because of the Individual Defendants' positions with the Company, they had access to adverse undisclosed information about the Company.

30. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the materially false, misleading and incomplete information conveyed in the
Company’s public filings, press releases and other publications as alleged here are the collective actions of the narrowly defined group of Defendants identified above. Each of the above officers and/or directors of Rent-A-Center, by virtue of his high-level position with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company. Said Defendants were involved in the fraudulent activities herein alleged and were also involved in the drafting, producing, reviewing and/or disseminating the materially false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company and approved or ratified these statements, in violation of the federal securities laws.

31. As officers and/or directors and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate promptly accurate, complete and truthful information with respect to the Company and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company’s publicly-traded securities would be based upon truthful, complete and accurate information. The Individual Defendants’ misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

32. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or were severely reckless in disregarding, the misstatements contained therein and omissions therefrom, and were aware of, or recklessly disregarded, their materially false
and misleading nature. Because of their Board membership and/or executive and managerial positions with Rent-A-Center, each of the Individual Defendants has access to the adverse undisclosed information about the Company and knew, or were severely reckless in not knowing, that these adverse facts rendered the positive representations made, issued or adopted by the Company materially false and misleading.

33. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the misrepresentations and misleading statements contained therein.

34. Each of the Defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Rent-A-Center common stock, by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (1) deceived the investing public as to the true value of Rent-A-Center common stock; and (2) caused Lead Plaintiff and other members of the Class to purchase Rent-A-Center common stock at artificially inflated prices.

PLAINTIFFS' CLASS ACTION ALLEGATIONS

35. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of all persons who purchased Rent-A-Center common stock
during the Class Period (the "Class"), including persons who purchased Rent-A-Center securities traceable to the false and misleading Registration Statement filed in connection with the Company’s Secondary Offering (the "Offering Subclass"), and who were damaged thereby. Plaintiffs Bergbower and Rice also bring the claims asserted herein pursuant to Section 20A of the Exchange Act on behalf of a subclass (the "20A Subclass"), consisting of all persons who purchased Rent-A-Center common stock contemporaneously with sales of Rent-A-Center common stock by Defendants Talley and Speese. Excluded from the Class are Defendants, the officer and directors of the Company and its subsidiaries and affiliates, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

36. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are thousands of members in the proposed Class. Throughout the Class Period, Rent-A-Center common shares were actively traded on the NASDAQ National Market and there were approximately 26 million shares of Rent-A-Center common stock issued and outstanding. Record owners and other members of the Class may be identified from records maintained by Rent-A-Center or its transfer agent, and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

37. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal laws complained of herein.
38. Plaintiffs will fairly and adequately protect the interests of the members of the Class, are ready, willing and able to direct, manage and control the prosecution of this action, have knowledge and understanding of the action, and have retained counsel competent and experienced in class actions and securities litigation.

39. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual Class members. Among the questions of law and fact common to the Class are:

   a. whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;

   b. whether Defendants participated in and pursued the common course of conduct complained of herein;

   c. whether the press releases and other statements disseminated to the investing public during the Class Period misrepresented material facts about the Company;

   d. whether statements made by Defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the Company;

   e. whether the market price for Rent-A-Center common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and

   f. to what extent the members of the Class have sustained damages and the proper measure of damages.

40. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy because joinder of all members is impracticable. Furthermore, as
the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

**APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE**

41. At all relevant times, the market for Rent-A-Center common stock was an efficient market for the following reasons, among others:

- Rent-A-Center common stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

- As a regulated issuer, Rent-A-Center filed periodic public reports with the SEC and the NASDAQ;

- Rent-A-Center regularly communicated with public investors via established market communication mechanisms, including regular dissemination of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services;

- Rent-A-Center was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace, in part, through Rent-A-Center's dissemination. Among the brokerage firms which issued research reports on Rent-A-Center during the Class Period were Morgan Stanley Dean Witter, Lehman Brothers, Inc. and Hoak Breedlove Wesenski & Co.

42. As a result, the market for Rent-A-Center common stock promptly digested current information regarding Rent-A-Center from all publicly available sources and reflected such information in Rent-A-Center's stock price. Under these circumstances, all purchasers of Rent-A-Center shares during the Class Period suffered similar injury through their purchase of Rent-A-Center's shares at artificially inflated prices and a presumption of reliance applies. Further, Plaintiffs
are entitled to and will rely on the presumption of reliance doctrine based on the material omissions alleged herein.

**NO STATUTORY SAFE HARBOR**

43. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein are not "forward-looking statements" and were not identified as "forward-looking statements" when made. Nor was it stated with respect to any of the statements forming the basis of this Complaint that actual results "could differ materially from those projected." To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements were made, the particular speaker knew that the particular forward-looking statements was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Rent-A-Center who knew that those statements were false when made.

**RENT-A-CENTER'S GUIDANCE TO SECURITIES ANALYSTS AND USE OF THEM AS A CONDUIT TO PROVIDE FALSE INFORMATION TO THE SECURITIES MARKETS**

44. As described below, among other wrongful conduct, Defendants used communications with securities analysts to promote the Company and to artificially inflate the price of Rent-A-Center common stock during the Class Period.
45. In writing their reports, these analysts relied in substantial part upon information provided by the Company, public statements and reports of the Company, information provided to them privately by the Company (including by the Individual Defendants) and assurances by the Company and the Individual Defendants that information in the analysts’ reports did not materially vary from the Company’s internal knowledge of its operations and prospects.

46. Defendants used their communications with analysts to assure them that their analysis and estimates of Rent-A-Center’s financial condition, earnings, prospects and business were accurate and repeatedly advised securities analysts that the Company was not adversely affected by a weakened economy and that revenues and earnings would continue to increase.

47. Prior to and during the Class Period, it was the Company’s practice to have its top officers and key members of its management team communicate regularly with securities analysts on a regular basis, to discuss, among other things, the Company’s operating results and anticipated revenues and to provide detailed "guidance" to these analysts with respect to the Company’s business and anticipated revenues and earnings. These communications included, but were not limited to, conference calls, meetings and analyst briefings where the Defendants discussed relevant aspects of the Company’s operations and financial prospects. Additionally, Rent-A-Center representatives, also attended "conferences" sponsored by different organizations throughout the Class Period and sponsored "conference calls" with securities analysts and institutional investors in connection with releases of earnings announcements and other major corporate events during which they promoted the Company’s stock by disseminating materially false and misleading information about the Company.
48. The Individual Defendants knew that, by participating in these regular and periodic direct communications with analysts, the Company would disseminate information to the investment community and that investors and the market would rely and act upon such information (i.e., make purchases of the Company’s securities). The Individual Defendants had these communications with analysts in order to cause or encourage them to issue favorable reports concerning Rent-A-Center - - which the analysts did - - and Defendants used these communications to falsely present the financial condition, earnings and operations of Rent-A-Center to the marketplace in an artificially and falsely favorable light in order to artificially inflate the market price for Rent-A-Center common stock. Despite their duty to do so, the Individual Defendants failed to correct these communications of which they were the sources or which they had caused or facilitated during the Class Period.

49. The investment community, and, in turn, investors, relied and acted upon the information contained in these written analyst reports that repeatedly recommended that investors purchase Rent-A-Center common stock. The Company and the Individual Defendants manipulated and inflated the market price of Rent-A-Center stock by falsely presenting to analysts, through regular meetings and during both telephonic and written communications, the financial condition, earnings and revenues of the Company and be failing to disclose the true adverse facts about the Company that were known only to them.

50. During the Class Period, each Individual Defendant occupied a position that made him privy to material non-public information concerning Rent-A-Center. Because of this access, each of these Defendants knew that the adverse facts specified herein were being concealed from the market and that the public statements being made by the Company were false and misleading.
SUBSTANTIVE ALLEGATIONS

A. Background

51. Rent-A-Center is the largest U.S. rent-to-own operator, with over 2000 Company-owned stores nationwide and a 26% market share in the industry. The Company leases household goods to consumers who do not wish to purchase the merchandise outright. Under Rent-A-Center’s leases, customers can become owners of the goods after the conclusion of the lease, or can terminate the lease and return the products at any time. Since its inception, Rent-A-Center has grown rapidly, from 114 stores in 1995 to approximately 2,184 stores by 2001.

52. At the beginning of 2001, Rent-A-Center common stock rose steadily, climbing to $42.1875 per share on April 3, 2001. Then, on April 4, 2001, without any news announcement from the Company, the stock price dropped to $34.375 from the previous day’s close of $42.1875, a decrease of 18.5%. News reports suggested that the precipitous drop was in fact caused by reports that the Company was planning a substantial Secondary Offering of its common stock. If the decline in the price of Rent-A-Center common stock continued, Defendants’ plans for the Secondary Offering would be seriously compromised.

53. Thus, Defendants sought to inflate the price of Rent-A-Center stock so that they could complete the Secondary Offering on favorable terms. To do so, Defendants engaged in a systematic scheme throughout the Class Period of materially misleading the investing public by: (1) failing to disclose that the Company was drastically cutting expenses in order to report inflated levels of profitability, which the Defendants knew would not continue in the future; (2) fraudulently deferring expenses in order to report favorable operating results; (3) failing to disclose that the Company engaged in cost-cutting measures that were in violation of federal law; (4) issuing false and
misleading statements asserting that the Company’s decreased earnings estimates were caused by unanticipated rising expenses; and (5) issuing false and misleading Financial Statements, which artificially and improperly inflated the operating results of Rent-A-Center at all relevant times.

54. Defendants were successful in their scheme to artificially inflate the market price of Rent-A-Center stock, and on May 25, 2001, the Secondary Offering was completed pursuant to an amended Prospectus. Rent-A-Center sold 3,200,000 shares of common stock at $42.50 per share, raising a total of $136,000,000. In connection with the Offering, Defendant Talley pocketed over $72 million from the sale of his personally-owned common stock and Defendant Speese pocketed over $21 million. Moreover, Defendant Talley sold an additional 1,955,000 shares of personally-owned stock less than one week after the Secondary Offering was completed for an additional $79 million, bringing his total sales during the Class Period to over $151 million. However, a mere five months later, the truth about Rent-A-Center’s expenses and operating results began to be revealed.

B. Materially False and Misleading Statements Made During the Class Period

55. The Class Period begins on April 25, 2001, when the Company issued a press release announcing its financial results for the first quarter of 2001, the period ended March 31, 2001. The announcement highlighted the Company’s record performance, which purportedly stemmed from increased demand and improved operating efficiencies. Rent-A-Center reported revenues for the quarter of $439.7 million, a 12% increase over the first quarter of 2000 and net earnings were reportedly $25 million, or $0.69 per diluted - - 197% above the prior year’s first quarter earnings. Commenting on the seemingly-favorable results, Defendant Talley stated, in pertinent part, as follows:
We are pleased to announce that demand remained very strong throughout the first quarter, which led to our outstanding operating results and illustrates the resilience of our business in a weakening economy. We remain optimistic about our future growth plans and operating results and look forward to another record quarter for our Company. (Emphasis added)

56. Following the Company’s positive announcement, securities analysts following Rent-A-Center common stock issued highly positive research reports based on Defendants’ guidance and representations. For example:

a. On April 27, 2001, Morgan Stanley Dean Witter & Co. ("Morgan Stanley") issued a favorable research report covering Rent-A-Center. In relevant part, the research note lauded the Company’s announced first quarter performance, noting that Rent-A-Center’s reported earnings per share of $0.69 was $0.03 per share above its, and the consensus, earnings estimates. Morgan Stanley also raised its 2001 earnings estimate by $0.03, to $3.03, and reiterated its "outperform" rating on the Company’s stock.

b. On April 30, 2001, Hoak Breedlove Wesenski & Co., issued a research report which focused on the "stronger than anticipated" earnings per share figures, explained that the Company’s "Underlying fundamentals are strong" and increased its projection of the Company’s 2001 earnings to $3.06 per share, up from $3.05, and reiterated its "strong buy" rating on the Company’s stock.

57. The Company’s positive earnings release had its desired effect - - the price of Rent-A-Center common stock rose steadily to $46.60 by May 22, 2001, in time for the Secondary Offering.

58. On May 25, 2001, the Secondary Offering became effective and Defendants sold 3,200,000 shares to the investing public at a price of $42.50 per share, raising a total of
$136,000,000. Defendants Talley and Speese sold, in the Secondary Offering, 1,700,000 and 500,000 shares, grossing $72,250,000 and $21,250,000, respectively. The Defendants who served as underwriters for this Offering were Morgan Stanley Dean Witter & Co., Bear, Sterns & Co., Lehman Brothers Holding, Inc., and Robinson Humphrey Co. In the section of the Prospectus titled "Management’s Discussion and Analysis of Financial Condition and Results of Operations," the Prospectus highlighted the Company’s seemingly impressive first quarter of 2001 results, stating in pertinent part as follows:

The increase in total store revenue is directly attributable to the success of our efforts on improving store operations through:
- increasing the number of units on rent;
- increasing our customer base;
- increasing the average price per unit on rent by upgrading our rental merchandise; and
- incremental revenues through acquisitions.

This focus resulted in same store revenues increasing by $31.9 million, or 8.8%, to $396.3 million for the three months ended March 31, 2000. Same store revenues represent those revenues earned in stores that were operated by us for each of the entire three month periods ending March 31, 2001 and 2000. This improvement was primarily attributable to an increase in the number of customers served, the number of items on rent, as well as revenue earned per item on rent. (Emphasis added).

59. In addition, in the section of the Prospectus titled "Results of Operations" for the "Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000," the Prospectus highlighted the Company’s seemingly impressive first quarter of 2001 results, stating in pertinent part as follows:

Operating Profit. Operating profit increased by $3.9 million, or 6.7%, to $62.5 million for the three months ended March 31, 2001 from $58.6 million for three months ended March 31, 2000. Operating profit as a percentage of total revenue decreased to 14.2% for the three months ended March 31, 2001 from 14.9% for the three months ended March 31, 2000. This decrease is attributable to the
infrastructure expenses and initial costs associated with our new store growth initiatives.

Net Earnings. Net earnings increased by $4.1 million, or 19.7%, to $25.0 million for the three months ended March 31, 2001 from $20.9 million for the three months ended March 31, 2000. This increase is primarily attributable to an increase in revenues, operational improvements in existing stores and reduced interest expenses resulting from a reduction in outstanding debt.

Moreover, the prospectus for the Secondary Offering incorporated by reference the Company’s first quarter 10-Q for the period ending March 31, 2001. In the section of the 10-Q titled "Management’s Discussion and Analysis of Financial Condition and Results of Operations," the Company represents that "Salaries and other expenses" included:

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

In addition, in the section of the 10-Q titled "Results of Operations" for the "Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000," the Company represents that:

Salaries and Other Expenses. Salaries and other expenses expressed as a percentage of total store revenue increased to 57.0% for the three months ended March 31, 2001 from 55.1% for the three months ended March 31, 2000. This increase was directly attributable to the infrastructure expenses associated with our new store growth incentives.

* * *

General and Administrative Expenses. General and Administrative expenses expressed as a percentage of total revenue remained constant at 2.9% for the three months ending March 31, 2001 and 2000. In the future, we expect general administrative expenses to remain relatively stable at approximately 3.0% total revenue.
Operating Profit.  *Operating profit increased by 3.9 million, or 6.7%, to $62.5 million for the three months ended March 31, 2001 from $58.6 million for the three months ended March 31, 2000.* Operating profit as a percentage of total revenue decreased to 14.2% for the three months ended March 31, 2001 from 14.9% for the three months ended March 31, 2000. This decrease is attributable to the infrastructure expenses and initial costs associated with our new store growth initiatives.

Net Earnings. Net earnings increased by $4.1 million, or 19.7%, to $25.0 million for the three months ended March 31, 2001 from $20.9 million for the three months ended March 31, 2000. *This increase is primarily attributable to an increase in revenues, operational improvements in existing stores and reduced interest expenses resulting from a reduction in outstanding debt.*

62. These representations were materially false and misleading as artificially understated the true amount of the Company's salaries and other expenses. In so doing, Defendants knowingly overstated the Company's operating profit and net earnings during the Class Period.

63. Subsequently, on May 31, 2001, Defendant Talley, in addition to the 1,700,000 shares of common stock he sold pursuant to the Secondary Offering, sold 1,955,000 shares of his Rent-A-Center common stock at a price of $40.38 per share, grossing an additional $78,942,900, bringing his total sales to over $151 million.

64. The statements referred to in ¶¶ 55-61 above, were each materially false and misleading and were known by Defendants to be false or were recklessly disregarded thereby, because, among other things:

a. In contrast to Defendants' assertions, the Company's increase in revenue was not attributable to the Company's efforts to improve store operations or an increase in same store revenues, but rather, was caused by the undisclosed drastic reduction and deferment of expenses by the Defendants, which Defendants knew would not continue in the future. As a result of such
materially false and misleading measures, the Defendants were able to under-report expenses and falsely portray inflated levels of profitability. For example:

(i) According to a former Market Manager for Rent-A-Center, during the Class Period the Company instituted a strong policy of cutting costs to the extent that managers were told to "cut back on every expense... spend absolutely nothing that wasn’t absolutely necessary." According to a former Director of a Rent-A-Center Product Service Center, the Company significantly cut his budget in 2001. "We were told be very frugal in our expenses... We had to justify every individual [ ]- - where we didn’t have to do that in the prior year."

(ii) As evidence of the Company’s drastic reduction in expenses, according to a former District Manager for Rent-A-Center, and five former Store Managers for Rent-A-Center, the Company cut back on salaries, overtime and advertising in order to keep expenses down. For example, according to one former employee, in order to reduce overtime expenses, the Company instituted a 48 hour work week and required those working only 40 hours per week to take reductions in salaries from $13 per hour to $11 to $10 per hour.

(iii) The Company’s policy of reducing expenses also included falsely and secretly deferring expenses for significant periods of time in order to falsely bolster revenue. For example, according to a former Store Manager for Rent-A-Center, the Company routinely failed to pay monthly bills submitted by the individual retail stores during the Class Period, "there would be some months they (Rent-A-Center Corporate Office) would pay some bills and other months they wouldn't... then they would double or triple the following month." According to a former Collections Manager for Rent-A-Center, 2001 was not a typical time for the Company, as many monthly bills submitted to the Company were not being paid on time. For example, "the water was shut off on a number of occasions and there were notices from the gas company about possible shut-offs." As a result of not paying these expenses, the Company was able to show more favorable revenue results.

(iv) As evidence that the Company was secretly deferring expenses in order to bolster revenue, according to a former Store Manager for Rent-A-Center, during the first quarter 2001, *his store showed significant increases in profits even though there was no increase in business.* "We went from averaging about $30,000... to upper $40,000's in profit... my store didn’t gain any agreements (additional business) to do that... so for that to happen, it means you’re not paying something."

(v) The Company’s practice of deferring expenses and cutting costs reached such an extreme that, according to a former Store Manager for Rent-A-Center, in November 2001, Defendant Tally was forced by threats of legal action to personally appear at
one of the Company's retail stores and write checks to employees who were due compensation for overtime and who had not been paid.

b. As part of Defendants' scheme to falsely portray favorable operating results, the Company engaged in aggressive promotions and discounts. As a result of these aggressive sales techniques, Defendants were able to report sales and falsely boost revenue even though the promotions and discounts adversely impacted long-term revenues. Such techniques caused Rent-A-Center's stores to give products away at such low rates that the Company was unable to recognize revenue on most of these sales. For example:

(i) According to a former Rent-A-Center employee, the Company began offering shorter rental terms on products (12 months instead of the usual 24 months), and these shorter rental terms resulted in lower prices which, despite falsely boosting short-term revenue, reduced overall long-term revenue.

(ii) According to another former Rent-A-Center employee, store managers were under such pressure from corporate to increase sales that they became so disinterested in long-term leases that they developed an attitude of "just get it out the door." This resulted in products being rented on "free time" only to be returned at the end of the free period. Thus, although the store would record the lease as a rental, in reality, there was no revenue benefit at all for the Company because the customers failed to rent beyond the "free time" period.

d. Defendants' guidance to securities analysts, who reiterated their favorable ratings and who increased their estimates for the rest of the year, was lacking in any reasonable basis because Defendants knew, or were reckless in not knowing, that: (1) the earnings estimates were unrealistically high given the undisclosed reduction and deferral of expenses which Defendants knew would not continue in the future; and (2) that the aggressive promotions and discounts instituted by the Company in an effort to falsely increase revenue during the Class Period would ultimately result in a decrease in long-term gross margins because the Company did not benefit from most of these transactions.
65. In fact, on July 30, 2001, Rent-A-Center issued a press release announcing its revenues and earnings for the second quarter of 2001, the period ended June 30, 2001. The Company warned of expected and significant decreases in the Company’s earnings for the third and fourth quarters of 2001 due to "rising expenses." In that regard, Defendant Talley stated, in relevant part, the following:

_We anticipate investing in increased advertising, promotion and in-store labor costs to drive sales and new stores. These cost increases, combined with increased utility, insurance and energy costs and an increased outstanding share base are resulting in the following earnings expectations..._ We expect diluted earnings per share to be $0.68 to $0.70 in the third quarter of 2001 and $2.87 to $2.91 for the 2001 fiscal year. (Emphasis added).

66. The revised earnings estimate was well-short of the consensus earnings estimate for 2001 of $3.03-$3.07 per share. In reaction to the announcement, the price of Rent-A-Center fell from a $48.20 per share close on July 30, 2001, to close at $36.08 per share on July 31, 2001, a drop of 25%. Notwithstanding the revised estimate, Defendants continued to conceal the true amount and extent of their expenses and tout the success of their operating results.

67. In an interview with Amanda Lang and Pat Kiernan on CNN’s The Money Gang on July 31, 2001, Defendant Fadel, the Company’s President, falsely asserted that Rent-A-Center had favorable operating results for the second quarter and was faced with "surprise" expenses which led to the revised earnings estimate:

_Fadel: Yes, we did have a great second quarter. Our same-store sale comps were 8.7 percent. Cash flow was tremendous, and we had a record profit quarter, over 20 percent earnings growth from last year, as you pointed out. As well as a record quarter for us, we had a great second quarter in all aspects from growth, revenue and profit and cash flow, for that matter. It was a great second quarter for us._ (Emphasis added).

_Kiernan: So, what about the third quarter?_
Fadel: *Well, we’ve had some surprises from an expense standpoint.* The demand for our business continues to be very good. *We had some surprises, insurance, our insurance renewal was much higher than we had anticipated. The energy costs, utilities mainly and heating and this time of year, air conditioning, in our stores, much higher than we expected.* (Emphasis added).

68. Following the Company’s announcements, securities analysts immediately disseminated favorable reports based on detailed guidance from the Defendants. For example:

   a. On July 31, 2001, Morgan Stanley, although lowering its 2001 earnings estimate for Rent-A-Center from "$3.01 to $2.87 to reflect the impact of higher insurance expenses (liability, auto, and workman’s compensation), investments in MIS (internal network-VPN line access fees), and energy/utility cost variances," reiterated its "outperform" rating on the Company’s stock, noting that it believed the Company’s long-term growth outlook was intact.

   b. Similarly, on the same day, Lehman Brothers, Inc., issued a research report in which it also reiterated its previous "Buy" rating despite lowering its 2001 earnings estimate for Rent-A-Center from $3.02 to $2.90. Moreover, Lehman Brothers raised its 2002 estimate increases to $3.90 from $3.45, noting that "[M]anagement indicated that customer count was steady through the quarter - - encouraging considering that the RTO business is somewhat seasonal in nature."

69. The statements referred to in ¶¶ 65-68 were each false and misleading and were known by the Defendants to be false, or were recklessly disregarded thereby, because, among other things:

   a. The Company’s estimated decrease in earnings was not due to an unexpected increase in costs and expenses as Defendants represented. Rather, as detailed above in ¶ 64(a), the decrease
in earnings was caused by Defendants’ elimination of their pre-offering policy of drastically cutting costs and deferring expenses in order to inflate the Company’s operating results; and

b. As described fully in ¶ 64(b), as part of Defendants’ scheme to falsely portray favorable operating results, the Company engaged in aggressive promotions and discounts in order to attract customers. As a result of these aggressive sales techniques, Defendants were able to report sales and falsely boost revenue even though the promotions and discounts adversely impacted long-term revenues.

**The Rent-A-Center Discrimination Class Actions**

70. Prior to and during the Class Period, several employment discrimination class actions were filed against Rent-A-Center and its predecessor corporations. One such action, *Bunch v. Rent-A-Center, Inc.*, Case No. 00-364-CV-W-3-ECF (W.D. Mo.) (the "Bunch Action"), was brought on behalf of employees who worked for the Company between April of 1998 and October of 2001.

71. As contained in the pleadings in the Bunch Action, according to William "Gus" Roberts, a former Regional Director overseeing more than 50 stores in the Midwest, "It was just no secret. The Renters Choice folks, in my opinion, were not big on women in the workplace" (Roberts Depo., p. 14) and that, shortly after the August, 1998 take-over, all of Defendant's Regional Directors from across the nation were warned in a meeting in Dallas not to hire "black women over 40 who may be pregnant," and were advised "you're just asking for trouble, so let's just stay away from it." (Roberts Depo., p. 26).

72. On April 20, 2001, Plaintiffs in the Bunch Action prevailed on their motion to compel the deposition of Talley and other senior Rent-A-Center executives. In ruling on Plaintiffs' motion, the Bunch court stated that: (i) "Defendant has resisted Plaintiff's legitimate discovery requests at every opportunity;" (ii) "Defendant has repeatedly read nonexistent ambiguities into the Court's
orders;" (iii) "Defendant has not complied with the spirit of discovery as directed by this Court;" and (iv) "Plaintiff may depose Mr. Ernie Talley, Mr. Harry Weisbrod, and Mr. Dowell Arnette."

73. On May 21, 2001, pursuant to the order issued with respect to Plaintiffs' motion to compel, Plaintiffs in the Bunch Action took the deposition of Talley. After two hours of testimony were recorded, a break was taken and at that time, defense counsel approached putative class counsel for a formal demand for settlement. Counsel agreed to suspend the deposition at that time pending the submission of a demand and Rent-A-Center's response. Thereafter, settlement negotiations commenced between the parties on June 1, 2001.

74. Despite the events of May 21, 2001, the Company falsely reported in the Secondary Offering prospectus that Plaintiffs in the Bunch Action had made no specific demands as to damages and that "[A]lthough these cases are in the early stages, we believe the claims are without merit.

Specifically, the prospectus disclosed:

In August 2000, a putative nationwide class action was filed against us in federal court in East St. Louis, Illinois by Claudine Wilfong and 18 other plaintiffs, alleging that we engaged in class-wide gender discrimination following our acquisition of Thorn Americas. In December 2000, a similar suit filed by Margaret Bunch in federal court in the Western District of Missouri was amended to allege similar class action claims. The allegations underlying these matters involve charges of wrongful termination, constructive discharge, disparate treatment and disparate impact. With respect to the Wilfong matter, the plaintiffs, in their prayer for relief, have requested class certification, injunctive relief, actual damages of $410,000,000, unspecified compensatory and punitive damages, attorney's fees, filing fees and costs of suit, prejudgment interest, and any further relief granted by the court. In the Bunch matter, the plaintiffs make similar requests for relief, although no specific amounts are claimed as actual damages. In addition, the U.S. Equal Employment Opportunity Commission filed a motion to intervene on behalf of the plaintiffs in the Wilfong matter. The court granted this motion on May 14, 2001. Although these cases are in the early stages, we believe the claims are without merit. We cannot assure you, however, that we will be found to have no liability for these matters. (Emphasis added).
75. Defendants knew or recklessly disregarded that Rent-A-Center’s disclosure in the prospectus was false and misleading as to the Company’s exposure as a result of the Bunch Action. Rent-A-Center failed to disclose the truth concerning such contingent liability, and in so doing, the Defendants consciously avoided disclosing adverse facts so that they could effectuate the Secondary Offering on favorable terms.

The Truth Is Revealed

76. On October 8, 2001, Rent-A-Center issued a press release announcing its earnings for the 2001 third quarter, the period ended September 30, 2001. The Company announced that earnings would be between $0.50 to $0.52 per share, well below the July 30, 2001 third quarter earnings estimates of $0.68 to $0.70 per share:

The Company also revised expectations for its 2001 third quarter earnings. Management indicated that same store sales growth for the third quarter ended September 30, 2001 was 4.6% and that total store revenues were toward the low end of previous guidance at $433.5 million. **In-store sales promotions caused a decrease in gross margins and increases in labor and advertising expenses will negatively impact reported earnings per share.** As a result of these factors, the Company now expects to report diluted earnings per share of between $0.50 to $0.52 per share . . . (Emphasis added).

In response to the announcements, the price of Rent-A-Center common stock dropped by 19%, from a $25 per share close on October 8, 2001 to $20.13 on October 9, 2001.

77. The October 8, 2001 press release also announced the immediate retirement of Defendant Talley as Chief Executive Officer and Chairman, and the ascension of Defendant Speese to those positions. According to the press release, in connection with Defendant Tally’s retirement, Rent-A-Center and Defendant Talley had entered into a stock repurchase agreement whereby the
Company agreed to purchase $25 million in Rent-A-Center common stock owned by Defendant Talley, under a formula described as follows:

The price per share for the repurchase (the "Repurchase Price") will be determined by the average closing price of the Registrant’s common stock over the ten trading days (beginning October 9, 2001,) subject to a maximum purchase price of $27.00 per share and a minimum purchase price of $20.00 per share. Of the $25 million repurchase, $10 million worth of shares will be repurchased on the day immediately following the end of the ten days used in determining the Repurchase Price and the other $15 million worth of shares will be repurchased at the Repurchase Price no later than November 30, 2001.

78. As set forth above, the market for Rent-A-Center’s common stock was open, well-developed and efficient at all relevant times. As a result of the materially false and misleading statements and failures to disclose described above, Rent-A-Center common stock traded at artificially inflated prices throughout the Class Period until the true state of Rent-A-Center financial condition and its expenses was communicated to and reasonably understood by the securities markets. Plaintiff and other members of the Class purchased or otherwise acquired Rent-A-Center common stock relying upon the integrity of the market price of Rent-A-Center common stock and market information relating to Rent-A-Center, as well as reliance presumed by a material omission, and have damaged thereby.

79. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Rent-A-Center common stock, by publicly issuing false and misleading statements and omitting material facts necessary to make Defendants’ statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business, operations and financial condition.
80. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by the Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false or misleading statements about Rent-A-Center's business, earnings, revenues and expenses. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Rent-A-Center and its prospects and operations, thus causing the Company's common stock to be overvalued and artificially inflated during the Class Period. Defendants' materially false and misleading statements during the Class Period resulted in the Lead and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus leading to their losses when the illusion was revealed, and the market was able to accurately value the Company.

DEFENDANTS' FINANCIAL STATEMENTS DURING THE CLASS PERIOD WERE MATERIALLY FALSE AND MISLEADING AND VIOLATED GAAP

81. Defendants represented that, during the Class Period, Rent-A-Center's interim financial statements for the quarters ended March 31, 2001 and June 30, 2001 (the "Financial Statements") were prepared in accordance with GAAP. These representations were materially false and misleading when made because Defendants, in violation of GAAP, knowingly or recklessly employed improper accounting practices which improperly understated the Company's reported expenses, thereby artificially overstating Rent-A-Center's reported earnings.

82. Rent-A-Center's materially false and misleading Financial Statements resulted from a series of deliberate senior management decisions designed to conceal the truth regarding
Rent-A-Center’s actual operating results. These misrepresentations are associated with Rent-A-Center's (1) improper delay in the recognition of day-to-day operating expenses resulting in the understatement of "Salaries and other expenses" reported in Rent-A-Center's financial statements; (2) improper delay in the recognition of expense associated with the Bunch Action; and (3) improper failure to disclose Rent-A-Center's financial exposure associated with the Bunch Action and its failure to pay employee overtime in violation of Federal employment statutes.

83. GAAP are those principles recognized by the accounting profession as the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. As set forth in Financial Accounting Standards Board ("FASB") Statements of Concepts ("Concepts Statement") No. 1, one of the fundamental objectives of financial reporting is that it provide accurate and reliable information concerning an entity's financial performance during the period being presented. Concepts Statement No. 1, paragraph 42, states:

Financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' and creditors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance.

84. Regulation S-X [17 C.F.R. § 210.4-01(a)(1)] states that financial statements filed with the SEC that are not prepared in conformity with GAAP are presumed to be misleading and inaccurate. In addition, Article 10 of Regulation S-X [17 C.F.R. § 210.10-01] provides that interim financial statements filed with the SEC are to be prepared in conformity with GAAP and
"shall reflect all adjustments, which are, in the opinion necessary to a fair statement of the results for the interim periods presented."

**Rent-A-Center's Improper Failure To Timely Record Day-To-Day Operating Expenses**

85. Rent-A-Center's Financial Statements filed with the SEC on Forms 10-Q represented that the caption titled "Salaries and other expenses" included "all salaries and wages paid to store level employees, together with market managers' salaries, travel and occupancy, including any related benefits and taxes, as well as all store level general and administrative expenses and selling, advertising, insurance, occupancy, fixed asset depreciation and other operating expenses." (Emphasis added).

86. These representations were materially false and misleading as Defendants improperly understated the true amount of the Company's salaries and other expenses. In so doing, Defendants knowingly overstated the Company's operating profit and net earnings during the Class Period.

87. GAAP requires that financial statements recognize and report a charge against income when information existing at the date of the financial statements indicates that it is probable (e.g., likely) that a liability has been incurred and such amount can be reasonably estimated. FASB's Statement of Financial Accounting Standards ("SFAS") No. 5, ¶ 8.

88. In addition, GAAP, in ¶ 13 of Accounting Principles Board ("APB") Opinion No. 28 provides that:

Those costs and expenses that are associated directly with or allocated to the products sold or to the services rendered for annual reporting purposes (including, for example, material costs, wages and salaries and related fringe benefits, manufacturing overhead, and warranties) should be similarly treated for interim reporting purposes.
89. Rent-A-Center Financial Statements issued during the Class Period violated GAAP and were materially false and misleading because the Company failed to record normal day-to-day salaries and other expenses as they were incurred.

90. For example, according to a former manager of one of the Company's Philadelphia stores, when store managers received bills for operating expenses such as utilities and rent, the managers would stamp "pay" on the bills and forward them to Rent-A-Center's corporate office for payment. Following payment, the corporate office would deduct the amount of the bills from each store's reported profits. The Company's store managers were responsible for writing up their store's profit and loss statement each month, and they could easily determine if the bills were being properly recorded by Rent-A-Center's corporate office.

91. According to the former store manager, in early 2001 the Company's corporate office delayed the recording of bills and pushed expenses into later months. The former manager stated that "there were certain times that they would not pay certain things, utilities or whatever, they would double them up in the following month or following quarter." The former manager reported that certain items, such as rent, might not get paid for extended periods of time before corporate would send as much as a quadruple payment.

92. The same former employee further explained that it was "obvious" that Rent-A-Center's corporate office was not recording bills in early 2001 because store managers were reporting "phenomenal profits" without any actual increase in store business. This former manager explained that in the first quarter 2001, the monthly profit at his store increased by more than 50%, from a $30,000 average to an amount in upper $40,000's even though his store did not write any additional business during those months. The former manager stated
that he didn't gain any business in January, February, or March, .... but, nonetheless, his store's profit went up by $10,000 a month, "so for that to happen, it means you're not paying something."

93. Defendants' manipulation of the Company's reported expenses has been confirmed by numerous other former Rent-A-Center managers who stated, "they played so many games - it was part of their culture," and that their superiors "absolutely" knew of the abuses.

94. Other former Rent-A-Center employees confirmed the Defendants' desire to reduce reported expenses ahead of the secondary offering. For example, a former product service director said that "they focused on growth for years and now [in 2001] they wanted to look at the expense end of the business." Indeed, as reported by one former employee, Rent-A-Center was so intent on lowering reported expenses in early 2001, that the water was shut off on a number of occasions and there were notices from the gas company about possible shut-offs. In fact, former Rent-A-Center employees stated that the Company was so intent on reducing expenses that it even went so far as to not pay employees for overtime in apparent violation of Federal law, as noted below.

95. Indeed, Rent-A-Center's improper non-recognition day-to-day salaries and other expenses in the Financial Statements during the Class period is evident upon comparing the Company's salaries and other expenses as a percentage of store revenue during the first and second quarters of 2001 quarters with the quarters proceeding and immediately after the Class Period as noted in the chart below:
96. In an attempt to ensure that Rent-A-Center's Secondary Offering would proceed unimpeded and on favorable terms, Defendants understated the Company's day-to-day expenses which it classified as Salaries and other expenses in its financial statements. In so doing, Rent-A-Center's earnings were similarly overstated, as Defendants knew or recklessly ignored. Indeed, Rent-A-Center's, willingness to violate Federal employment statutes evidence the extent to which Defendants were willing to fraudulently deceive investors in their quest to artificially inflate the Company's operating results.

Rent-A-Center's Improper Failure To Timely Record Litigation Expense

97. GAAP, in FASB's Interpretation ("FIN") of No. 14 provides:
As indicated in paragraph 59 of FASB Statement No. 5, the purpose of the two conditions in paragraph 8 of the Statement is "to require accrual of losses when they are reasonably estimable and relate to the current or a prior period."

Condition (b) in paragraph 8, that "the amount of loss can be reasonably estimated," does not delay accrual of a loss until only a single amount can be reasonably estimated. To the contrary, when condition (a) in paragraph 8 is met, i.e., "it is probable that an asset had been impaired or a liability had been incurred," and information available indicates that the estimated amount of loss is within a range of amounts, it follows that some amount of loss has occurred and can be reasonably estimated....

When condition (a) in paragraph 8 is met with respect to a particular loss contingency and the reasonable estimate of the loss is a range, condition (b) in paragraph 8 is met and an amount shall be accrued for the loss. When some amount within the range appears at the time to be a better estimate than any other amount within the range, that amount shall be accrued. When no amount within the range is a better estimate than any other amount, however, the minimum amount in the range shall be accrued. In addition, paragraph 9 of the Statement may require disclosure of the nature and, in some circumstances, the amount accrued, and paragraph 10 requires disclosure of the nature of the contingency and the additional exposure to loss if there is at least a reasonable possibility of loss in excess of the amount accrued.

As an example, assume that an enterprise is involved in litigation at the close of its fiscal year ending December 31, 1976 and information available indicates that an unfavorable outcome is probable. Subsequently, after a trial on the issues, a verdict unfavorable to the enterprise is handed down, but the amount of damages remains unresolved at the time the financial statements are issued. Although the enterprise is unable to estimate the exact amount of loss, its reasonable estimate at the time is that the judgment will be for not less than $3 million or more than $9 million. No amount in that range appears at the time to be a better estimate than any other amount. FASB Statement No. 5 requires accrual of the $3 million at December 31, 1976, disclosure of the nature of the contingency and the exposure to an additional amount of loss of up to $6 million, and possibly disclosure of the amount of the accrual. (Emphasis added).

98. As noted in the Plaintiff's Suggestions in Support of Joint Motion for Preliminary Approval of Class Action Settlement in the Bunch Action filed in the United States Court in the Western District of Missouri on or about November 15, 2001, Rent-A-Center's defense counsel
approached the Plaintiffs counsel for a formal demand for settlement as early as May 21, 2001. Shortly thereafter, on June 1, 2001, Rent-A-Center and the Plaintiffs commenced "formal settlement negotiations."

99. Accordingly, Defendants knew the Plaintiffs initial demand (the high end of the range of possible loss ensuing from the litigation as contemplated under FIN No.14) by June 30, 2001. In addition, Defendants knew Rent-A-Center's initial settlement offer (the low end of the range of possible loss ensuing from the litigation as contemplated under FIN No.14) by the end of the June 30, 2001 quarter.

100. Nonetheless, Rent-A-Center's financial statements for the quarter ended June 30, 2001, in violation of GAAP, improperly failed to recognize the loss on the Bunch Action litigation, as Defendants knew or recklessly ignored. These financial statements, which were included in the Company's July 30, 2001 press release and filed with the SEC on Form 10-Q or about August 10, 2001, violated GAAP because by June 30, 2001, it was probable that Rent-A-Center would incur as loss on the Bunch Action and a range of loss was reasonably estimable. As a result, GAAP required that Rent-A-Center record a charge for, at least, the minimum amount of such the range. As noted in FIN No. 14, GAAP specific precludes a company from delaying the accrual of a loss because no one single amount can be reasonably estimated.

101. In furtherance of their attempt to understate Rent-A-Center's reported expenses during the Class Period, Defendants improperly failed to record a charge ensuing from the Bunch Action during the Class Period. Ultimately, after the secondary offering was completed, Rent-A-Center recorded a $16 million charge during the quarter ended September 30, 2001 on the Bunch Action.
Rent-A-Center's Improper Failure To Disclose Contingent Liabilities

102. Rent-A-Center's Secondary Offering during the Class Period, made pursuant to a registration statement filed on Form S-3, was declared effective by the SEC on or about May 25, 2001. By that time, however, Defendants knew that the Company's counsel asked the Plaintiffs in the Bunch Action to make a demand for settlement.

103. Item 11 of Form S-3 requires an SEC registrant to describe "any and all" material changes in the registrant's affairs which have occurred since the end of the latest fiscal year which were not disclosed by the issuer on Forms 10-Q or 8-K filed under the Exchange Act. In addition, Rent-A-Center's Management, Discussion and Analysis ("MD&A") included in the Form S-3 registration statement was required to disclose "known trends, demands, commitments, events, and uncertainties" that were reasonably likely to have a materially adverse effect on the Company's liquidity, net sales, revenues and income from continuing operations, as required by Item 303 of Regulation S-K [17 C.F.R. § 229.303].

104. Despite such requirements, Rent-A-Center's Secondary Offering prospectus failed to quantify and disclose the Company's exposure to loss ensuing from the Bunch Action so that Defendants could reap more than a hundred million dollars on the sale of stock to unsuspecting investors. In fact, to the contrary, the prospectus disclosed:

In August 2000, a putative nationwide class action was filed against us in federal court in East St. Louis, Illinois by Claudine Wilfong and 18 other plaintiffs, alleging that we engaged in class-wide gender discrimination following our acquisition of Thom Americas. In December 2000, a similar suit filed by Margaret Bunch in federal court in the Western District of Missouri was amended to allege similar class action claims. The allegations underlying these matters involve charges of wrongful termination, constructive discharge, disparate treatment and disparate impact. With respect to the Wilfong matter, the plaintiffs, in their prayer for relief, have requested class certification, injunctive relief, actual damages of $410,000,000, unspecified compensatory and punitive damages, attorney's fees,
filing fees and costs of suit, pre-judgment interest, and any further relief granted by the court. In the Bunch matter, the plaintiffs make similar requests for relief, although no specific amounts are claimed as actual damages. In addition, the U.S. Equal Employment Opportunity Commission filed a motion to intervene on behalf of the plaintiffs in the Wilfong matter. The court granted this motion on May 14, 2001. Although these cases are in the early stages, we believe the claims are without merit. We cannot assure you, however, that we will be found to have no liability for these matters. [Emphasis Added]

105. Defendants knew or recklessly disregarded that Rent-A-Center's disclosure in its Class Period prospectus concerning the Bunch Action was false and misleading. Rent-A-Center failed to disclose the truth concerning such contingent liability, and in so doing, the Defendants consciously avoided disclosing adverse facts so that they could reap more than a hundred of million dollars on the sale of stock to unsuspecting investors.

106. In fact, the Plaintiffs in Bunch Action complained that Rent-A-Center "resisted Plaintiff's legitimate discovery requests at every opportunity." Indeed, Defendants were motivated to delay the dissemination and/or withhold any adverse information that might derail or impair Rent-A-Center's secondary offering.

107. Defendants attempt to deceive investors during the Class Period is otherwise evidenced by the Company's improper failure to disclose Rent-A-Center's contingent liabilities in the Financial Statements.

108. As noted above, GAAP, requires that financial statements account for existing uncertainties as to probable losses when: (a) information existing at the date of the financial statements indicates that it is probable that a liability has been incurred; and (b) the amount of such loss can be reasonably estimated. SFAS No. 5, ¶ 8.
109. GAAP also requires that financial statements disclose contingencies when it is at least reasonably possible (e.g., a greater than slight chance) that a loss may have been incurred. SFAS No. 5, ¶ 10. The disclosure shall indicate the nature of the contingency and shall give an estimate of the possible loss, a range of loss, or state that such an estimate cannot be made. Id.

110. The SEC considers the disclosure of loss contingencies to be so important to an informed investment decision that it issued Article 10-01 of Regulation S-X [17 C.F.R. § 210.10-01], which provides that disclosures in interim period financial statements may be abbreviated and need not duplicate the disclosure contained in the most recent audited financial statements, except that "where material contingencies exist, disclosure of such matters shall be provided even though a significant change since year end may not have occurred."

111. In violation of GAAP, Rent-A-Center's financial statements for the quarter ended June 30, 2001 failed to disclose the range of loss associated with the Bunch Action even though by such time the parties had entered into formal settlement negotiations and such negotiations had been ongoing for a month.

112. Moreover, when Rent-A-Center issued the Financial Statements during the Class Period, Defendants knew or recklessly disregarded that it engaged numerous practices to improper understate day-to-day operating expenses in direct contravention of GAAP. In fact, Rent-A-Center went so far as to deny its employees of rightfully earned overtime in apparent violation of Federal law.

113. For example, many former Rent-A-Center employees complained that during 2001, the Company lowered salaries and increased hours worked for the staff at their stores. A
former manager stated he worked upwards of seventy hours per week, but the Company only paid him only for forty-eight after reducing his hourly rate by two dollars per hour.

114. This practice, which apparently violated Federal employment statues, was noted by other former employees. For example, a former store manager stated that the Company instituted a forty-eight hour work schedule for the forty-hour employees and strong-armed employees to sign off on the forty-eight hour deal by threatening the loss of their jobs or by reducing their pay in the amount of $2.00 per hour the forty hours that they did work.

115. Nonetheless, in violation of GAAP, Rent-A-Center's Financial Statements failed to disclose that the Company had engaged in practices which presented a greater than slight chance that Rent-A-Center violated the Federal employment statutes.

116. By failing to file financial statements with the SEC which conformed with the requirements of GAAP, the Defendants disseminated financial statements of Rent-A-Center which violated numerous provisions of GAAP and were presumptively misleading and inaccurate. In addition to the violations of GAAP noted above, the Company presented its financial results and statements in a manner which also violated at least the following provisions of GAAP:

a. The principal that financial statements disclose significant risks and uncertainties associated with an entity's operations. (American Institute of Certified Public Accountant's Statement of Position No. 94-6);

b. The concept that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions was violated (Concepts Statement No. 1, ¶34);
c. The concept that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events, and circumstances that change resources and claims to those resources was violated (Concepts Statement No. 1, ¶40);

d. The concept that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (Concepts Statement No. 1, ¶50);

e. The concept that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (Concepts Statement No. 1, ¶42);

f. The concept that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (Concepts Statement No. 2, ¶¶58-59);

g. The concept of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (Concepts Statement No. 2, ¶79); and

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h. The concept that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (Concepts Statement No. 2, ¶¶95, 97).

117. The foregoing accounting improprieties caused Rent-A-Center to issue Financial Statements during the Class Period which violated GAAP and the SEC's accounting rules and regulations. In failing to file Financial Statements with the SEC which conformed to the requirements of GAAP, Rent-A-Center disseminated financial statements that were presumptively misleading and inaccurate. Indeed, the numerous accounting machinations detailed herein evidence the Defendants' intent to deceive investors during the Class Period and misrepresent the truth about the Company and its business, operations and financial performance to detriment of those who relied on them.

118. The Company's Class Period Forms 10-Q filed with the SEC were also materially false and misleading in that they failed to disclose known trends, demands, commitments, events, and uncertainties that were reasonably likely to have a materially adverse effect on the Company's liquidity, net sales, revenues and income from continuing operations, as required by Item 303 of Regulation S-K.

**Scienter**

119. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced
in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Rent-A-Center, their control over, and/or receipt and/or modification of the Company’s allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Rent-A-Center, participated in the fraudulent scheme alleged herein.

120. In addition to the conscious behavior and severely reckless conduct of Defendants, facts exist which present two clear motives for engaging in the fraudulent conduct at issue. Furthermore, the facts clearly establish that Defendants had an opportunity to perpetrate the fraud of which the Plaintiffs now complain.

121. First, as previously alleged herein, Defendants were motivated to mislead the investing public regarding Rent-A-Center’s true financial condition in order to complete a Secondary Offering on favorable terms.

122. Second, Defendants Talley and Speese were motivated by the personal financial gain presented by the Secondary Offering. On May 25, 2001, the Secondary Offering became effective and Defendants Talley and Speese sold 2,200,000 of their personally-owned shares of Rent-A-Center common stock at $42.50 per share. Defendant Talley grossed $72,250,000 and Defendant Speese grossed $21,250,000 from this Offering.

123. Moreover, less than one week after the Secondary Offering was completed, Defendant Talley pocketed an additional $78,942,000 from the sale of 1,955,000 shares of Rent-A-Center common stock at a price of $40.38 per share.
124. In addition to the $151 million Defendant Talley profited as a result of his inside sales, the Company also agreed to a stock repurchase agreement wherein, the Company agreed to purchase $25 million in common stock owned Defendant Talley when he "retired" on October 8, 2001, the day on which Rent-A-Center's true financial condition was disclosed.

**FIRST CLAIM**

**Violation Of Section 10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against Defendants Rent-A-Center, Talley, Fadel, Davis and Speese**

125. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

126. During the Class Period, Rent-A-Center and the Individual Defendants each carried out a plan, scheme and course of conduct which was intended to and did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Rent-A-Center's common stock; and (iii) cause Plaintiff and other members of the Class to purchase the Company's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, acted as set forth herein.

127. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Rent-A-Center's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary
participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

128. In addition to the duties of full disclosure imposed on Defendants as a result of their dissemination of affirmative statements, or participation in the making of affirmative statements to the investing public, Defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. Sections 210.01 et seq.) and Regulation S-K (17 C.F.R. Section 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and earnings so that the market price of the Company's securities would be based on truthful, complete and accurate information.

129. Rent-A-Center and the Individual Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Rent-A-Center as specified herein.

130. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Rent-A-Center's value and performance and continued substantial growth, which include the making of, or the participation of the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Rent-A-Center and its business operations
and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Rent-A-Center's common stock during the Class Period.

131. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans projections and/or reports; (iii) each of these Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these Defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

132. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Defendants' material misrepresentations and/or omissions were knowingly or recklessly made for the purpose and effect of concealing Rent-A-Center's operating condition and future business prospects from the investigating public and artificially inflated price of its securities. If Defendants did not have
actual knowledge of the misrepresentation and omissions alleged, they were at the very least
reckless in failing to obtain such knowledge by deliberately refraining from taking the steps
necessary to determine whether those statements were false or misleading.

133. As a result of the dissemination of the materially false and misleading information
and failure to disclose material facts, the market price of Rent-A-Center's common stock was
artificially inflated during the Class Period. Plaintiff and other members of the Class did not
know that the market price of Rent-A-Center's publicly-traded securities was artificially inflated,
and directly or indirectly relied on either the false and misleading statements made by
Defendants, or on the integrity of the NASDAQ, and/or on the absence of material adverse
information that was known to or recklessly disregarded by the Defendants but not disclosed in
public statements by Defendants during the Class Period. Plaintiff and the other members of the
Class acquired Rent-A-Center's common stock during the Class Period at artificially high prices
based on their reliance and were damaged thereby.

134. At the time Defendants disseminated the misrepresentations and omissions
complained of herein, Plaintiff and other members of the Class were ignorant of their falsity, and
believed them to be true. Had Plaintiff and the other members of the Class and the market
known of the true financial condition and business prospects of Rent-A-Center, which were not
disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or
otherwise acquired Rent-A-Center common stock, or would not have purchased them at the
artificially inflated prices which they actually paid.

135. By virtue of the foregoing, Defendants have violated Section 10(b) of the
Exchange Act, and Rule 10b-5 promulgated thereunder.
136. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases and sales of the Company's common stock during the Class Period.

SECOND CLAIM

Violation of Section 20(a) Of
The Exchange Act Against Defendants
Rent-A-Center, Talley, Fadel, Davis and Speese

137. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

138. The Individual Defendants acted as controlling persons of Rent-A-Center within the meaning of Section 20(a) of the Exchange Act. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with, or had unlimited access to, copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

139. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.
140. As set forth above, Rent-A-Center and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Company. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

**THIRD CLAIM**

**Violation of Section 20A Of The Exchange Act Against Defendants Talley and Speese**

141. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

142. This Claim is brought by Plaintiffs Bergbower and Rice and against Defendants Talley and Speese. Each of the Plaintiffs purchased Rent-A-Center common stock contemporaneously with sales of Rent-a-Center stock by Defendants Talley and Speese.

143. By virtue of their positions as senior insiders of Rent-A-Center, Defendants Talley and Speese were in possession of material, non-public information about Rent-a-Center at the time of their collective sales of more than $170 million of their own Rent-a-Center stock to Plaintiffs and members of the Class at artificially inflated prices.

144. By virtue of their participation in the scheme to defraud investors described, herein, and their sales of stock while in possession of material, non-public information about the adverse information detailed herein, these Defendants violated the Exchange Act and applicable rules and regulations thereunder.
145. Plaintiffs and all other members of the Class who purchased shares of Rent-A-
Center stock contemporaneously with the sales of Rent-A-Center stock by Defendants: (1) have
suffered substantial damages in that they paid artificially inflated prices for Rent-A-Center stock
as a result of the violations of §§ 10(b) and 20(a) and Rule 10b-5 herein described; and (2)
would not have purchased Rent-A-Center stock at the prices they paid, or at all, if they had been
aware that the market prices had been artificially inflated by Defendants' false and misleading
statements.

146. Defendants Talley and Speese are required to account for all such stock sales and
to disgorge their profits or ill-gotten gains.

FOURTH CLAIM

Violation of Section 15 of the 1933 Act
Against the Individual Defendants

147. Plaintiffs repeat and reallege each and every allegation contained above.

148. This Count is brought pursuant to Section 15 of the 1933 Act against the
Individual Defendants.

149. Each of the Individual Defendants was a control person of Rent-A-Center by
virtue of their position as directors and/or senior officers of Rent-A-Center. The Individual
Defendants each had a series of direct and/or indirect business and/or personal relationships with
other directors and/or major shareholders of Rent-A-Center.

150. Each of the Individual Defendants was a culpable participant in the violations of
the Claims herein, based on their having signed the Registration Statement and having otherwise
participated in the process which allowed the Secondary Offering to be successfully completed.
FIFTH CLAIM

Violation of Sections 11 and 15 of the 1933 Act
Against Defendants Arnette, Davis, Berg, Copses, Lentell,
Morgan Stanley, Lehman Brothers, Bear Stearns and Robinson Humphrey

151. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein. For purposes of this claim, Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this claims is based solely on claims of strict liability and/or negligence under the 1933 Act.

152. This Claim is brought pursuant to §§ 11 and 15 of the 1933 Act, 15 U.S.C. §§ 77k and 77o, by Plaintiffs detailed below against the following Defendants:

Individual Defendants

Ernest Talley
Mark E. Speese
Mitchell Fadel

L. Dowell Arnette
Robert D. Davis
Laurence M. Berg

Peter P. Copses
J.V. Lentell

Underwriter Defendants

Morgan Stanley Dean Witter & Co.
Bear, Stearns & Co.
Robinson Humphrey Co.
Lehman Brothers, Inc.

153. The Registration Statement and Prospectus filed in connection with the Secondary Offering, as detailed above, were false and misleading, as they omitted to state facts necessary to make the statements made not misleading and failed to adequately disclose material facts as described above.

154. Defendants Rent-A-Center, Talley and Speese are the registrants of the securities sold via the Registration Statement.
155. The individual Defendants named in ¶ 119 above (the "Individual Defendants") were responsible for the contents and dissemination of the Registration Statement as they signed the Registration Statement and participated in the preparation and dissemination of the Registration Statement and Prospectus by preparing, reviewing and/or signing the Registration Statement and Prospectus and thereby causing their filing with the SEC.

156. Each of the Individual Defendants issued, caused to be issued and participated in the issuance of materially false and misleading written statements to the investing public which were contained in the Registration Statement, which misrepresented or failed to disclose, *inter alia*, the facts set forth above.

157. Each of the Individual Defendants prepared, reviewed and/or signed the Registration Statement and Prospectus and/or were sellers of the securities sold in the Offering. None of the Individual Defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement and Prospectus were true and did not omit any material fact and were not misleading.

158. The underwriters named in this Claim, underwrote the Rent-A-Center securities sold in the Offering as defined in § 11(a)(5) of the 1933 Act as detailed in ¶ 119 above. As underwriters of the offerings, the underwriters were obligated to make reasonable and diligent investigations of the statements contained in the Registration Statement and Prospectus at the time they were filed with the SEC and/or became effective, to ensure that said statements were not misleading and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. The underwriters did not make a reasonable and diligent investigation, nor did they possess reasonable grounds for the belief that
the statements contained in the Registration Statement and Prospectus at the time they became
effective were true and that there was no omission to state a material fact required to be stated in
order to make the statements contained therein not misleading. As such, the Defendants detailed
above are liable as detailed herein.

159. Plaintiff Rice and members of the Offering Subclass purchased the Rent-A-Center
securities traceable to the false and misleading Registration Statement. As a direct and
proximate result of Defendants’ acts and omissions in violation of the 1933 Act, Plaintiff and
members of the Offering Subclass suffered substantial damage in connection with their purchases
of the Rent-A-Center securities sold in the Offering. By reasons of the conduct herein alleged,
each Defendant violated, and/or in violation of § 15 of the 1933 Act, controlled a person who
violated § 11 of the 1933 Act.

160. At the times they purchased Rent-A-Center securities traceable to the defective
Registration Statement, Plaintiff and the members of the Offering Subclass were without
knowledge of the facts concerning the false or misleading statements or omissions alleged herein.

161. Less than one year has elapsed from the time that the Plaintiffs have discovered or
reasonably could have discovered the facts upon which this Complaint is based to the time that
this action was commenced. Less than three years have elapsed from the time that the securities
upon which this Claim is brought were bona fide offered to the time this action was commenced.
SIXTH CLAIM

Violation of Section 12 of the 1933 Act
Against Underwriter Defendants Morgan Stanley, Lehman Brothers,
Bear Stearns and Robinson Humphrey

162. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein, except to the extent that any such allegation may be deemed to sound in fraud.

163. This Count is brought by Plaintiffs pursuant to Section 12(a)(2) of the Securities Act on behalf of all purchasers of Rent-A-Center shares in connection with, and traceable to, the Secondary Offering.

164. The Underwriter Defendants were sellers and offerors of the shares offered pursuant to the Prospectus.

165. The Prospectus contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. The Underwriter Defendants' actions of solicitation included participating in the preparation of the false and misleading Prospectus.

166. The Underwriter Defendants owed to the purchasers of Rent-A-Center securities, including Plaintiffs and other class member purchasers of Rent-A-Center shares, the duty to make a reasonable and diligent investigation of the statements contained in the Offering materials, including the Prospectus contained therein, to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. These Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the Secondary Offering materials as set forth above.
167. Plaintiffs and other members of the Class purchased or otherwise acquired Rent-A-Center shares pursuant to the defective Prospectus. Plaintiffs did not know, or in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the Prospectus.

168. Plaintiffs, individually and representatively, hereby offer to tender to the Underwriter Defendants those securities which Plaintiffs and other Class members continue to own, on behalf of all members of the Class who continue to own such securities, in return for the consideration paid for those securities together with interest thereon. Class members who have sold their Rent-A-Center shares are entitled to recissory damages.

169. By reason of the conduct alleged herein, these Defendants violated, and/or controlled a person who violated, § 12(a)(2) of the Securities Act. Accordingly, Plaintiffs and members of the Class who hold Rent-A-Center shares purchased in the Offering have the right to rescind and recover the consideration paid for their Rent-A-Center shares and, hereby elect to rescind and tender their Rent-A-Center shares to the Underwriter Defendants sued herein. Plaintiffs and Class members who have sold their Rent-A-Center shares are entitled to recissory damages.

170. Less than three years elapsed from the time that the securities upon which this Count is brought were sold to the public to the time of the filing of this action. Less than one year elapsed from the time when Plaintiffs discovered or reasonably could have discovered the facts upon which this Count is based to the time of the filing of this action.

WHEREFORE, Plaintiffs prays for relief and judgment, as follows:
a. Determining that this action is a proper class action, designating Plaintiffs as Lead Plaintiffs and certifying Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedures and Plaintiffs' counsel as Lead Counsel;

b. Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

c. Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

d. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

DATED: November 25, 2002

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