RENT A CENTER INC DE
Form PRRN14A
April 20, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of The Securities Exchange Act of 1934

(Amendment No. 3)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule
14a-12

RENT-A-CENTER, INC.
(Name of Registrant as Specified in Its Charter)

Engaged Capital Flagship Master Fund, LP

Engaged Capital Co-Invest V, LP

ENGAGED CAPITAL CO-INVEST V-A, LP

Engaged Capital Flagship Fund, LP

Engaged Capital Flagship Fund, Ltd.

Engaged Capital, LLC

Engaged Capital Holdings, LLC

Glenn W. Welling

Jeffrey J. Brown

Mitchell E. Fadel

Christopher B. Hetrick
(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY SUBJECT TO COMPLETION
DATED APRIL 20, 2017

ENGAGED CAPITAL FLAGSHIP MASTER FUND, LP

_____, 2017

Dear Fellow Rent-A-Center Stockholder:

Engaged Capital Flagship Master Fund, LP (together with its affiliates, "Engaged Capital" or "we") and the participants in this solicitation are the beneficial owners of an aggregate of 8,983,609 shares of common stock, par value $0.01 per share (the "Common Stock"), of Rent-A-Center, Inc., a Delaware corporation ("Rent-A-Center" or the "Company"), representing approximately 16.9% of the outstanding shares of Common Stock. For the reasons set forth in the attached Proxy Statement, we believe meaningful changes to the composition of the Board of Directors of the Company (the "Board") are necessary in order to ensure that the Company is being run in a manner consistent with your best interests. We are seeking your support for the election of our three (3) nominees at the annual meeting of stockholders scheduled to be held at [_____], on Thursday, June 8, 2017, at 8:00 a.m. local time (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the "Annual Meeting"). We are seeking representation on the Board because we believe that the Board will benefit from the addition of directors with relevant skill sets and a shared objective of enhancing value for the benefit of all Rent-A-Center stockholders. The individuals that we have nominated are highly-qualified, capable and ready to serve the stockholders of Rent-A-Center.

Our interests are fully aligned with the interests of all Rent-A-Center stockholders. We believe that there is significant value to be realized at Rent-A-Center. However, we are concerned that the Board is not taking the appropriate actions to address the Company's continuing underperformance. Given the Company's financial and stock price underperformance under the oversight of the current Board, we strongly believe that the Board must be reconstituted to ensure that the interests of the stockholders, the true owners of Rent-A-Center, are appropriately represented in the boardroom, and that the Board takes the necessary steps to help the Company's stockholders realize maximum value for their investment. Collectively, our nominees bring not only significant operating experience in the rent-to-own industry, but a strong track record of creating stockholder value. The Company has a classified Board, which is currently divided into three (3) classes. The terms of three (3) Class II directors expire at the Annual Meeting. We are seeking your support at the Annual Meeting to elect our nominees in opposition to three (3) of the Company's director nominees for the class with terms ending in 2020. Your vote to elect our nominees will have the legal effect of replacing three (3) incumbent directors with our nominees. If elected, our nominees will constitute a minority on the Board and there can be no guarantee that our nominees will be able to implement the actions that they believe are necessary to unlock stockholder value.

We urge you to carefully consider the information contained in the attached Proxy Statement and then support our efforts by signing, dating and returning the enclosed **BLUE** proxy card today. The attached Proxy Statement and the enclosed **BLUE** proxy card are first being furnished to the stockholders on or about _____, 2017.

If you have already voted for the incumbent management slate, you have every right to change your vote by signing, dating and returning a later dated **BLUE** proxy card or by voting in person at the Annual Meeting.

If you have any questions or require any assistance with your vote, please contact Saratoga Proxy Consulting LLC, which is assisting us, at its address and toll-free numbers listed below.

Thank you for your support,

/s/ Glenn W. Welling

Glenn W. Welling
Engaged Capital Flagship Master Fund, LP

*If you have any questions, require assistance in voting your **BLUE** proxy card,*

or need additional copies of Engaged Capital's proxy materials,

please contact Saratoga at the phone numbers listed below.

Stockholders call toll free at (800) 368-0379

Email: info@saratogaproxy.com

PRELIMINARY COPY SUBJECT TO COMPLETION
DATED APRIL 20, 2017

2017 ANNUAL MEETING OF STOCKHOLDERS
OF
RENT-A-CENTER, INC.

_____

PROXY STATEMENT
OF
ENGAGED CAPITAL FLAGSHIP MASTER FUND, LP

_____

PLEASE SIGN, DATE AND MAIL THE ENCLOSED BLUE PROXY CARD TODAY

Engaged Capital Flagship Master Fund, LP ("Engaged Capital Flagship Master"), Engaged Capital Co-Invest V, LP ("Engaged Capital Co-Invest V"), Engaged Capital Co-Invest V-A, LP ("Engaged Capital Co-Invest V-A"), Engaged Capital Flagship Fund, LP ("Engaged Capital Fund"), Engaged Capital Flagship Fund, Ltd. ("Engaged Capital Offshore"), Engaged Capital, LLC ("Engaged Capital LLC), Engaged Capital Holdings, LLC ("Engaged Holdings") and Glenn W. Welling (collectively, "Engaged Capital" or "we") are significant stockholders of Rent-A-Center, Inc., a Delaware corporation ("Rent-A-Center" or the "Company"), who, together with the other participants in this solicitation, beneficially own an aggregate of 8,983,609 shares of common stock, par value $0.01 per share (the "Common Stock"), of the Company, representing approximately 16.9% of the outstanding shares of Common Stock. We believe that the Board of Directors of the Company (the "Board") must be meaningfully reconstituted to ensure that the Board takes the necessary steps for the Company's stockholders to realize the maximum value of their investments. We have nominated directors who have strong, relevant backgrounds and who are committed to fully exploring all opportunities to unlock stockholder value. We are seeking your support at the annual meeting of stockholders scheduled to be held at [_____], on Thursday, June 8, 2017, at 8:00 a.m. local time (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the "Annual Meeting"), for the following:

1. To elect Engaged Capital's three (3) director nominees, Jeffrey J. Brown, Mitchell E. Fadel and Christopher B. Hetrick (each a "Nominee" and, collectively, the "Nominees"), to the Board as Class II directors to serve until the 2020 annual meeting of stockholders and until their respective successors are duly elected and qualified;

2. To ratify the Audit & Risk Committee's selection of KPMG LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2017;

3. To conduct an advisory vote on the compensation of the Company's named executive officers for the year ended December 31, 2016, as set forth in the Company's proxy statement;

4. To conduct an advisory vote on the frequency of future advisory votes on executive compensation; and

5. To transact such other business as may properly come before the Annual Meeting.

As of the date hereof, the participants in this solicitation collectively own 8,983,609 shares of Common Stock (the "Engaged Capital Group Shares"). We intend to vote such shares **FOR** the election of the Nominees, **FOR** the ratification of the selection of KPMG LLP as the independent registered public accounting firm of the Company for the 2017 fiscal year, **FOR** the approval of the advisory vote on the compensation of the Company's named executive officers, and **1 YEAR** on the advisory vote on the frequency of future advisory votes on executive compensation, as described herein.

The Company has set the close of business on April 10, 2017 as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting (the "Record Date"). The mailing address of the principal executive offices of the Company is 5501 Headquarters Drive, Plano, Texas 75024. Stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to the Company, as of the Record Date, there were [_____] shares of Common Stock outstanding.

THIS SOLICITATION IS BEING MADE BY ENGAGED CAPITAL AND NOT ON BEHALF OF THE BOARD OR MANAGEMENT OF THE COMPANY. WE ARE NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING OTHER THAN AS SET FORTH IN THIS PROXY STATEMENT. SHOULD OTHER MATTERS, WHICH ENGAGED CAPITAL IS NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED **BLUE** PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

ENGAGED CAPITAL URGES YOU TO SIGN, DATE AND RETURN THE **BLUE** PROXY CARD IN FAVOR OF THE ELECTION OF THE NOMINEES.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY COMPANY MANAGEMENT OR THE BOARD, YOU MAY REVOKE THAT PROXY AND VOTE ON EACH OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT BY SIGNING, DATING AND RETURNING THE ENCLOSED **BLUE** PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting—
This Proxy Statement and our BLUE proxy card are available at

www.saratogaproxy.com/engaged

IMPORTANT

Your vote is important, no matter how few shares of Common Stock you own. Engaged Capital urges you to sign, date, and return the enclosed BLUE proxy card today to vote FOR the election of the Nominees and in accordance with Engaged Capital's recommendations on the other proposals on the agenda for the Annual Meeting.

- If your shares of Common Stock are registered in your own name, please sign and date the enclosed **BLUE** proxy card and return it to Engaged Capital, c/o Saratoga Proxy Consulting LLC ("Saratoga"), in the enclosed postage-paid envelope today.
- If your shares of Common Stock are held in a brokerage account or bank, you are considered the beneficial owner of the shares of Common Stock, and these proxy materials, together with a **BLUE** voting form, are being forwarded to you by your broker or bank. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your shares of Common Stock on your behalf without your instructions.
- Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

Since only your latest dated proxy card will count, we urge you not to return any proxy card you receive from the Company. Even if you return the management proxy card marked "withhold" as a protest against the incumbent directors, it will revoke any proxy card you may have previously sent to us. Remember, you can vote for our three (3) Nominees only on our **BLUE** proxy card. So please make certain that the latest dated proxy card you return is the **BLUE** proxy card.

*If you have any questions, require assistance in voting your **BLUE** proxy card,*

or need additional copies of Engaged Capital's proxy materials,

please contact Saratoga at the phone numbers listed below.

Stockholders call toll free at (800) 368-0379

Email: info@saratogaproxy.com

Background to the Solicitation

The following is a chronology of events leading up to this proxy solicitation:

- On August 22, 2016, members of Engaged Capital had a telephone conversation with Guy J. Constant, then the Company's Executive Vice President - Finance, Chief Financial Officer and Treasurer, and Maureen B. Short, then the Company's Senior Vice President - Finance, Investor Relations and Treasury, to discuss the Company's operational performance.
- On October 11, 2016, the Company negatively preannounced third quarter 2016 results.
- On October 28, 2016, members of Engaged Capital had a telephone conversation with Mr. Constant to discuss the Company's third quarter 2016 results.
- On November 22, 2016, members of Engaged Capital had a telephone conversation with Robert D. Davis, then the Company's Chief Executive Officer and a director, Mr. Constant, Ms. Short and Christopher A. Korst, the Company's Executive Vice President - General Counsel and Chief Administrative Officer, to discuss the Company's operational performance. The discussion included Rent-A-Center's difficulty in receiving an appropriate valuation in the public markets due to the public perception of the rent-to-own industry and whether Rent-A-Center would be better valued in the private markets.
- On December 5, 2016, members of Engaged Capital, had a telephone conversation with Mark E. Speese, the Company's Chairman of the Board and Co-Founder. During the call, the parties discussed the rent-to-own industry, the Company's operational performance and Mr. Speese's ownership level of Common Stock. The parties also discussed the opportunities and challenges to creating stockholder value at the Company.
- Also on December 5, 2016, the Company filed a Form 8-K disclosing that Mr. Constant resigned from his positions with the Company, effective December 2, 2016, just two days after Mr. Constant presented at the Bank of America Merrill Lynch 2016 Leveraged Finance Conference on behalf of the Company on November 30, 2016. The Company disclosed that Mr. Constant's resignation amounted to a termination without cause pursuant to his employment agreement. The Company also disclosed that Ms. Short was named as the Company's Interim Chief Financial Officer.
- On December 7, 2016, Engaged Capital sent a private letter (the "December Letter") to Mr. Speese and copied the other members of the Board. In the December Letter, Engaged Capital noted the surprising departure of Mr. Constant, the Company's operational missteps and suggested that the Company immediately explore all available strategic alternatives, including a possible sale of the Company, in order to create stockholder value. Engaged Capital also requested to have a meeting with Mr. Speese and a subset of the Board to discuss these matters further.
- On December 16, 2016, members of Engaged Capital had a telephone conversation with Mr. Speese to discuss the content of the December Letter and Engaged Capital's request to meet with a subset of the Board. Mr. Speese proposed that a meeting between Engaged Capital and a subset of the Board take place in mid-January.

- On January 9, 2017, the Company announced that Mr. Davis resigned his position as Chief Executive Officer and a director, effective January 9, 2017. The Company also announced that Mr. Speese was named Interim Chief Executive Officer, effective January 9, 2017, and would remain in such role until a permanent Chief Executive Officer is appointed.
- Also on January 9, 2017, members of Engaged Capital had a telephone conversation with Mr. Speese during which Mr. Speese suggested delaying the previously scheduled meeting between Engaged Capital and a subset of the Board from mid-January until late January so that he could have a better perspective on the business now that he had assumed the Interim CEO role.

- On January 17, 2017, Glenn W. Welling, the Founder and Chief Investment Officer of Engaged Capital, contacted Mr. Speese and members of the Company's management team. During their conversation, the parties discussed the Company's business outlook and a potential review of strategic alternatives.

- On January 18, 2017, the Company negatively preannounced fourth quarter 2016 results.
- On January 27, 2017, members of Engaged Capital met with Mr. Speese and Steven L. Pepper, a director and Chairman of the Finance Committee of the Board (the "January Meeting"). During the meeting, the parties discussed the Company's corporate strategy, corporate governance and poor operational performance. Engaged Capital explained its belief that the Company needs to understand the value of all strategic options available and proposed a settlement framework for adding direct stockholder representation to the Board to ensure all options are reviewed objectively. The settlement framework was discussed in broad terms and contemplated at least one candidate identified by Engaged Capital joining the Board to help lead a strategic alternatives process and additional Board change should the strategic alternatives process not result in a sale; however, no formal settlement proposal was made.
- On January 30, 2017, Engaged Capital filed a Schedule 13D with the Securities and Exchange Commission (the "SEC") disclosing combined beneficial and economic ownership interest in approximately 12.9% of the outstanding shares of Common Stock. In the Schedule 13D, Engaged Capital disclosed that it has engaged, and intends to continue to engage, in communications with the Board and management team regarding means to create stockholder value.

- Also on January 30, 2017, Mr. Pepper contacted Mr. Welling to provide him with a summary of the reaction of the Board to the settlement framework discussed during the January Meeting.
- On February 3, 2017, Mr. Welling contacted Mr. Pepper to provide an update on Engaged Capital's activity following its recent Schedule 13D filing.
- On February 8, 2017, Mr. Welling had a telephone conversation with Mr. Pepper as a follow up to the January Meeting and then on February 9, 2017 the parties discussed the strategic path forward for the Company.

- On February 14, 2017, Engaged Capital issued a public letter (the "February Letter") to the Board calling on the Board to immediately commence a strategic alternatives review process. In the February Letter, Engaged Capital raised its concerns with the continued destruction of stockholder value and the Board's apparent lack of urgency to remedy the situation, noting the 26% decline in share price since Engaged Capital privately sent the December Letter. Engaged Capital expressed its belief that the Company's over 75% decline in share price from its value above $35 a little over two years ago is largely attributed to poor corporate governance practices, self-inflicted operating mistakes and a perceived misalignment of interests between the Board and stockholders. Engaged Capital made clear that it intends to continue to maintain a constructive dialogue with the Board, but is fully prepared to nominate a competing slate of director candidates at the Annual Meeting if necessary. Also on February 14, 2017, Engaged Capital filed an amendment to its Schedule 13D disclosing the December Letter and the February Letter.
- Also on February 14, 2017, the Company issued a statement regarding the February Letter.

- On February 15, 2017, members of Engaged Capital had a telephone conversation with Mr. Speese and Ms. Short to discuss the Company's fourth quarter 2016 results.
- On February 23, 2017, Engaged Capital delivered a letter (the "Nomination Letter") to the Company, in accordance with its Bylaws, nominating Jeffrey J. Brown, William K. Butler, Mitchell E. Fadel, Christopher B. Hetrick and Carol A. McFate for election to the Board at the Annual Meeting. In the Nomination Letter, Engaged Capital stated its belief that the terms of three (3) directors currently serving on the Board expire at the Annual Meeting, and, if this remains the case, Engaged Capital will withdraw two (2) of its nominees. Also on February 23, 2017, Engaged Capital issued a public letter to the Board announcing the nomination of the Nominees and reiterating its call for the Board to hire a financial advisor and immediately initiate a strategic alternatives review process to evaluate a sale of the Company. Also on February 23, 2017, Engaged Capital Flagship Master entered into a Consulting Agreement (the "Consulting Agreement") with Mr. Fadel pursuant to which it agreed to pay him $25,000 and Mr. Fadel agreed to perform certain consulting, advisory and other services to Engaged Capital Flagship Master, including with respect to the nomination of the Nominees for election to the Board. Engaged Capital also filed an amendment to its Schedule 13D disclosing the delivery of the Nomination Letter, the issuance of the public letter and the entry into the Consulting Agreement.
- On February 27, 2017, members of Engaged Capital had a telephone conversation with the Company's financial advisor, J.P. Morgan, to discuss Engaged Capital's views on Rent-A-Center's business and Engaged Capital's willingness and desire to avoid an election contest at the Annual Meeting.
- On February 28, 2017, Engaged Capital received correspondence from Rent-A-Center's legal counsel ("Company Counsel") alleging potential issues with the nominations of Messrs. Butler and Fadel. With respect to Mr. Butler, Company Counsel raised its concerns regarding potential implications of Section 8 of the Clayton Act by virtue of Mr. Butler serving as a director and executive officer of A Team Leasing ("ATL"), a private business in the rent-to-own industry. With respect to Mr. Fadel, Company Counsel alleged that the Consulting Agreement violated that certain Loyalty and Confidentiality Agreement (the "Loyalty Agreement"), dated September 6, 2013, between Mr. Fadel and the Company, relating to certain of Mr. Fadel's activities while an employee of the Company as well as certain of his post-separation activities, and demanded the termination of the Consulting Agreement.
- Also on February 28, 2017, Engaged Capital's legal counsel ("Engaged Counsel") sent a response letter to Company Counsel regarding the alleged issues with respect to Mr. Fadel and the Consulting Agreement.
- On March 1, 2017, Mr. Welling met with Mr. Pepper to discuss a path forward in hopes of avoiding an election contest at the Annual Meeting. Mr. Welling suggested a number of options including Board representation for Engaged Capital, running a strategic alternatives review process, hiring a law firm to represent the Board to avoid potential conflicts of interest between management and the directors, and seeking stockholder approval to amend the Company's Certificate of Incorporation (the "Charter") to declassify the Board to promote increased accountability.

- On March 3, 2017, Engaged Capital received correspondence from Company Counsel regarding alleged deficiencies with the Nomination Letter, including the failure of the Nominees to consent to being named in the Company's proxy statement, which the Company claimed is required under the Bylaws. In response, also on March 3, 2017, Engaged Capital sent a letter to the Company explaining its belief that the Nomination Letter does not contain any deficiencies that need to be remedied and that it is already in compliance with the requirements of the Bylaws. Specifically, Engaged Capital noted it does not believe that the Bylaws require the Nominees to consent to being named in the Company's proxy statement in order for their nomination to be valid, nor does Engaged Capital believe it would be equitable for the Company to name Engaged Capital's Nominees in the Company's proxy statement. Notwithstanding the foregoing, in an abundance of caution and subject to a full reservation of rights, Engaged Capital delivered revised nomination materials that included the Nominees' consent to being named in the Company's proxy statement.
- On March 5, 2017, Engaged Capital received correspondence from Company Counsel alluding to its ongoing concerns regarding matters it had previously raised in prior communications.
- On March 6, 2017, Engaged Capital filed a lawsuit against the Company in the Delaware Court of Chancery seeking an order declaring the original Nomination Letter valid and prohibiting the Company from including the Nominees in the Company's proxy statement.
- Also on March 6, 2017, Engaged Counsel sent a response letter to Company Counsel regarding the alleged issues with the nominations of Messrs. Butler and Fadel.
- On March 7, 2017, Engaged Counsel received correspondence from Company Counsel reiterating its belief that the Consulting Agreement violates the Loyalty Agreement and demanded to receive certification of its termination.
- On March 8, 2017, Engaged Counsel received correspondence from Company Counsel requesting that financial statements be provided for ATL to enable Company Counsel to independently determine whether an exemption to Section 8 of the Clayton Act is available.
- On March 9, 2017, Engaged Counsel sent a response letter to Company Counsel reiterating its belief that neither the Consulting Agreement nor Mr. Fadel's status as a Nominee violates the Loyalty Agreement.
- Also on March 9, 2017, the Company filed a Form 8-K disclosing that, effective March 2, 2017, Mr. Pepper was designated as the lead independent director of the Board and Mr. Speese resigned as a member of the Finance Committee of the Board.
- On March 10, 2017, Engaged Counsel provided Company Counsel with the requested information with respect to ATL on behalf of Mr. Butler and stated its belief as to the inapplicability of Section 8 of the Clayton Act because ATL does not have "capital, surplus, and undivided profits" aggregating more than $32,914,000 as is required by Section 8(a)(1) of the Clayton Act, applying the adjusted threshold set by the Federal Trade Commission ("FTC").

- Also on March 10, 2017, the Delaware Court of Chancery granted Engaged Capital's motion to expedite its action regarding the validity of the Nomination Letter and prohibiting the Company from including the Nominees in the Company's proxy statement.
- On March 15, 2017, Mr. Welling had a telephone conversation with Mr. Pepper. During the discussion, Mr. Pepper put forth a potential settlement proposal on behalf of the Company that contemplated expanding the Board by two to a total of nine members and adding two of Engaged Capital's nominees to the class with terms expiring in 2019.
- Also On March 15, 2017, Engaged Counsel received correspondence from Company Counsel disputing the inapplicability of Section 8 of the Clayton Act and essentially taking the position that "total assets" and not "net assets" is the appropriate test under Section 8 of the Clayton Act when determining an entity's "capital, surplus, and undivided profits."
- Also on March 15, 2017, Engaged Capital filed an amendment to its Schedule 13D disclosing combined beneficial and economic ownership interest in approximately 16.7% of the outstanding shares of Common Stock.
- On March 16, 2017, Mr. Welling had a telephone conversation with Mr. Pepper proposing a counter-offer whereby three of Engaged Capital's nominees would be added to the Board with the Board increasing by two members and one incumbent director stepping down. Mr. Welling also proposed that an independent law firm be hired to represent the Board in a private strategic alternatives review process, and suggested that the Board seek stockholder approval to amend the Charter to declassify the Board so that all directors are up for election at the 2018 annual meeting of stockholders.
- On March 17, 2017, the Company filed an arbitration demand against Mr. Fadel regarding the alleged breach of the Loyalty Agreement.
- Also on March 17, 2017, Engaged Counsel sent a response letter to Company Counsel that included precedent for its position that "net assets" is the appropriate test under Section 8 of the Clayton Act when determining an entity's "capital, surplus, and undivided profits."
- On March 21, 2017, the Company notified Engaged Capital that the Board will nominate incumbent directors Mr. Speese, Leonard H. Roberts and Jeffery M. Jackson for election at the Annual Meeting. On March 22, 2017, the Company filed a Form 8-K disclosing the same.
- On March 22, 2017, Engaged Counsel received correspondence from Company Counsel requesting that Engaged Counsel obtain an Advisory Opinion from the FTC in support of its interpretation of Section 8 of the Clayton Act and also requesting certain additional detailed information with respect to ATL.
- On March 23, 2017, Engaged Capital filed an amendment to its Schedule 13D disclosing combined beneficial and economic ownership interest in approximately 20.5% of the outstanding shares of Common Stock.
- On March 27, 2017, legal counsel for Mr. Fadel sent correspondence to Company Counsel explaining its belief that the Company's claims with respect to Mr. Fadel are without merit; however, for the avoidance of doubt and in response to the Company's prior requests, the Consulting Agreement had been terminated. Mr. Fadel's counsel requested that Company Counsel confirm by March 30, 2017 that the Company will drop the arbitration against Mr. Fadel.

- On March 28, 2017, the Company filed a Form 8-K disclosing that, effective March 28, 2017, the Board adopted a stockholder rights agreement, or poison pill (the "Poison Pill"), generally preventing stockholders from acquiring 15% or more of the Company's outstanding Common Stock, subject to certain exceptions. At the time the Poison Pill was adopted, Engaged Capital had beneficial ownership of approximately 16.9% of the outstanding shares of Common Stock and combined beneficial and economic ownership interest in approximately 20.5% of the outstanding shares of Common Stock (represented by 16.9% of the Company's outstanding shares of Common Stock and certain cash-settled total return swap agreements constituting economic exposure to an additional 3.6% of the Company's outstanding shares, as further explained elsewhere in this Proxy Statement).
- Also on March 28, 2017, Engaged Capital delivered a letter to the Company seeking an exemption to the Poison Pill to permit Engaged Capital to acquire (i) beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of up to 19.9% of the outstanding shares of Common Stock and (ii) beneficial ownership (as defined in the Poison Pill) of up to 24.9% of the outstanding shares of Common Stock.
- Also on March 28, 2017, Engaged Counsel sent a response letter to Company Counsel advising that it will not obtain an Advisory Opinion from the FTC regarding its interpretation of Section 8 of the Clayton Act and that ATL's net assets are sufficiently detailed in ATL's audited financial statements that were previously provided.
- On March 29, 2017, Mr. Fadel's counsel received a response letter from Company Counsel indicating that the Company will be dropping the arbitration against Mr. Fadel.
- On March 30, 2017, the Company abandoned the arbitration against Mr. Fadel.
- On April 3, 2017, Engaged Capital filed its preliminary proxy statement in connection with the Annual Meeting.
- On April 10, 2017, the Company announced that Mr. Speese was named Chief Executive Officer, effective immediately. The Company separately announced a new strategic plan and issued an investor presentation.
- On April 11, 2017, the Company filed its preliminary proxy statement in connection with the Annual Meeting.
- On April 17, 2017, Engaged Capital filed an amendment to its Schedule 13D disclosing the withdrawal of its nomination of Mr. Butler for election to the Board at the Annual Meeting.
- On April 20, 2017, Engaged Capital filed an amendment to its Schedule 13D disclosing the withdrawal of its nomination of Ms. McFate for election to the Board at the Annual Meeting.

REASONS FOR THE SOLICITATION

WE BELIEVE THAT SIGNIFICANT CHANGE TO RENT-A-CENTER'S BOARD IS NEEDED NOW

Engaged Capital has conducted extensive due diligence on the Company. In doing so, we have carefully analyzed the Company's operating and financial performance as well as the competitive landscape in the rent-to-own ("RTO") industry in which it operates. For over seven months, we have maintained an ongoing dialogue with the Company's Board and management team to discuss our concerns and the opportunities that we believe are available to create value for the benefit of all Rent-A-Center stockholders.

Specifically, we believe poor operational execution has resulted in significant value destruction for Rent-A-Center stockholders. As a result, the share price has materially declined and we believe the Company is now significantly undervalued. Furthermore, we are concerned that the incumbent directors who have overseen this material stockholder value destruction are unwilling to objectively evaluate all alternatives for restoring stockholder value, including a potential sale of the Company. Instead, we fear the incumbent directors may be putting their self-interests ahead of those of stockholders. The Board appears dead-set on pursuing a public market turnaround strategy without engaging in discussions with all credible buyers. We believe a public market turnaround strategy carries significant risk and may not prove to be the optimal path to restoring stockholder value. We believe the incumbent directors are culpable for both the historical stock price underperformance and the apparent unwillingness to fully and fairly evaluate opportunities that may prove to be in stockholders' best interests. As a result, we are led to believe there are significant corporate governance failures within the boardroom at Rent-A-Center.

Despite our sincere efforts to engage constructively with representatives of the Company, we have been continuously disappointed by the Board's lack of substantive action, which heightens our concerns that members of the Board may be satisfied with the status quo or are beholden to certain special interests inside the current boardroom. We therefore believe that urgent change to the Board is needed. We are soliciting your support to elect our Nominees at the Annual Meeting, who together will bring an unbiased owner's mentality into the boardroom, relevant industry experience, financial, strategic and transactional expertise, and sorely needed new insights and fresh perspectives.

Why We Were Attracted to the RTO Industry

We were attracted to the RTO industry because we believe the business model, specifically the leasing and collections functions, provides a competitive moat around the business compared to the secular pressures felt by almost all areas of the retail sector. In addition, RTO businesses have the potential to generate substantial cash flow. We believe the defensible nature of the RTO business model, when properly managed, should protect owners from material downside volatility.

We believe that publicly traded RTO businesses are generally undervalued when taking into consideration the sustainability of cash flows and the natural defensibility of the business model. The complexity of the RTO model, straddling both retail and consumer finance, can make it difficult for public market investors to understand. The (incorrect) impression that RTO businesses are sub-prime lenders further penalizes valuation in the public markets. Thus, the existence of only two public companies in the RTO industry combined with the unique aspects of the business model, make the space susceptible to being misunderstood by investors.

Finally, we believe the brick and mortar RTO industry in the U.S. is mature and, while highly cash flow generative, is unlikely to drive the level of earnings growth that public market investors tend to reward. Understanding this, Rent-A-Center's management and Board have diverted attention away from its Core U.S. business and invested significant capital into its third-party RTO solution, Acceptance Now. While this strategy appeals to Wall Street's appetite for revenue growth, it has resulted in suboptimal returns and major operational problems in the Company's Core U.S. stores, which is where we believe the majority of the Company's value currently exists.

The Incumbent Board has Overseen Tremendous Value Destruction

Since January 2015, Rent-A-Center stockholders have seen approximately $1.4 billion of the Company's market capitalization disappear. Rent-A-Center's share price traded above $35 at that time and has since declined by over 75% to below $9 per share.[1] Over that same period, the share price of Aaron's, Inc. (NYSE:AAN), Rent-A-Center's publicly traded peer, fell by approximately 3%. The incumbent Board is soliciting your vote for three directors, each of whom has presided over this destruction of stockholder value. We offer an alternative.

We believe the cause of Rent-A-Center's poor performance over the last three years is mostly attributed to self-inflicted operational problems that have resulted in significant lost sales and diminished competitiveness in the marketplace. The critical operational mistakes, all carried out under the leadership of the incumbent Board, include: the botched deployment of the Company's internally developed Store Information Management System (SIMS), the failed move to a flexible store labor model (which is now being reversed) and the write-down of over $35 million in mobile phone inventory. Due to these mistakes, adjusted EBITDA in the Core U.S. segment declined from $322 million in 2014 to $208 million in 2016, while Core U.S. same store sales in January and February of 2017 continued to decline by (11.5%) and (16.0%), respectively.[2]

The Company's growth initiatives have also failed to deliver. Management has failed to drive sustainable growth and consistent profitability at Acceptance Now. Worse yet, we believe Rent-A-Center has grown Acceptance Now by reducing rental standards, and as a result, high levels of merchandise returns have flooded Core U.S. sales floors causing the Core stores to be competitively disadvantaged to peers.[3] In addition, Rent-A-Center has wasted material stockholder capital on its failed growth strategy in Mexico.[4] In addition, corporate expense has increased sharply. Corporate expense before depreciation, amortization, and the write down of intangibles increased from approximately $110 million in 2012 to approximately $140 million in 2016, while revenues were down from $3.1 billion in 2012 to $3.0 billion in 2016.[5] We believe that a significant driver of this increase was the Company's use of management consultants as the Company struggled to maintain executive talent.

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[1] Share price decline calculated from January 2, 2015 to March 31, 2017.
[2] Source: Quarterly Financials by Segment, accessed on Rent-A-Center website, and Rent-A-Center Form 8-K, filed March 3, 2017 and March 16, 2017.

[3] In its Investor Presentation issued on April 10, 2017, Rent-A-Center stated a desire to "Limit negative impact on Core RTO from returned ANow product." According to Rent-A-Center's Form 10-K filings, due to an increase in customer

stolen merchandise, Acceptance Now charge-offs have increased from 5.9% in 2013, to 7.8% in 2014, to 8.5% in 2015 to 10.0% in 2016. We believe this is an indication of an increasingly poor credit quality of renters, which we are concerned correlates with a reduction of rental standards.

[4] Rent-A-Center's Mexico segment generated over $80 million in operating losses from 2012 to 2016, Rent-A-Center Form 10-K.

[5] Rent-A-Center Form 10-K.

The issues explained above resulted in a $1.2 billion impairment charge at the end of 2015, which forced the Board to reduce the annual dividend from $0.96 per share to $0.32 per share and further restricted the Company's flexibility to drive value through capital allocation. Unfortunately, the situation has worsened as Rent-A-Center has again approached the boundaries of certain debt covenants. Further, Rent-A-Center wrote down the remaining goodwill in the Core U.S. segment in the fourth quarter of 2016. This history of strategic and operational failure is, in our opinion, the legacy of Rent-A-Center's incumbent directors.

Stockholder Returns Have Been Indisputably Abysmal

Due to the Company's operational and strategic missteps, Rent-A-Center has underperformed over nearly every relevant measurable period on an absolute basis and when compared to relevant peers and indices.

	Total Return Performance					
	1 yr	**2 yr**	**3 yr**	**5 yr**	**7 yr**	**10 yr**
Rent-A-Center	**(26%)**	**(55%)**	**(54%)**	**(67%)**	**(46%)**	**(55%)**
Aaron's	12%	8%	4%	19%	65%	94%
Russell 2000	21%	12%	25%	82%	110%	90%
S&P 1500 Specialty Retail Index	2%	8%	45%	97%	171%	158%
S&P 500	14%	17%	34%	88%	128%	97%
RCII Relative Returns vs:						
Aaron's	(39%)	(62%)	(58%)	(87%)	(111%)	(149%)
Russell 2000	(48%)	(67%)	(79%)	(149%)	(156%)	(145%)
S&P 1500 Specialty Retail Index	(28%)	(63%)	(99%)	(164%)	(217%)	(213%)
S&P 500	(40%)	(72%)	(88%)	(155%)	(174%)	(152%)

Source: FactSet, as of April 18, 2017

It is evident to us that the significant destruction of stockholder value that has persisted over the near and long term under the leadership of the incumbent Board warrants an overhaul in the boardroom.

We are Concerned by the Company's Poor Corporate Governance Practices and Limitations of Stockholder Rights

We are concerned with the poor corporate governance that severely limits the ability of stockholders to seek effective change at Rent-A-Center. The Board is classified into three separate classes, meaning its directors are only subject to re-election by stockholders once every three years. In our view, the ability of stockholders to select directors each year is an important check on the performance of the Board and is critical in allowing stockholder input on the direction and state of the Company and ensuring the best individuals are on the Board to oversee their investment. To the contrary, the Board's current classified structure, in our view, impedes stockholders' ability to regularly and effectively evaluate the performance of their directors and insulates and entrenches the incumbents despite their apparent lapses in oversight.

Further, stockholders are prohibited from calling special meetings and effectively cannot act by written consent as such action must be unanimous, which in effect means that stockholders cannot seek Board change between annual meetings. In addition, certain provisions of the Charter may only be amended by a prohibitively high supermajority vote of 80% of all outstanding shares. We believe it is contrary to good corporate governance practices for the Board to utilize Rent-A-Center's corporate machinery to insulate itself from the Company's stockholders, the most recent example being the Board's unilateral adoption of the Poison Pill.

We are Concerned that the Board is Stale and not Adequately Aligned with Stockholders

We nominated director candidates because we felt we had no other choice after observing the Board's disinterest and now apparent hostility to what were our private suggestions. Unfortunately, we believe the Board's unwillingness thus far to explore all strategic options available is indicative of a troubling misalignment of interests between the seven incumbent directors and the Company's stockholders.

One need not look further than the tenure of the Board and its share ownership. Five of seven directors have been on the Board for over ten years while two directors, including Mr. Speese, have been on the Board for over twenty years. Despite this long tenure, according to public filings, Rent-A-Center's directors collectively own less than 3% of the Company's outstanding shares, even when including stock options and other equity awards that are only issuable upon a director's departure from the Board.

Engaged Capital, on the other hand, owns an approximately 20.5% economic interest in the Company. It seems apparent to us that with so little "skin in the game" the Board does not have the same commitment to stockholder value as we do.

We are Concerned by the Outsized Influence Mr. Speese Appears to Maintain over the Company

Of utmost concern is the apparent influence of Mr. Speese, who we believe has motivations that may not be aligned with those of the Company's stockholders. Our interactions with the Board thus far suggest its behavior as a whole may reflect a personal loyalty to Mr. Speese. We believe Mr. Speese wants to see the Company remain public rather than entertain a sale to parties that may have been, or currently are, competitors. How can we trust the Board's judgement if it appears unwilling to privately gauge M&A interest given the Company's present situation?

Moreover, the Company's underperformance occurred most profoundly during the tenure of the previous CEO, Robert D. Davis, who was the handpicked successor of Mr. Speese after serving as the Company's long-time Chief Financial Officer. Based on the Company's abysmal performance during his nearly three year tenure[6], the selection of Mr. Davis as CEO was clearly a mistake. Further, we believe the long-term personal relationship between Mr. Speese and Mr. Davis was a motivating factor behind Mr. Davis' appointment as CEO and the Board's reluctance to make a change prior to our involvement.

We believe the stockholders, as the true owners of the Company, must have a strong voice in the boardroom, especially given the abysmal history of stockholder returns. Such a voice promotes greater accountability and creates an environment that forces incumbent directors to consider new thinking to positively impact stockholder value. We believe a culture focused on maximum value creation and stockholder accountability requires placing stockholder representatives on the Board who have a significant financial commitment to the Company along with relevant experience. This requirement ensures the proper alignment of interests between the Board and stockholders. As we see no evidence that the incumbent Board is willing to prioritize the interests of stockholders, we believe the Board must be reconstituted with new directors who will maintain an unquestionable allegiance to the true owners of the Company – the stockholders.

[6] Appointed as CEO effective February 1, 2014 and departed January 9, 2017.

We Believe the Most Prudent Course of Action is to Evaluate All Strategic Alternatives

We believe the Company must initiate a parallel process to evaluate all options available for creating value before blindly embarking on a public market turnaround. The Company's turnaround is being led by a newly-appointed CEO and an interim CFO without the benefit of executive talent such as a Chief Operating Officer or Chief Marketing Officer. The newly-appointed CEO, Mr. Speese, as Chairman