

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS**

_____, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

v.

RENT-A-CENTER, INC., ROBERT D.
DAVIS, and GUY J. CONSTANT,

Defendants.

Case No.:

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff _____ (“Plaintiff”), by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Rent-A-Center, Inc., (“Rent-A-Center” or the “Company”), with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Rent-A-Center; and (c) review of other publicly available information concerning Rent-A-Center.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that acquired Rent-A-Center’s securities between July 27, 2015, and October 10, 2016, inclusive (the “Class Period”), against the Defendants, seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Rent-A-Center operates a network of stores that provides consumer electronics, appliances, computers (including tablets), smartphones, and furniture (including accessories), under rental purchase agreements.

3. In the summer of 2015, the Company began implementing a point of sale system and customer credit program to control inventories, and increase revenues and profitability. However, the Company’s new point of sale system was not implemented properly and in fact caused severe harm to Rent-A-Center’s overall operations, especially the Company’s new customer credit program Acceptance Now.

4. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company’s business,

operations, and prospects. Specifically, Defendants failed to disclose: (1) that Rent-A-Center could not properly implement its new point of sale system (“POS”); (2) that, the POS was performing extremely poorly, including several instances where the system suffered complete outages; (3) that as a result, the Company’s Acceptance Now credit system could not be implemented properly; (4) that the Company could not meet revenue and profitability guidance provided to investors; (5) that, as such, the Company would need to revise its prior guidance; and (6) that, as a result of the foregoing, Defendants’ statements about Rent-A-Center’s business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

5. On October 11, 2016, the Company issued a press release entitled “Rent-A-Center, Inc. Announces Selected Preliminary Third Quarter 2016 Financial Information.” Therein, the Company, in relevant part, disclosed:

Preliminary Unaudited Financial Information for Third Quarter 2016

The Company estimates Core U.S. same store sales for the three months ended September 30, 2016 to be down approximately 12%, and Acceptance Now same store sales to be essentially flat. Core U.S. gross profit, as a percent of total revenue, is estimated to be flat compared to the third quarter of last year as ongoing benefits from the changes made to the Company’s sourcing model were offset by a third-quarter clearance event focused on previously-rented product. Diluted earnings per share for the third quarter 2016 on both a GAAP basis and excluding special items are expected to be between \$0.05 and \$0.15.

“Following the implementation of our new point-of-sale system, we experienced system performance issues and outages that resulted in a larger than expected negative impact on Core sales,” said Robert D. Davis, Chief Executive Officer of Rent-A-Center, Inc. “While we expect it to take several quarters to fully recover from the impact to the Core portfolio, system performance has improved dramatically and we have started to see early indicators of collections improvement.”

[Emphasis added.]

6. On this news, shares of Rent-A-Center fell \$3.70 per share, or nearly 30%, to close at \$9.18 per share on October 11, 2016, on unusually heavy trading volume.

7. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

8. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

10. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this Judicial District.

11. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

12. Plaintiff _____, as set forth in the accompanying certification, incorporated by reference herein, purchased Rent-A-Center common stock during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements

and/or material omissions alleged herein.

13. Defendant Rent-A-Center, Inc. is a Delaware corporation headquartered in Plano, Texas. Rent-A-Center's common stock trades on NASDAQ under the symbol "RCII."

14. Defendant Robert D. Davis ("Davis") is the Company's Chief Executive Officer ("CEO") beginning his tenure on February 1, 2014.

15. Defendant Guy J. Constant ("Constant") was the Company's Chief Financial Officer between June 16, 2014 and December 2, 2016.

16. Defendants Davis and Constant (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of Rent-A-Center's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

Background

17. Rent-A-Center operates retail stores and an e-commerce site that provides consumer electronics, appliances, computers (including tablets), smartphones, and furniture

(including accessories), under rental purchase agreements.

**Materially False and Misleading
Statements Issued During the Class Period**

18. The Class Period begins on July 27, 2015, on that day the Company issued a press release entitled “Rent-A-Center, Inc. Grows Consolidated Same Store Sales by 7.5 Percent and Achieves 1.4% Positive Same Store Sales in the Core U.S. Segment.” Therein, the Company, in relevant part, stated:

Highlights on the quarter include the following:

- On a GAAP basis, earnings per diluted share increased to \$0.43 in the second quarter compared to \$0.33 for the second quarter of the prior year, up 10 cents or 30.3 percent
- Earnings per diluted share, excluding special items, increased to \$0.50 compared to \$0.38 for the second quarter of the prior year, up 12 cents or 31.6 percent (see non-GAAP reconciliation below)
- Consolidated total revenues increased 6.1 percent to \$815.3 million and same store sales increased 7.5 percent over the prior year
- Core U.S. same store sales increased by 1.4 percent, representing an improvement of 610 basis points compared to prior year. Since the first quarter of 2014, the two-year same store sales comp has improved by 1,150 basis points. The improvement is primarily due to the new smartphone product category and higher merchandise sales.
- Acceptance Now same store sales increased 31.6 percent, representing an improvement of 650 basis points compared to prior year, driven by the continued maturation of the business and the introduction of 90 day option pricing. During the quarter, 48 Acceptance Now staffed locations and 10 direct locations were opened, 20 staffed locations were closed, and one staffed location was converted to a direct location.
- The Company’s operating profit as a percent of total revenues, excluding special items, increased 90 basis points as compared to prior year, from 5.8 percent to 6.7 percent (see non-GAAP reconciliation below)
- For the six months ended June 30, the Company generated \$189.2 million of cash from operations, capital expenditures totaled \$42.9

million, and the Company ended the second quarter with \$70.5 million of cash and cash equivalents

- The Company declared a dividend of 24 cents per share in the second quarter of 2015, which was paid July 23, 2015

Progress on initiatives:

- Sourcing & Distribution - all five distribution centers are fully operational and we expect to see \$25 to 35 million of annual run-rate product cost savings by the end of 2015. The income statement benefit of these savings is expected to be fully realized by the end of 2016.
- Flexible Labor - our new model has now been introduced in approximately 800 Core U.S. locations, and remains on track to generate \$20 to 25 million of annual run rate savings by mid-2016
- Smartphones - smartphones were approximately 9.0 percent of Core U.S. total store revenues, losses were down sequentially, and contribution margin of the category is approximately 40 percent and improving
- Pricing - we continue to transition from our historical, cost-based pricing model to a data-driven, market-responsive model in the Core U.S. segment
- **New point-of-sale system - the pilot has been expanded to approximately 150 stores**
- Acceptance Now - our online approval engine was deployed to 7 key retail partner websites, and we have implemented the cascade/approval waterfall or retail partner point-of-sale integration to over 200 existing locations. Since we took advantage of the opportunity to grow these channels in the first half of the year, we now plan to rollout approximately 500 Acceptance Now direct locations by year end.

[Emphasis added.]

"We continue to see progress toward transforming our Core business and profitably growing Acceptance Now," said Robert D. Davis, the Chief Executive Officer of Rent-A-Center, Inc. "Our Core U.S. business had a second consecutive quarter of positive same store sales, and lower costs helped us achieve improved profitability. Our Flexible Labor and Sourcing and Distribution initiatives have only just started to roll out which we believe will drive significant benefits in the back half of the year. The annualized run rate savings of these two initiatives

alone is expected to be \$45 to 60 million," Mr. Davis continued.

"Acceptance Now continues to deliver solid revenue growth at industry-leading margins. We provide the highest approval rates and invoice volume per location in the industry and drive meaningful growth for our retail partners. Through technology, we are expanding sales channels to include the Acceptance Now value proposition on retail partner websites, and improving the in-store customer experience through seamless capture of customer information," Mr. Davis concluded.

19. On July 28, 2015, the Company also held a conference call with investors, and therein reaffirmed the Company's commitment to the new point of sale system, and touted to investors the benefits of such a system, "Regarding our new point-of-sale system, the pilot has been expanded with 150 Core U.S. stores running the new system exclusively. We expect general deployment of our new POS system through remainder of our Core U.S. RTO stores to be complete by year end, pending success at specific milestones. Our new system will provide us the tools to better serve our customers."

20. On August 11, 2015, the Company filed its Quarterly Report on Form 10-Q with the SEC. The 10-Q was signed by Defendants Davis and Constant, and reaffirmed the Company's financial results previously announced in the July 27, 2015 press release.

21. On October 26, 2015, the Company issued a press release entitled "Rent-A-Center, Inc. Grows Acceptance Now Location Count by 15 Percent and Consolidated Same Store Sales by 5.2 Percent." Therein, the Company, in relevant part, stated

Highlights on the quarter include the following:

- On a GAAP basis, loss per diluted share was \$0.08 in the third quarter compared to earnings of \$0.49 for the third quarter of the prior year, due primarily to the \$34.7 million write-down of smartphones as discussed below
- Earnings per diluted share, excluding special items, was \$0.47 compared to \$0.50 for the third quarter of the prior year (see non-GAAP reconciliation

below)

- Consolidated total revenues increased 3.6 percent to \$791.6 million and same store sales increased 5.2 percent over the prior year
- Acceptance Now same store sales increased 24.5 percent, driven by the continued ramp-up of existing locations and the introduction of 90 day option pricing. During the third quarter, 30 Acceptance Now staffed locations and 208 direct locations were opened, 18 staffed locations were merged with existing locations, and three staffed locations were converted to direct locations.
- Core U.S. same store sales decreased by 0.2 percent, representing an improvement of 340 basis points compared to prior year. Since the first quarter of 2014, the two-year same store sales comp has improved by 1,100 basis points. The improvement is primarily due to the new smartphone product category and higher merchandise sales, offset by headwinds in oil industry affected markets and continued pressure in the computers and tablets category.
- The Company's operating profit as a percent of total revenues, excluding special items, increased to 6.6 percent, a 50 basis point improvement over the prior year. Adjusted EBITDA increased by 8.5 percent over the prior year (see Table 3 below).
- For the nine months ended September 30, the Company generated \$249.3 million of cash from operations, capital expenditures totaled \$61.1 million, and the Company ended the third quarter with \$60.1 million of cash and cash equivalents, and \$41.8 million less in debt compared to Q2 2015
- The Company declared a dividend of 24 cents per share in the third quarter of 2015, which was paid October 22, 2015

"The third quarter again reinforces our focus on improving returns on our existing assets, in order to fund higher return growth initiatives," said Robert D. Davis, the Chief Executive Officer of Rent-A-Center, Inc. "The Acceptance Now location count increased 15 percent this quarter driven primarily by adding direct locations. While we believe the staffed model will continue to be the gold standard for the industry, given its superior ability to drive volume and profit dollars, our direct channel enables the expansion of our offering to lower volume locations and broadens our scope of potential retailers. We recognize that

technology and innovation are critical to compete and we are investing accordingly to continuously enhance our value proposition," Mr. Davis continued.

"Improved profitability trends in the Core U.S. business including a \$40 million reduction of store expenses through the third quarter reflect clear progress on implementing the strategic initiatives. The upfront work associated with our flexible labor and sourcing and distribution initiatives is substantially complete and they remain on track for the expected benefits. In order to further optimize our store base, approximately 100 under-performing stores were closed or sold during the quarter. By improving the return profile of existing assets through our strategic initiatives and by optimizing the store base, we are able to reinvest in new technology to support our rapidly growing Acceptance Now business," Mr. Davis concluded.

Progress on initiatives:

- Acceptance Now Technology Initiatives - doubled the penetration of online approval via retailer websites as well as the technology to support the seamless application process. Each of these technologies are available in about a third of our staffed locations
- Sourcing & Distribution - all products are flowing through the new supply chain, all DCs have been fully sourced with product, and the initiative remains on track to fully realize \$25 to 35 million of annual run-rate income statement benefits by the end of 2016
- Flexible Labor - our new model has been introduced in approximately 2,100 Core U.S. locations, 5,550 new part-time co-workers have joined the Company, and the initiative remains on track to generate \$20 to 25 million of annual run rate savings by mid-2016
- Omni-channel initiatives - began pilot of virtual approval on Rentacenter.com and will have full eCommerce capability in 2016
- Smartphones - smartphones were approximately 9.0 percent of Core U.S. total store revenues and the locking software is installed on 65 percent of on-rent phones and virtually all of our new phones
- **New point-of-sale system - the pilot has been expanded and is now in 8.5 percent of Core U.S. stores**

22. On October 27, 2015, the Company held a conference call with investors, and

touted the success of the new point of sale system, and its integration into Acceptance Now, stating in relevant part:

We offer several technology options for our retailers which allow customers to complete one application for primary credit, secondary credit and lease-to-own at the same time increasing our capture rate for customers that are turned down for traditional credit. Retailers have the option of either integrating the Acceptance Now approval process into, one, their existing primary and secondary financing process, their point-of-sale system or via a stand-alone kiosk. The number of Acceptance Now locations with these seamless approval technology options has doubled this quarter and is already available in about 30% of our staffed locations.

Acceptance Now's approach is to have an open platform that allows us to partner with the established best-of-breed primary and secondary financing companies already in retailer locations rather than entering into the secondary financing space ourselves. This gives our retail partners the flexibility to choose which financing companies to do business with, using the seamless integration capabilities that we have with the top three leading secondary finance companies. We plan to focus on our core competency, the lease-to-own opportunity which has higher margins and operates under a different regulatory framework than secondary financing.

23. On November 9, 2015, the Company filed its Quarterly Report on Form 10-Q with the SEC. The 10-Q was signed by Defendants Davis and Constant, and reaffirmed the Company's financial results previously announced in the October 26, 2015 press release.

24. The above statements identified in ¶¶18-23 were materially false and/or misleading, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose: (1) that Rent-A-Center could not properly implement its new point of sale system ("POS"); (2) that, the POS was performing extremely poorly, including several instances where the system suffered complete outages; (3) that as a result, the Company's Acceptance Now credit system could not be implemented properly; (4) that the Company could not meet revenue and profitability guidance provided to investors; (5) that, as such, the Company would need to revise its prior guidance; and

(6) that, as a result of the foregoing, Defendants' statements about Rent-A-Center's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis

25. On February 1, 2016, the Company issued a press release entitled "RENT-A-CENTER, INC. REPORTS FOURTH QUARTER AND YEAR END 2015 RESULTS. Fourth Quarter and Full Year 2015 EPS Increased Excluding Special Items." Therein, the Company, in relevant part, stated:

Notable Items for the Quarter

GAAP Basis

- Diluted loss per share was \$17.20 compared to earnings of \$0.48 for the fourth quarter of 2014. For the full year 2015, diluted loss per share was \$16.34 compared to earnings of \$1.81 in the prior year. These losses were the result of the impairment of goodwill described below
- The Company's annual goodwill impairment testing performed in the fourth quarter resulted in the recognition of a \$1,170.0 million goodwill impairment. The impairment is a non-cash charge and does not affect liquidity or debt covenants

Excluding Special Items (see non-GAAP reconciliation below)

- Diluted earnings per share increased to \$0.54 compared to \$0.51 for the fourth quarter of 2014. For the full year 2015, diluted earnings per share increased to \$2.03 compared to \$1.96 in the prior year
- Consolidated total revenues decreased 0.4 percent to \$793.8 million and same store sales increased 1.7 percent
- Acceptance Now same store sales increased 13.7 percent as the Company begins to lap the 90 day option pricing changes
- Core U.S. same store sales decreased by 2.2 percent as the Company has fully lapped the introduction of the smartphone category. Core U.S. same store sales is driven by declines in the computer and tablets category and headwinds in oil affected markets, partially offset by increases in furniture, consumer electronics, and appliances
- The Company's operating profit as a percent of total revenues

increased to 6.7 percent, a 40 basis point improvement over the prior year

- For the full year 2015, the Company generated \$230.5 million of cash from operations, capital expenditures totaled \$80.9 million, and the Company ended the year with \$60.4 million of cash and cash equivalents
- The Company reduced its outstanding debt balance by \$74.4 million in 2015 compared to prior year and total debt was \$968.4 million as of December 31, 2015
- The Board of Directors has declared a quarterly dividend of \$0.08 per share payable on April 21, 2016, to common stockholders of record as of the close of business on April 4, 2016

"Earnings per share for the fourth quarter and the full year 2015, excluding special items, were higher year over year," stated Mr. Robert D. Davis, Chief Executive Officer of Rent-A-Center, Inc. "Same store sales and profitability trends in our Core business improved in 2015. We delivered double digit same store sales and unit growth in our Acceptance Now business, and Acceptance Now gross margins improved sequentially in Q4, demonstrating our focus on profitable growth. There continue to be additional opportunities to unlock further growth in the business and we are committed to improving operational execution and driving toward higher performance."

"Our results are not where we want them to be, however, the Rent-A-Center team has made significant progress on a number of fronts. We are now two years into our multi-year transformation and we are making the necessary changes to improve our profitability to drive the long-term success of Rent-A-Center. Our goals continue to be delivering improved profitability in our Core rent-to-own business, maximizing the Acceptance Now revenue growth and profit opportunity, and optimizing our Mexico business," Mr. Davis concluded.

26. In the February 1, 2016 press release, the Company also provided guidance for 2016, stating in relevant part:

The Company expects to deliver growth in earnings per share assuming:

Core U.S. revenue down 4.0% to 6.0% driven by same store sales decline of 1.0% to 3.0% and the impact of store rationalization efforts

Acceptance Now revenue of \$850 to \$900 million

The Company expects to deliver improved operating profit margin, EBITDA, and free cash flow in both the Core U.S. and Acceptance Now

27. On this news the Company's shares fell \$3.39 per share, or over 25%, on February 2, 2016, to close at \$9.89 per share.

28. On February 29, 2016, the Company filed its Annual Report on Form 10-K with the SEC. The 10-K was signed by Defendants Davis and Constant, and reaffirmed the Company's financial results previously announced in the February 1, 2016 press release.

29. On April 27, 2016, the Company issued a press release entitled "RENT-A-CENTER, INC. REPORTS FIRST QUARTER 2016 RESULTS. Rent-A-Center, Inc. Reports Earnings per Share of \$0.47, Reduces Debt by \$212 million, and Achieves Consolidated Leverage Ratio of 2.52x." Therein, the Company, in relevant part, stated:

Notable Items for the Quarter

Explanations of performance are compared to the prior year unless otherwise noted

GAAP Basis

- Diluted earnings per share was \$0.47 compared to \$0.51 for the first quarter of 2015

Excluding Special Items (see non-GAAP reconciliation below)

- Diluted earnings per share was \$0.48 compared to \$0.52 for the first quarter of 2015
- Consolidated total revenues decreased 4.8 percent to \$835.7 million and same store sales decreased 2.5 percent
- Acceptance Now revenue increased by 2.7 percent driven by revenue growth in locations open less than 12 months. Same store sales were flat and were negatively impacted sequentially due to completing the lap of 90 day option pricing changes by the end of the quarter, further deterioration in oil affected markets, and the Company's increased focus on driving profitable sales
- Core U.S. same store sales decreased by 3.8 percent driven by continued

declines in the computer/tablet category, the impact resulting from the ongoing recast of the smartphone category, further deterioration in oil affected markets, and lower merchandise sales revenue

- The Company's operating profit as a percent of total revenues decreased to 6.1 percent, a 40 basis point decline over the prior year
- For the three months ended March 31, the Company generated \$226.5 million of cash from operations, capital expenditures totaled \$14.4 million, and the Company ended the first quarter with \$46.4 million of cash and cash equivalents
- The Company reduced its outstanding debt balance by \$212.1 million in the quarter and the Consolidated Leverage Ratio was at 2.52x as of March 31, 2016
- The Company declared a quarterly dividend of \$0.08 per share in the first quarter of 2016, which was paid April 21, 2016

"We have made significant progress on our profit optimization initiatives and capital allocation strategy. In the Core business, our pricing and supply chain initiatives increased gross profit margin and our flexible labor initiative continues to improve productivity. Additionally, more efficient use of working capital allowed us to improve leverage more swiftly than anticipated, and our path to achieve profitability in Mexico is ahead of plan," said Robert D. Davis, the Chief Executive Officer of Rent-A-Center, Inc.

Mr. Davis continued, "Our first quarter sales results were impacted by macro as well as company-specific headwinds, the latter of which reflect some conscious decisions to improve our profitability. We are also making significant progress with our new Acceptance Now commercial capabilities team which has already translated into a stronger pipeline of new retail partner opportunities," Mr. Davis concluded.

30. On this news the Company's shares fell \$2.01 per share, or 12.79%, to close on April 28, 2016 at \$13.70 per share.

31. On April 29, 2016, the Company filed its Quarterly Report on Form 10-Q with the SEC. The 10-Q was signed by Defendants Davis and Constant, and reaffirmed the Company's financial results previously announced in the April 27, 2016 press release.

32. The above statements identified in ¶¶25, 26, 28-29, 31 were materially false

and/or misleading, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose: (1) that Rent-A-Center could not properly implement its new point of sale system ("POS"); (2) that, the POS was performing extremely poorly, including several instances where the system suffered complete outages; (3) that as a result, the Company's Acceptance Now credit system could not be implemented properly; (4) that the Company could not meet revenue and profitability guidance provided to investors; (5) that, as such, the Company would need to revise its prior guidance; and (6) that, as a result of the foregoing, Defendants' statements about Rent-A-Center's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

33. On July 27, 2016, the Company issued a press release entitled "RENT-A-CENTER, INC. REPORTS FIRST SECOND 2016 RESULTS" Therein, the Company, in relevant part, stated:

Notable Items for the Quarter

Explanations of performance are compared to the prior year unless otherwise noted

GAAP Basis

- Diluted earnings per share was \$0.19 compared to \$0.43 for the second quarter of 2015

Excluding Special Items (see "Non-GAAP Reconciliation" and related tables below)

- Diluted earnings per share was \$0.41 compared to \$0.50 for the second quarter of 2015
- Consolidated total revenues decreased 8.1 percent to \$749.6 million and same store sales decreased 4.9 percent
- Acceptance Now revenue decreased by 0.5 percent driven by headwinds in oil affected markets and the Company's increased focus on driving profitable sales

- Core U.S. revenue decreased by 10.6 percent driven by the continued rationalization of our store base and same store sales. Core U.S. same store sales decreased by 6.7 percent driven by the impact and acceleration of the point of sale system rollout, the impact resulting from the ongoing recast of the smartphone category, continued declines in the computer/tablet category, further deterioration in oil affected markets, and merged stores reentering the comp store base
- The Company's EBITDA as a percent of total revenues was 9.0 percent, down 20 basis points to prior year and operating profit as a percent of total revenues was 6.2 percent, down 50 basis points to prior year
- For the six months ended June 30, 2016 the Company generated \$303.1 million of cash from operations, capital expenditures totaled \$28.2 million, and the Company ended the second quarter with \$88.2 million of cash and cash equivalents
- The Company reduced its outstanding debt balance by \$20.5 million in the quarter and the Consolidated Leverage Ratio was at 2.37x as of June 30, 2016
- The Company declared a quarterly dividend of \$0.08 per share in the second quarter of 2016, which was paid July 21, 2016

"Although I am pleased with the progress made in several areas of our transformation, I am disappointed in our top line performance. *The point of sale implementation negatively impacted Core revenue in the second quarter and reduced our portfolio making it necessary to revise our outlook for the year. However, the benefits of the system will play an important role in helping reinvigorate Core revenue in the future by enabling eCommerce and unlocking new pricing capabilities,*" said Robert D. Davis, the Chief Executive Officer of Rent-A-Center, Inc.

Mr. Davis continued, "Despite the challenging top line, we have made good progress on improving gross margins, increasing productivity, Mexico profitability, and reducing our leverage ratio. In addition, the Acceptance Now pipeline is progressing nicely with several national retail partner prospects interested in our model," Mr. Davis concluded.

[Emphasis added.]

34. On this news the Company's shares fell \$2.34 per share, or almost 18%, to close at \$10.92 per share on July 28, 2016.

35. On August 1, 2016, the Company filed its Quarterly Report on Form 10-Q with the SEC. The 10-Q was signed by Defendants Davis and Constant, and reaffirmed the Company's financial results previously announced in the July 28, 2016 press release.

36. The above statements identified in ¶¶33 and 35 were materially false and/or misleading, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose: (1) that Rent-A-Center could not properly implement its new point of sale system ("POS"); (2) that, the POS was performing extremely poorly, including several instances where the system suffered complete outages; (3) that as a result, the Company's Acceptance Now credit system could not be implemented properly; (4) that the Company could not meet revenue and profitability guidance provided to investors; (5) that, as such, the Company would need to revise its prior guidance; and (6) that, as a result of the foregoing, Defendants' statements about Rent-A-Center's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

Disclosures at the End of the Class Period

37. On October 11, 2016, the Company issued a press release entitled "Rent-A-Center, Inc. Announces Selected Preliminary Third Quarter 2016 Financial Information." Therein, the Company, in relevant part, disclosed:

Preliminary Unaudited Financial Information for Third Quarter 2016

The Company estimates Core U.S. same store sales for the three months ended September 30, 2016 to be down approximately 12%, and Acceptance Now same store sales to be essentially flat. Core U.S. gross profit, as a percent of total revenue, is estimated to be flat compared to the third quarter of last year as ongoing benefits from the changes made to the Company's sourcing model were offset by a third-quarter clearance event focused on previously-rented product. Diluted earnings per share for the third quarter 2016 on both a GAAP basis and excluding special items are expected to be between \$0.05 and \$0.15.

"Following the implementation of our new point-of-sale system, we experienced

system performance issues and outages that resulted in a larger than expected negative impact on Core sales,” said Robert D. Davis, Chief Executive Officer of Rent-A-Center, Inc. “While we expect it to take several quarters to fully recover from the impact to the Core portfolio, system performance has improved dramatically and we have started to see early indicators of collections improvement.”

[Emphasis added.]

38. On this news, shares of Rent-A-Center fell \$3.70 per share, or nearly 30%, to close at \$9.18 per share on October 11, 2016, on unusually heavy trading volume.

CLASS ACTION ALLEGATIONS

39. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that acquired Rent-A-Center’s securities between July 27, 2015, and October 10, 2016, inclusive, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, 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.

40. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Rent-A-Center’s common stock actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of Rent-A-Center shares were traded publicly during the Class Period on the NASDAQ. As of October 26, 2016, Rent-A-Center had 53,149,617 shares of common stock 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.

41. Plaintiff's 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 law that is complained of herein.

42. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

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

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Rent-A-Center; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

44. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since 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.

UNDISCLOSED ADVERSE FACTS

45. The market for Rent-A-Center's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Rent-A-Center's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Rent-A-Center's securities relying upon the integrity of the market price of the Company's securities and market information relating to Rent-A-Center, and have been damaged thereby.

46. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Rent-A-Center's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about Rent-A-Center's business, operations, and prospects as alleged herein.

47. 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 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 and/or misleading statements about Rent-A-Center's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period

resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

LOSS CAUSATION

48. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

49. During the Class Period, Plaintiff and the Class purchased Rent-A-Center's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

50. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or 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, the Individual 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 Rent-A-Center'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.

**APPLICABILITY OF PRESUMPTION OF RELIANCE
(FRAUD-ON-THE-MARKET DOCTRINE)**

51. The market for Rent-A-Center's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Rent-A-Center's securities traded at artificially inflated prices during the Class Period. On August 17, 2015, the Company's stock price closed at a Class Period high of \$27.58 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of Rent-A-Center's securities and market information relating to Rent-A-Center, and have been damaged thereby.

52. During the Class Period, the artificial inflation of Rent-A-Center's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by 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 and/or misleading statements about Rent-A-Center's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Rent-A-Center and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

53. At all relevant times, the market for Rent-A-Center's securities was an efficient market for the following reasons, among others:

- (a) Rent-A-Center stock met the requirements for listing, and was listed and actively

traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Rent-A-Center filed periodic public reports with the SEC and/or the NASDAQ;

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

(d) Rent-A-Center was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports 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.

54. As a result of the foregoing, the market for Rent-A-Center's securities 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's securities during the Class Period suffered similar injury through their purchase of Rent-A-Center's securities at artificially inflated prices and a presumption of reliance applies.

55. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial

prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

NO SAFE HARBOR

56. 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 statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and 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. In the alternative, to the extent that the statutory safe harbor is determined to 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 was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Rent-A-Center who knew that the statement was false when made.

FIRST CLAIM **Violation of Section 10(b) of The Exchange Act and** **Rule 10b-5 Promulgated Thereunder** **Against All Defendants**

57. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

58. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Rent-A-Center's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

59. 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.

60. 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 Rent-A-Center's financial well-being and prospects, as specified herein.

61. 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 included the making of, or the participation in the making of, untrue statements of material facts and/or 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 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 the Company's securities during the Class Period.

62. 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 their 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 and/or recklessly disregarded was materially false and misleading.

63. Defendants had actual knowledge of the misrepresentations and/or 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. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Rent-A-Center's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As

demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

64. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Rent-A-Center's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by 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 securities during the Class Period at artificially high prices and were damaged thereby.

65. At the time of said misrepresentations and/or omissions, 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 marketplace known the truth regarding the problems that Rent-A-Center was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Rent-A-Center securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

66. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange

Act and Rule 10b-5 promulgated thereunder.

67. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM
Violation of Section 20(a) of The Exchange Act
Against the Individual Defendants

68. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

69. Individual Defendants acted as controlling persons of Rent-A-Center within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, 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. 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.

70. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the

same.

71. As set forth above, Rent-A-Center and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, 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 securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff 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 Plaintiff 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

Plaintiff hereby demands a trial by jury.