AARON RENTS INC
Form 10-Q/A
November 24, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
Amendment No. 1

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _________ TO _________
COMMISSION FILE NUMBER 1-13941
AARON RENTS, INC.
(Exact name of registrant as specified in its charter)

Georgia	**58-0687630**
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
309 E. Paces Ferry Road, N.E. Atlanta, Georgia	**30305-2377**
(Address of principal executive offices)	(Zip Code)

(404) 231-0011
(Registrant s telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether registrant (l) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of l934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Title of Each Class	**Shares Outstanding as of October 31, 2008**

Common Stock, $.50 Par Value	45,199,907
Class A Common Stock, $.50 Par Value	8,314,966

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 to the Quarterly Report on Form 10-Q for the period ended September 30, 2008 of Aaron Rents, Inc. (the Company) is filed to correct an error on the Consolidated Statements of Cash Flows. The items Additions to Rental Merchandise and the Book Value of Rental Merchandise Sold or Disposed for the nine month period ended September 30, 2008 were inadvertently overstated by approximately $241.1 million; however, the net effect of these two items is the same, resulting in no change to the previously reported cash provided by operating activities or cash at the end of the period.

For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Form 10-Q for the quarter ended September 30, 2008, as originally filed on November 5, 2008, that was affected by the error has been amended and restated in its entirety. Unless otherwise indicated, this report speaks only as of the date that the original report was filed. No attempt has been made in this Form 10-Q/A to update other disclosures presented in the original report on Form 10-Q. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures, including the exhibits to the Form 10-Q affected by subsequent events; however, this Form 10-Q/A includes as exhibits 31.1, 31.2, 32.1 and 32.2 new certifications by the Company s Chief Executive Officer and Chief Financial Officer as required by Rule 12b-15.

AARON RENTS, INC.

INDEX

Table of Contents

PART I FINANCIAL INFORMATION
Item 1 Financial Statements
AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2008	December 31, 2007
	(In Thousands, Except Share Data)	
ASSETS:		
Cash	$ 6,579	$ 5,249
Accounts Receivable (net of allowances of $3,790 in 2008 and $3,848 in 2007)	48,470	47,712
Rental Merchandise	1,020,322	922,556
Less: Accumulated Depreciation	(389,878)	(350,723)
	630,444	571,833
Property, Plant and Equipment, Net	212,318	245,876
Goodwill, Net	160,838	141,894
Other Intangibles, Net	5,547	4,814
Prepaid Expenses and Other Assets	45,561	36,885
Assets Held for Sale	59,826	58,913
Total Assets	$ 1,169,583	$ 1,113,176
LIABILITIES & SHAREHOLDERS EQUITY:		
Accounts Payable and Accrued Expenses	$ 126,455	$ 141,030
Dividends Payable		869
Deferred Income Taxes Payable	121,118	82,293
Customer Deposits and Advance Payments	27,891	27,774
Credit Facilities	153,440	185,832
Liabilities Held for Sale	848	1,998
Total Liabilities	429,752	439,796
Commitments & Contingencies		
Shareholders Equity:		
Common Stock, Par Value $.50 Per Share; Authorized: 100,000,000 Shares; Shares Issued: 48,439,602 at September 30, 2008 and December 31, 2007	24,220	24,220
Class A Common Stock, Par Value $.50 Per Share; Authorized: 25,000,000 Shares; Shares Issued: 12,063,856 at September 30, 2008 and December 31, 2007	6,032	6,032
Additional Paid-in Capital	192,890	188,575
Retained Earnings	565,660	499,109

Accumulated Other Comprehensive Loss	(101)	(82)
	788,701	717,854
Less: Treasury Shares at Cost,		
Common Stock, 3,245,320 Shares at September 30, 2008 and 3,147,360 Shares at December 31, 2007	(31,342)	(26,946)
Class A Common Stock, 3,748,860 Shares at September 30, 2008 and December 31, 2007	(17,528)	(17,528)
Total Shareholders Equity	739,831	673,380
Total Liabilities & Shareholders Equity	$ 1,169,583	$ 1,113,176

The accompanying notes are an integral part of the Consolidated Financial Statements

Table of Contents

AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In Thousands, Except Per Share Data)			
REVENUES:				
Rentals and Fees	$ 291,102	$ 257,294	$ 885,554	$ 780,254
Retail Sales	10,230	7,713	32,363	25,783
Non-Retail Sales	70,691	58,140	222,180	185,047
Franchise Royalties and Fees	11,127	8,881	33,060	28,397
Other	4,869	1,688	14,557	10,796
	388,019	333,716	1,187,714	1,030,277
COSTS AND EXPENSES:				
Retail Cost of Sales	6,266	4,546	19,839	15,838
Non-Retail Cost of Sales	64,752	53,095	203,222	169,355
Operating Expenses	175,409	154,531	529,213	451,734
Depreciation of Rental Merchandise	106,962	97,218	323,600	293,610
Interest	2,243	1,945	6,593	5,328
	355,632	311,335	1,082,467	935,865
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	32,387	22,381	105,247	94,412
INCOME TAXES	12,597	8,273	40,617	35,477
NET EARNINGS FROM CONTINUING OPERATIONS	19,790	14,108	64,630	58,935
EARNINGS FROM DISCONTINUED OPERATIONS, NET OF TAX	1,288	1,811	4,480	5,848
NET EARNINGS	$ 21,078	$ 15,919	$ 69,110	$ 64,783
COMMON STOCK AND CLASS A COMMON STOCK EARNINGS PER SHARE FROM CONTINUING OPERATIONS:				
Basic	$ .37	$ .26	$ 1.21	$ 1.09

Assuming Dilution	.37	.26	1.20	1.07
COMMON STOCK AND CLASS A COMMON STOCK EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS:				
Basic	$ .03	$ .03	$ .08	$ .11
Assuming Dilution	.02	.03	.08	.11
CASH DIVIDENDS DECLARED PER SHARE:				
Common Stock	$ .016	$ .015	$ .048	$ .045
Class A Common Stock	.016	.015	.048	.045
COMMON STOCK AND CLASS A COMMON STOCK WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	53,356	54,217	53,370	54,190
Assuming Dilution	54,219	55,049	54,178	55,046

The accompanying notes are an integral part of the Consolidated Financial Statements

Table of Contents

AARON RENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2008	2007
	(In Thousands)	
CONTINUING OPERATIONS:		
OPERATING ACTIVITIES:	**(Restated)**	
Net Earnings from Continuing Operations	$ 64,630	$ 58,935
Depreciation of Rental Merchandise	323,600	293,610
Other Depreciation and Amortization	32,735	26,784
Additions to Rental Merchandise	(634,784)	(483,561)
Book Value of Rental Merchandise Sold or Disposed	255,869	205,692
Change in Deferred Income Taxes	38,825	(2,370)
Loss (Gain) on Sale of Property, Plant, and Equipment	1,554	(4,653)
Gain on Asset Dispositions	(8,397)	(780)
Change in Income Tax Receivable, Included in Prepaid Expenses and Other Assets	(7,166)	
Change in Accounts Payable and Accrued Expenses	(12,413)	14,123
Change in Accounts Receivable	(758)	(1,713)
Excess Tax Benefits from Stock-Based Compensation	(931)	(397)
Change in Other Assets	(4,329)	(985)
Change in Customer Deposits	117	11
Stock-Based Compensation	860	1,586
Other Changes, Net	1,395	(12,436)
Cash Provided by Operating Activities	50,807	93,846
INVESTING ACTIVITIES:		
Additions to Property, Plant and Equipment	(48,565)	(96,367)
Contracts and Other Assets Acquired	(38,285)	(42,241)
Proceeds from Sale of Property, Plant, and Equipment	50,022	21,382
Proceeds from Asset Dispositions	22,178	1,596
Cash Used in Investing Activities	(14,650)	(115,630)
FINANCING ACTIVITIES:		
Proceeds from Credit Facilities	421,276	329,988
Repayments on Credit Facilities	(453,668)	(307,471)
Dividends Paid	(3,428)	(2,436)
Acquisition of Treasury Stock	(7,529)	
Excess Tax Benefits from Stock-Based Compensation	931	397
Issuance of Stock Under Stock Option Plans	5,174	2,145
Cash (Used in) Provided by Financing Activities	(37,244)	22,623

DISCONTINUED OPERATIONS:		
Operating Activities	2,704	652
Investing Activities	(287)	(575)
Cash Provided by Discontinued Operations	2,417	77
Increase in Cash	1,330	916
Cash at Beginning of Period	5,249	8,807
Cash at End of Period	$ 6,579	$ 9,723

The accompanying notes are an integral part of the Consolidated Financial Statements

Table of Contents

AARON RENTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note A Basis of Presentation

The consolidated financial statements include the accounts of Aaron Rents, Inc. (the Company) and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The consolidated balance sheet as of September 30, 2008, and the consolidated statements of earnings for the quarter and nine months ended September 30, 2008 and 2007, and the consolidated statements of cash flows for the nine months ended September 30, 2008 and 2007, are unaudited. The preparation of interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Management does not believe these estimates or assumptions will change significantly in the future absent unsurfaced and unforeseen events. Generally, actual experience has been consistent with management s prior estimates and assumptions; however, actual results could differ from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. We suggest you read these financial statements in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2007. The results of operations for the quarter ended September 30, 2008, are not necessarily indicative of operating results for the full year.

The Company s corporate furnishings business has consisted of the Aaron s Corporate Furnishings division and the Aaron s Office Furniture division. On September 12, 2008, the Company entered into an Asset Purchase Agreement with CORT Business Services Corporation (CORT) pursuant to which the Company has agreed to sell substantially all of the assets of its Aaron s Corporate Furnishings division to CORT and to transfer certain of the Aaron s Corporate Furnishings division s liabilities to CORT. The results of the Aaron s Corporate Furnishings division are presented as discontinued operations in the accompanying consolidated financial statements. See Note H for further details. After the sale of the Aaron s Corporate Furnishings division, the Company will continue to operate the Aaron s Office Furniture division.

Accounting Policies and Estimates

See Note A to the consolidated financial statements in the 2007 Annual Report on Form 10-K.

Rental Merchandise

See Note A to the consolidated financial statements in the 2007 Annual Report on Form 10-K. Rental merchandise adjustments for the three-month periods ended September 30 were $9.4 million in 2008 and $7.3 million in 2007. Rental merchandise adjustments for the nine-month periods ended September 30 were $25.1 million in 2008 and $19.9 million in 2007. These charges are recorded as a component of operating expenses.

Goodwill and Other Intangibles

During the nine months ended September 30, 2008, the Company recorded $19.7 million in goodwill, $1.8 million in customer relationship intangibles, and $798,000 in acquired franchise development rights in connection with a series of acquisitions of sales and lease ownership businesses. Customer relationship intangibles are amortized on a straight-line basis over their estimated useful lives of two years. Amortization expense was $752,000 and $608,000 for the three-month periods ended September 30, 2008 and 2007, respectively. Amortization expense was $2.2 million and $1.8 million for the nine-month periods ended September 30, 2008 and 2007, respectively. The aggregate purchase price for these asset acquisitions totaled $38.3 million, with the principal tangible assets acquired consisting of rental merchandise and certain fixtures and equipment. These purchase price allocations are tentative and preliminary; the Company anticipates finalizing them prior to December 31, 2008. The results of operations of the acquired businesses are included in the Company s results of operations from the dates of acquisition and are not significant.

Table of Contents

Stock Compensation

See Note H to the consolidated financial statements in the 2007 Annual Report on Form 10-K. The results of operations for the three months ended September 30, 2008 and 2007 include $263,000 and $458,000, respectively, in compensation expense related to unvested stock option grants. The results of operations for the nine months ended September 30, 2008 and 2007, include $860,000 and $1.6 million, respectively, in compensation expense related to unvested stock option grants. The results of operations for the three months ended September 30, 2008 and 2007 include $294,000 and $450,000, respectively, in compensation expense related to restricted stock awards. The results of operations for the nine months ended September 30, 2008 and 2007 include $1.1 million and $1.3 million, respectively, in compensation expense related to restricted stock awards. The Company did not grant or modify any stock options or stock awards in the nine months ended September 30, 2008.

Income Taxes

The Company files a federal consolidated income tax return in the United States and the separate legal entities file in various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to federal, state and local tax examinations by tax authorities for years before 2004 or subject to non-United States income tax examinations for the years ended prior to 2002. The Company does not anticipate total uncertain tax benefits will significantly change during the year due to settlement of audits and the expiration of statutes of limitations. The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48), on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a $2.9 million increase in the liability for uncertain tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

The Company had a $3.5 million liability recorded for uncertain tax benefits as of September 30, 2008 and December 31, 2007, which included interest and penalties. The Company recognizes interest and penalties accrued related to uncertain tax benefits in tax expense.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a framework for measuring the fair value of assets and liabilities which is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards which permit, or in some cases require, estimates of fair market value. SFAS 157 also expands financial statement disclosure requirements about the use of fair value measurements, including the effect of such measures on earnings. The Company adopted SFAS 157 effective January 1, 2008, and the impact was not material.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of SFAS No. 115* (SFAS 159). SFAS 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. The Company adopted SFAS 159 effective January 1, 2008 and did not elect to measure any additional assets or liabilities at fair value.

Note B Credit Facilities

See Note D to the consolidated financial statements in the 2007 Annual Report on Form 10-K.

On May 23, 2008, the Company entered into a new revolving credit agreement which replaced the previous revolving credit agreement. The new revolving credit facility expires May 23, 2013 and the terms are consistent with the previous agreement.

Note C Comprehensive Income

Comprehensive income is comprised of the net earnings of the Company, foreign currency translation adjustments, and the changes in unrealized gains or losses on available-for-sale securities, net of income taxes, as summarized below:

(In Thousands)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net earnings	$ 21,078	$ 15,919	$ 69,110	$ 64,783
Other comprehensive income:				
Foreign currency translation adjustment	359	(8)	(19)	(37)
Unrealized loss on marketable securities, net of taxes				(88)
Total other comprehensive income (loss)	359	(8)	(19)	(125)
Comprehensive income	$ 21,437	$ 15,911	$ 69,091	$ 64,658

Note D Segment Information

(In Thousands)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenues From External Customers:				
Sales and Lease Ownership	$ 368,158	$ 314,755	$ 1,134,196	$ 974,245
Office Furniture	4,782	4,045	15,109	15,504
Franchise	11,492	8,881	33,418	28,397
Other	1,165	2,580	4,660	10,067
Manufacturing	15,719	16,439	53,806	57,403
Revenues of Reportable Segments	401,316	346,700	1,241,189	1,085,616
Elimination of Intersegment Revenues	(15,884)	(16,491)	(54,219)	(57,429)
Cash to Accrual Adjustments	2,587	3,507	744	2,090
Total Revenues from External Customers from Continuing Operations	$ 388,019	$ 333,716	$ 1,187,714	$ 1,030,277
Earnings Before Income Taxes:				
Sales and Lease Ownership	$ 23,714	$ 14,588	$ 85,195	$ 72,431
Office Furniture	(329)	(336)	(1,390)	608
Franchise	8,261	6,431	24,244	20,884
Other	(645)	(743)	(349)	2,148
Manufacturing	132	(106)	1,349	(740)
Earnings Before Income Taxes of Reportable Segments	31,133	19,834	109,049	95,331
Elimination of Intersegment (Profit) Loss	(140)	140	(1,357)	854
Cash to Accrual and Other Adjustments	1,394	2,407	(2,445)	(1,773)
Total Earnings Before Income Taxes from Continuing Operations	$ 32,387	$ 22,381	$ 105,247	$ 94,412

Earnings before income taxes for each reportable segment are generally determined in accordance with accounting principles generally accepted in the United States with the following adjustments:

Sales and lease ownership revenues are reported on a cash basis for management reporting purposes.

A predetermined amount of approximately 2.3% of each reportable segment s revenues is charged to the reportable segment as an allocation of corporate overhead.

Accruals related to store closures are not recorded on the reportable segment s financial statements, as they are maintained and controlled by corporate headquarters.

The capitalization and amortization of manufacturing and distribution variances are recorded in the consolidated financial statements as part of Cash to Accrual and Other Adjustments and are not allocated to the segment that holds the related rental merchandise.

Advertising expense in the sales and lease ownership division is estimated at the beginning of each year and then allocated to the division ratably over time for management reporting purposes. For financial reporting purposes, advertising expense is recognized when the related advertising activities occur. The difference between these two methods is recorded as part of Cash to Accrual and Other Adjustments.

Sales and lease ownership rental merchandise write-offs are recorded using the direct write-off method for management reporting purposes. For financial reporting purposes, the allowance method is used and is recorded as part of Cash to Accrual and Other Adjustments.

Interest on borrowings is estimated at the beginning of each year. Interest is then allocated to operating segments on the basis of relative total assets.

Revenues in the Other category are primarily from leasing space to unrelated third parties in the corporate headquarters building and revenues from several minor unrelated activities. The pre-tax earnings items in the Other category are the net result of the profits and losses from leasing a portion of the corporate headquarters and several minor unrelated activities, and the portion of corporate overhead not allocated to the reportable segments for management purposes. Additionally, included in the Other category for the nine months ended September 30, 2007 is a $4.9 million gain from the sale of a parking deck at the Company s corporate headquarters.

Note E Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations (SFAS 141R). Under SFAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with limited exceptions. SFAS 141R will change the accounting treatment for certain specific acquisition related items including: expensing acquisition-related costs as incurred, valuing non-controlling interests at fair value at the acquisition date and expensing restructuring costs associated with an acquired business. SFAS 141R also establishes disclosure requirements for how identifiable assets, liabilities assumed, any non-controlling interest in an acquiree and goodwill is recognized and recorded in an acquiree s financial statements. SFAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The Company is currently evaluating the impact of this Statement on its financial statements.

In May 2008, FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. This Statement is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company is currently evaluating the impact of this Statement on its financial statements.

Note F Commitments

The Company leases warehouse and retail store space for substantially all of its operations under operating leases expiring at various times through 2028. Most of the leases contain renewal options for additional periods ranging from one to 15 years or provide for options to purchase the related property at predetermined purchase prices that do not represent bargain purchase options. The Company also leases transportation and computer equipment under operating leases expiring during the next five years. The Company expects that most leases will be renewed or replaced by other leases in the normal course of business.

The Company has guaranteed the borrowings of certain independent franchisees under a franchise loan program with several banks. In the event these franchisees are unable to meet their debt service payments or otherwise experience an event of default, the Company would be unconditionally liable for a portion of the outstanding balance of the franchisee s debt obligations, which would be due in full within 90 days of the event of default. At September 30, 2008, the portion that the Company might be obligated to repay in the event franchisees defaulted was $115.2 million. Of this amount, approximately $84.0 million represents franchise borrowings outstanding under the franchise loan program and approximately $31.2 million represents franchise borrowings under other debt facilities. However, due to franchisee borrowing limits, management believes any losses associated with any defaults would be mitigated through recovery of rental merchandise as well as the associated rental agreements and other assets. Since its inception in 1994, the Company has had no significant losses associated with the franchisee loan and guaranty program. On

May 23, 2008, the Company entered into a new franchise loan guaranty agreement which replaced the previous franchise loan guaranty agreement. The new franchise loan guaranty expires May 23, 2009.

The Company has no long-term commitments to purchase merchandise. See Note F to the consolidated financial statements in the 2007 Annual Report on Form 10-K for further information.

Table of Contents

Note G Related Party Transactions

The Company leases certain properties under capital leases with certain related parties that are described in Note D to the consolidated financial statements in the 2007 Annual Report on Form 10-K.

Motor sports sponsorships and promotions have been an integral part of the Company s marketing programs for a number of years. The Company has sponsored professional driver Michael Waltrip and his team of drivers in various NASCAR races. In 2007, the two sons of the president of the Company s sales and lease ownership division were paid by Mr. Waltrip s company as full-time members of its team of drivers. One son raced in the USAR Hooters Pro Cup Series and the other raced in the Craftsman Truck Series. The Company s sponsorship cost in 2007 for these two drivers was approximately $730,000. In 2008, the Company sponsored one of the drivers as a member of the Eddie Sharp Racing team in the ARCA RE/MAX Series at an estimated cost of less than $250,000. The second driver raced in the USAR Hooters Pro Cup Series for a team owned by DRT Enterprises, Inc. The Company also sponsored an unrelated driver on the DRT Enterprises team in the total amount of $180,000, with none of the sponsorship funds directly allocated to the president s son.

During the first quarter of 2008, the Company purchased for $704,000 the land and building of a Company-operated store location owned by the daughter of the Chairman of the Company and previously leased to the Company. The purchase price was determined based upon an appraisal and other market evaluations provided by unrelated third parties.

Note H Discontinued Operations

On September 12, 2008, the Company entered into an agreement with CORT Business Services Corporation agreeing to sell substantially all of the assets of its Aaron s Corporate Furnishings division and to transfer certain of the Aaron s Corporate Furnishings division s liabilities to CORT. The Aaron s Corporate Furnishings division, which currently operates at 47 locations, is primarily engaged in the business of renting and selling residential furniture, electronics, appliances, housewares and accessories.

The consideration for the assets will consist of $72 million in cash plus payments for certain accounts receivable of the Aaron s Corporate Furnishings division, subject to certain adjustments, including for differences in the amount of the Aaron s Corporate Furnishings division s inventory at closing and in the monthly rent potential of the division s merchandise on rent at closing as compared to certain benchmark ranges set forth in the purchase agreement. The assets being transferred include all of the Aaron s Corporate Furnishings division s rental contracts with customers and certain other contracts, certain inventory and accounts receivable, and store leases or subleases for 27 locations. CORT is assuming performance obligations under transferred rental and certain other contracts and customer deposits. The Company is retaining other liabilities of the Aaron s Corporate Furnishings division, including its accounts payable and accrued expenses. The Company anticipates that the transaction, which is subject to customary closing conditions, will close in the fourth quarter of 2008.

Summarized operating results for the Aaron s Corporate Furnishings division for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In Thousands)	**2008**	**2007**	**2008**	**2007**
Revenues	$24,647	$25,665	$73,474	$76,023
Earnings Before Income Taxes	2,068	2,932	7,257	9,456
Earnings From Discontinued Operations, Net of Tax	1,288	1,811	4,480	5,848

Table of Contents

Net sssets held for sale for the Aaron s Corporate Furnishings division included in the consolidated balance sheet as of September 30, 2008 and December 31, 2007 are as follows:

	(Unaudited) September 30, 2008	December 31, 2007
	(In Thousands)	
Accounts Receivable, Net	$ 4,541	$ 4,313
Rental Merchandise	74,389	70,867
Less: Accumulated Depreciation	(22,050)	(19,248)
	52,339	51,619
Property, Plant and Equipment, Net	1,287	1,162
Goodwill, Net	1,388	1,388
Prepaid Expenses and Other Assets	271	431
Customer Deposits and Advanced Payments	(848)	(1,998)
Net Assets Held for Sale	$ 58,978	$ 56,915

Note I Restatement of Consolidated Financial Statements

This Amendment No. 1 to the Quarterly Report on Form 10-Q for the period ended September 30, 2008 of Aaron Rents, Inc. is filed to correct an error on the Consolidated Statements of Cash Flows. The items Additions to Rental Merchandise and the Book Value of Rental Merchandise Sold or Disposed for the nine month period ended September 30, 2008 were inadvertently overstated by approximately $241.1 million; however, the net effect of these two items is the same, resulting in no change to the previously reported cash provided by operating activities or cash at the end of the period. This classification error did not affect the Company s Consolidated Statement of Earnings or the Consolidated Balance Sheet.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Aaron Rents, Inc.

We have reviewed the consolidated balance sheet of Aaron Rents, Inc. and subsidiaries as of September 30, 2008, and the related consolidated statements of earnings for the three-month and nine-month periods ended September 30, 2008 and 2007, and the consolidated statements of cash flows for the nine-month periods ended September 30, 2008 and 2007 (as restated). These financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note I to the consolidated financial statements, the Company has restated its consolidated cash flow statement for the period ended September 30, 2008.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Aaron Rents, Inc. and subsidiaries as of December 31, 2007, and the related consolidated statements of earnings, shareholders equity, and cash flows for the year then ended not presented herein, and in our report dated February 28, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Atlanta, Georgia
November 4, 2008, except for note I,
as to which the date is November 21, 2008

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

An evaluation of the Company s disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, was carried out by management, with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as of the end of the period covered by the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. The Company s disclosure controls and procedures, however, are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Subsequent to September 30, 2008, the Company detected errors in the cash flow statement for the third quarter of 2008 resulting from a clerical error within the supporting detail that was not identified during the review of the cash flow statement. In particular, the items Additions to Rental Merchandise and the Book Value of Rental Merchandise Sold or Disposed for the nine month period ended September 30, 2008 were inadvertently overstated by approximately $241.1 million; however, the net effect of these two items was the same, resulting in no change to the previously reported cash provided by operating activities or cash at the end of the period. Nevertheless, the Company concluded that the failure to identify the error prior to the filing of the cash flow statement constituted a material weakness in the Company s internal control over financial reporting.

Based on management s evaluation, the CEO and CFO concluded that the Company s disclosure controls and procedures were not effective as of the date of the evaluation to provide reasonable assurance that the objectives of disclosure controls and procedures are met, due to the material weakness in internal control over financial reporting described above that existed as of such date.

Internal Control Over Financial Reporting.

There were no changes in the Company s internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, during the Company s third quarter of 2008 that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Subsequent to the end of the third quarter however, the Company implemented and amended certain controls to remediate the material weakness in internal control over financial reporting described above. The Company anticipates that its remedial activities with respect to such weakness will be completed during the fourth quarter of 2008.

Table of Contents

PART II OTHER INFORMATION

ITEM 6. EXHIBITS

The following exhibits are furnished herewith:

2.1	Asset Purchase Agreement between CORT Business Services Corporation as Buyer and Aaron Rents, Inc. as Seller dated as of September 12, 2008. +
15	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of Chief Executive Officer, pursuant to Rules 13a-14(a)/15d-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rules 13a-14(a)/15d-14(a).
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\+ Filed with original filing of this report.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of l934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AARON RENTS, INC.
(Registrant)

Date November 24, 2008	By:	/s/ Gilbert L. Danielson Gilbert L. Danielson Executive Vice President, Chief Financial Officer
Date November 24, 2008		/s/ Robert P. Sinclair, Jr. Robert P. Sinclair, Jr. Vice President, Corporate Controller

16