FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **2000-04-18**
SEC Accession No. 0000898430-00-001299

SUBJECT COMPANY

NATIONAL AUTO CREDIT INC

CIK:**718936**| IRS No.: **341050582** | State of Incorp.:**DE** | Fiscal Year End: **0131**
Type: **SC 13D** | Act: **34** | File No.: **005-35853** | Film No.: **603647**
SIC: **7510** Auto rental & leasing (no drivers)

Mailing Address	Business Address
30000 AURORA ROAD	*30000 AURORA RD*
30000 AURORA ROAD	*SOLON OH 44139*
SOLON OH 44139	*2163491000*

FILED BY

CRAIG CORP

CIK:**110985**| IRS No.: **951620188** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **SC 13D**
SIC: **8742** Management consulting services

Mailing Address	Business Address
550 S HOPE STREET	*550 S HOPE STREET*
SUITE 1825	*SUITE 1825*
LOS ANGELES CA 90071-2633	*LOS ANGELES CA 90071-2633*
	2132390555

OMB APPROVAL
OMB Number: 3235-0145
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Hours per response...14.90

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13/D

Under the Securities Exchange Act of 1934

National Auto Credit, Inc.

(Name of Issuer)

Common Stock, par value $.01 per share

(Title of Class of Securities)

632900106

(CUSIP Number)

S. Craig Tompkins
Reading Entertainment, Inc., Citadel Holding Corporation and Craig Corporation
c/o 550 South Hope Street, Suite 1825,
Los Angeles, California 90071 (213) 239-0555

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

April 5. 2000

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report

the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g) check the following box. [_]

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

CUSIP NO. 632900106	PAGE 2 OF 12 PAGES

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON FA, INC. 51-0285397	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* FA, Inc. is a member of a group with Reading Entertainment, Inc., but not with any other Filing Party	(a) [_] (b) [X]
3	SEC USE ONLY	
4	SOURCE OF FUNDS* 00	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	[_]

	CITIZENSHIP OR PLACE OF ORGANIZATION	
6		
	DELAWARE	
	SOLE VOTING POWER	
	7	
NUMBER OF		
	8,999,900	
SHARES	SHARED VOTING POWER	
BENEFICIALLY	8	
OWNED BY	-0-	
	SOLE DISPOSITIVE POWER	
EACH	9	
REPORTING		
	8,999,900	
PERSON	SHARED DISPOSITIVE POWER	
WITH	10	
	-0-	
	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	
11		
	8,999,900	
	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*	
12		
		[_]
	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
13		
	25.88%	
	TYPE OF REPORTING PERSON*	
14		
	CO	

*SEE INSTRUCTIONS BEFORE FILLING OUT.

SCHEDULE 13D

CUSIP NO. 632900106	PAGE 3 OF 12 PAGES

	NAME OF REPORTING PERSON

1	S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Reading Entertainment, Inc., a Nevada Corporation 23-2859312	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* Reading Entertainment, Inc., is a member of a group with FA, Inc., but not with any other Filing Party.	(a) [_] (b) [X]
3	SEC USE ONLY	
4	SOURCE OF FUNDS* OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	[_]
6	CITIZENSHIP OR PLACE OF ORGANIZATION Nevada	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7 SOLE VOTING POWER -0-	
	8 SHARED VOTING POWER 8,999,900	
	9 SOLE DISPOSITIVE POWER -0-	
	10 SHARED DISPOSITIVE POWER 8,999,900	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 8,999,900	

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*
12 [_]

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
13 25.88%

TYPE OF REPORTING PERSON*
14 CO

---

*SEE INSTRUCTIONS BEFORE FILLING OUT.

SCHEDULE 13D

CUSIP NO. 632900106	PAGE 4 OF 12 PAGES

NAME OF REPORTING PERSON
1 S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Craig Corporation, a Nevada corporation
95-1620188

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
2

Craig Corporation reports with Reading Entertainment, Inc. on a consolidated basis and collectively with Reading owns approximately 49% of the voting stock of Citadel Holding Corporation. However, Craig disclaims membership in any group.

(a) [_]
(b) [X]

SEC USE ONLY
3

SOURCE OF FUNDS*
4 N/A

CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [_]
5

CITIZENSHIP OR PLACE OF ORGANIZATION
6 Nevada

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 9,925,000
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER 9,925,000

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 9,925,000
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* [_]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 28.54%
14	TYPE OF REPORTING PERSON* CO

*SEE INSTRUCTIONS BEFORE FILLING OUT.

SCHEDULE 13D

CUSIP NO. 632900106	PAGE 5 OF 12 PAGES

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Citadel Holding Corporation, a Nevada corporation 95-3885184

	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*		
2	Citadel is owned approximately 49% by Craig Corporation and Reading Entertainment, Inc. However, Citadel disclaims membership in any group.	(a) (b)	[_] [X]
	SEC USE ONLY		
3			
	WC		
	SOURCE OF FUNDS*		
4			
	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		[_]
5			
	CITIZENSHIP OR PLACE OF ORGANIZATION		
6			
	Nevada		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	SOLE VOTING POWER 7 -0- SHARED VOTING POWER 8 925,100 SOLE DISPOSITIVE POWER 9 -0- SHARED DISPOSITIVE POWER 10 925,100		
	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		
11			
	925,100		
	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*		
12			[_]
	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)		

13
2.66%

TYPE OF REPORTING PERSON*
14
CO

---

*SEE INSTRUCTIONS BEFORE FILLING OUT.

SCHEDULE 13D

PAGE 6 OF 12 PAGES

Item 1. Security and Issuer.

This Statement relates to the purchase on April 5, 2000 by FA, Inc., ("FA"), a wholly owned subsidiary of Reading Entertainment, Inc., a Nevada corporation ("REI and collectively with FA, "Reading") of 8,999,900 shares of the Common Stock, par value $.05 per share (the "Common Stock"), of National Auto Credit, Inc., a Delaware corporation (the "Issuer"). This filing is also being made by the following persons:

a) Craig Corporation, a Nevada corporation ("CC" and collectively with its wholly owned subsidiaries "Craig"), which owns approximately 78% of the voting power of REI, and reports its ownership in REI on a consolidated basis for financial reporting purposes; and

b) Citadel Holding Corporation, a Nevada corporation ("CHC" and collectively with its wholly owned subsidiaries "Citadel"), which holds 925,100 shares of the Common Stock of the Issuer, and 70,000 shares of the Series A Preferred Stock of REI, and the Class A Non-voting Common Stock and Class B Voting Common Stock of which are held 31.7% and 31.7% respectively by Reading and 16.4% and 17.3% respectively by Craig.

These persons are referred to herein collectively as the "Filing Parties."

Item 2. Identity and Background.

The information required under this item is set forth in Schedule 1 to this Statement.

Item 3. Source and Amount of Funds or Other Consideration.

The Common Stock acquired by FA was issued by the Issuer to FA in partial consideration of (a) the transfer by FA to the Issuer of a 50% membership interest in the Angelika Film Center, LLC., a Delaware limited liability company ("AFC"), and (b) the granting to the Issuer of certain options to further expand into the domestic cinema exhibition market through the acquisition from Reading

of certain additional domestic cinemas assets (the "Exchange Transaction"). The membership interest transferred by FA to the Issuer was valued by the parties at $13.5 million. The remainder of the consideration included 100 shares of the Issuer's Series A Convertible Preferred Stock (the "Preferred Stock") and cash in the amount of $500,000. A copy of the Certificate of Designation setting out the rights, privileges and preferences of the Preferred Stock is set out in Schedule 2 to this Statement. That Certificate of Designation provides, among other things, that the Issuer's Certificate of Incorporation and By-Laws cannot be amended and that the Board of Directors cannot be removed without the approval of the holders of a majority of the Preferred Stock outstanding from time to time. At the present time, FA holds 100% of the authorized Preferred Stock. This summary description of the Preferred Stock is qualified by reference to the complete text of the Certificate of Designation, set out in Schedule 2, hereto.

The Common Stock acquired by Citadel was purchased in the over-the-counter market for cash from Citadel's internally generated funds over the period October 14, 1999 to March 23, 2000.

Collectively, the Filing Parties currently own Common Stock representing approximately 28.54 % of the outstanding voting power of the Issuer. Although they are filing this Statement jointly, there is not presently any binding agreement between the Filing Parties with respect to the voting of shares, the acquisition of further shares, the disposition of any shares, or the taking of any other action with respect to the shares or the Issuer. The Filing Parties, may, however, from time to time, share the costs of a common law firm to assist them with respect to their compliance with the federal securities laws applicable to their respective transactions involving the Common Stock and/or the Preferred Stock. Also, FA and REI may be considered as a part of a group, since FA is a wholly owned subsidiary of REI. Craig and Citadel disclaim membership in any group.

Item 4. Purpose of Transaction.

The transaction was a part of Reading's previously disclosed plan to focus its business principally upon the ownership, development and operation of cinemas and cinema based entertainment centers in Australia and New Zealand, and to de-emphasize its direct ownership and operation of cinemas in the United States and Puerto Rico. The sole asset of AFC is the Angelika Film Center located in the Soho district of Manhattan. In the Exchange Transaction, Reading believes that it has, in essence, brought a potential partner with significant cash assets and no indebtedness, into its domestic cinema exhibition business. While no assurances can be given, it is Reading's hope that the Issuer will elect to exercise its options to acquire further cinema interests from Reading in consideration of the issuance to it of additional shares of the Issuer's Common Stock. The Issuer has the option, through and including May 20, 2000 to

acquire, for example, an additional 33.3% membership interest in AFC from FA in consideration of the issuance to FA of an additional 6 million shares of Common Stock.

The Filing Parties believe that the value of the Common Stock may, at present, be adversely affected by a variety of factors, including the uncertainty presently surrounding the management and direction of the Issuer and the role that will be played, if any, by its principal stockholder, Mr. Sam Frankino ("Frankino"). According to the Issuer's public reports and press releases,

a) The Issuer and Frankino are currently the subject of eleven purported class action lawsuits (collectively referred to herein as the "Class Action") alleging fraud and other violations of the federal securities laws. While the Company has reached agreement in principal with plaintiff's counsel to settle these claims for $6.5 million, this settlement needs to be approved by the Court and, insofar as the Filing Parties are aware, does not resolve matters between the Issuer and Frankino;

b) On January 16, 1998, Deloitte & Touche LLP resigned as the independent auditors to the Issuer, advising the Issuer that information had come to its attention that caused it to no longer be able to rely on the representations of the then management of the Issuer's, which management included Frankino;

c) The Securities and Exchange Commission, the United States Attorney for the Northern District of Ohio, and the Federal Bureau of Investigation are investigating the issue raised as a result of the resignation of Deloitte & Touche LLP;

d) In August 1999, Frankino filed a written consent with the Issuer in which he (i) amended the Issuer's bylaws to expand the number of directors from six to thirteen and (ii) elected seven of his nominees to fill these newly-created seats on the Board. This action was contested by the Issuer but was upheld by the Delaware Chancery Court in November 1999;

e) Prior to the acquisition of its interest in AFC, the Issuer sold substantially all of its business assets reducing its assets, in essence, to cash and a limited amount of commercial real estate;

f) On April 7, 2000, following the closing of the Exchange Transaction and the issuance of the Common Stock and the Preferred Stock to Reading, Frankino delivered a written consent the Issuer, in which he purported to a) rescind any and all amendments to the Issuer's by-laws made on or after March 1, 2000, b) declassify the Board of Directors of the Issuer, and c) remove all of the directors who voted in favor of the Exchange Transaction

(including 4 of the Directors placed upon the Board of Directors of the Issuer by Frankino in 1999). The Filing Parties are further advised that Frankino has filed a lawsuit in the Delaware Chancery Court (the "Frankino Lawsuit") seeking to compel the Issuer to accept these purported actions by written consent, which lawsuit is currently pending, and that the Issuer intends to defend against such lawsuit. Although Frankino seeks to prevent Reading from voting its shares of Common Stock and Preferred Stock, Reading has not been named in the action. Based on the above actions by Frankino, it appears to the Filing Parties that Frankino intends to challenge the Exchange Transaction and the rights of Reading as the holder of the securities described in this Statement; and

g) The Issuer's current auditors have questioned the Issuer's ability to continue as a going concern.

The Filing Parties believe that the Exchange Transaction has resulted in (a) the dilution of Frankino's voting interest in the Issuer from over 60% to less than 50% and (b) absent the acquisition of additional shares by Frankino, the elimination of Frankino's ability to unilaterally amend the Issuer's By-laws and remove the Directors of the Issuer. However, given the Frankino Lawsuit, no assurances can be given in this regard.

Depending upon a variety of factors, including without limitation, the state of the relations between the Issuer and its largest stockholder, Frankino, the status of the Frankino Lawsuit and the decision by the Board of Directors of the Issuer whether or not to exercise its options to acquire addition cinema assets from Reading, the Filing Parties may purchase additional shares (directly from the Issuer, in open market transactions, and/or by tender or other offer) or they may sell shares. However, since the 8,999,900 shares acquired directly from the Issuer were sold without the benefit of a registration statement, they constitute restricted securities, and cannot be sold other than after registration or otherwise pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended and applicable state securities laws. While Reading has been granted certain registration rights by the Issuer, these rights are limited. Other than the limitations on resale imposed by applicable state and federal securities laws, however, there are no restrictions or limitations on the right of the Filing Parties to dispose of their respective interests in the Issuer at such time, in such manner and to such person or persons as they may elect.

Prior to the closing of the Exchange Transaction, the Filing Parties had discussions with Frankino and with certain of his representatives, concerning a purchase by one or more of the Filing Parties of the interest held in the Issuer by Frankino and certain of his affiliates. However, these discussions have not to date resulted in any transaction and the Filing Parties have no reason to believe that Frankino would be a willing seller of his interest in the Issuer at

this time.

The Filing Parties may consider and/or propose one or more additional transactions which relate to or would result in the effects specified in items (b) through (g), (i) and (g) of Item 4. of Schedule 13D. However, as Reading is an "Interested Person" as such term is defined in Article SIXTH of the Certificate of Incorporation of the Issuer, the ability of the Filing Parties to cause the consummation of any one or more transactions constituting a "Business Combination" as defined in such Article SIXTH is limited. Accordingly, it appears that Frankino is currently in a position to block any "Business Combination" between the Issuer and Reading or any of Reading's affiliates or associates. The Issuer has covenanted, however, in the Purchase Agreement pursuant to which the Issuer acquired the 50% membership interest in AFC (the "Purchase Agreement") that:

> subject to the fiduciary duty of the board of Directors of [Issuer], to present to the stockholders of [Issuer], at [Issuer's] next annual or special meeting of stockholders, a proposed amendment to [Issuer's] Restated Certificate of Incorporation to eliminate Article SIXTH thereof, and shall use their best efforts to solicit proxies in favor of such amendment.

The Filing Parties believe that the interests of the Issuer and its stockholders would best be served by the elimination of Article SIXTH. However, while Article SIXTH is rather convoluted and difficult to interpret, the Filing Parties believe that the elimination of Article SIXTH would require the approval of stockholders of the Issuer representing 2/3rds of the outstanding shares, calculated both with and without reference to the shares held by the Filing Parties and Frankino. Accordingly, Frankino could block the removal of Article SIXTH. No assurances can be given as to whether Frankino would support the elimination of Article SIXTH.

As a consequence of action by the Board of Directors of the Issuer, Reading and its affiliates are exempt from the provisions of Section 203 of the Delaware Corporations Code.

Given the amount of Common Stock held by Frankino, the actions recently taken by Frankino to purportedly restructure the Issuer's Board of Directors and to purportedly remove from the Issuer's Board of Directors all Directors who voted in favor of the Exchange Transaction, and the uncertainty surrounding the future of the Issuer and the Exchange Transaction, no assurances can be given as to what, if any, action will be taken by the Filing Parties.

Item 5. Interest in Securities of the Issuer.

See the materials set forth on Pages 2-5 above and in Schedule 3 to this Statement.

Item 6. Contracts Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

There are no agreements other than the following agreements between Reading and the Issuer pertaining to the Securities of the Issuer.

a) the Purchase Agreement between the parties dated April 5, 2000,

b) the Registration Rights Agreement between the parties dated April 5, 2000,

c) the Option Letter dated April 5, 2000 (the "First Option Letter") granting to the Issuer the right, on or before May 20, 2000, to elect to acquire an additional 33% interest in AFC in consideration of the issuance by it to Reading of an additional 6 million shares of Common Stock (the Issuer having the right, in the event and to the extent that it should lack sufficient authorized shares to effect such transaction, to substitute cash at the rate of $1.50 for such shares to the extent necessary to make up the difference), and

d) The Option Letter dated April 5, 2000, (the "Second Option Letter") granting to the Issuer the right, on or before June 5, 2000 to acquire all of the remaining domestic cinema assets of Reading, subject to the right of Citadel to participate, on a 50/50 basis with the Issuer, in any such transaction.

Copies of the above documents are attached as exhibits to this Statement, and any description of them herein is necessarily qualified by reference to the full text of such documents, as set forth in such exhibits.

The Purchase Agreement includes a put right, exercisable by Reading under certain circumstances. The relevant provision provides as follows:

> Section 5.9. Notification and Put Rights.
>
> (a) [Issuer] covenants and agrees that it shall provide written notice to [REI] at least thirty (30) days prior to the date on which any of the following is proposed to occur: (i) the issuance of shares of Common Stock or of any class or series of Preferred Stock (in one or a series of related transactions) representing more than fifteen percent (15%) of the number or voting power of the shares of Common Stock or [Issuer] Preferred Stock, as the case may be, outstanding immediately prior to such issuance, or (ii) the making of an investment or series of related investments involving aggregate payments by [Issuer] of $10 million or more (calculated on a consolidated basis);
>
> (b) [REI] shall notify [Issuer] within thirty (30) days after the date of the notice in paragraph (a) above whether it agrees with the proposed issuance or investment described in such notice. If (x) [REI] objects to any such proposed transaction and (y) [Issuer] notifies [REI] that [Issuer] will nonetheless proceed with the proposed transaction, [REI] shall have the option, exercisable within fifteen (15) days after the date of the

written notice in clause (y) above, to cause [Issuer] to repurchase, out of funds legally available therefore, all of the Common Share Consideration and the Preferred Share Consideration, for an aggregate purchase price equal to (aa) $13.5 million plus (bb) interest at a per annum

rate of ten percent (10%) calculated on a daily basis through the date of such repurchase, which repurchase shall be consummated no later than thirty (30) days after the date of the notice of exercise of the option provided herein; and

c) The rights of [REI] to receive notice and to require the [Issuer] to repurchase the Common Share Consideration and the Preferred Share consideration shall expire on the date that is thirty (30) days following the date on which [Issuer] files with the Securities and Exchange Commission its Annual Report on Form 10-K for the fiscal year ended January 30, 2001, provided that the parties shall be obligated to consummate any repurchase for which [REI] has provided notice of exercise of the repurchase option provided in section 5.9(b) prior to such expiration date.

The Purchase Agreement also includes (a)an undertaking, as previously set forth above, to propose to the stockholders of the Issuer and to solicit proxies in support of an amendment to the Restated Certificate of Incorporation of the Issuer to eliminate Article SIXTH, and (b) a covenant to permit a representative of Reading to attend meetings of the Board of Directors of the Issuer.

Item 7. Material to be Filed as Exhibits.

Exhibit A	-	Purchase Agreement
Exhibit B	-	Registration Rights Agreement
Exhibit C	-	First Option Letter
Exhibit D	-	Second Option Letter
Exhibit E	-	Joint Filing Agreement

Schedule 1 Information with Respect to Executive Officers and Directors
Schedule 2 Certificate of Designation
Schedule 3 Interest in Securities of the Issuer: Transactions for shares for the past 60 days.

[Intentionally left blank]

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: April 17, 2000

FA, INC.

By: /s/ S. Craig Tompkins

S. Craig Tompkins
Vice President

READING ENTERTAINMENT, INC.

By: /s/ S. Craig Tompkins

S. Craig Tompkins
Vice Chairman

CRAIG CORPORATION.

By: /s/ S. Craig Tompkins

S. Craig Tompkins
President

CITADEL HOLDING CORPORATION

By: /s/ S. Craig Tompkins

S. Craig Tompkins
Vice Chairman

EXHIBIT A

==========

PURCHASE AGREEMENT

AMONG

NATIONAL AUTO CREDIT, INC.,

NATIONAL CINEMAS, INC.

FA, INC.

and

READING ENTERTAINMENT, INC.

Dated as of April 5, 2000

==========

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made and entered into as of this 4/th/ day of April, 2000, by and among National Auto Credit, Inc., a Delaware corporation (the "Buyer"), National Cinemas, Inc. ("Newco"), FA, Inc. (d/b/a FA of Delaware), a Delaware corporation (the "Seller"), and Reading Entertainment, Inc., a Nevada corporation (the "Parent").

PRELIMINARY STATEMENT

WHEREAS, Angelika Film Centers LLC, a Delaware limited liability company (the "Company"), owns and operates the Angelika Film Center, consisting of a multiplex cinema and cafe complex, located at 18 W. Houston Street, New York, New York, in the SOHO District of Manhattan;

WHEREAS, the Seller owns an 83.34% membership interest in the Company which, together with the remaining 16.66% membership interest in the Company owned by Sutton Hill Associates, a California general partnership ("Sutton Hill"), constitutes all of the outstanding membership interests in the Company (the "Interests"); and

WHEREAS, the Parent owns indirectly all of the issued and outstanding shares of capital stock of the Seller and Buyer owns all of the issued and outstanding capital stock of Newco; and

WHEREAS, the Buyer desires to enter into the motion picture exhibition business in the United States and to purchase a 50% membership interest in the Company from the Seller (the "Purchased Interests"), and the Seller desires to sell the Purchased Interests to the Buyer, on the Closing Date (as hereinafter defined), upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein, the parties hereto hereby agree as follows:

ARTICLE I.
DEFINITIONS

Section 1.1. Definitions. As used in this Agreement (including the recitals and Schedules hereto), the following terms shall have the following meanings (such meanings to be applicable equally to both singular and plural forms of the terms defined):

"Affiliate" shall mean, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of the power to direct or cause the direction of management, policies or investments (whether through ownership of securities or partnership or other ownership interests, by management or advisory contract or otherwise) of such Person.

"Agreement" shall have the meaning set forth in the preamble hereto.

"Amended Trademark License Agreement" shall have the meaning set forth in Section 5.9 hereof.

"Amendment and Waiver" means the Amendment and Waiver to the Limited Liability Company Agreement between the Seller and Sutton Hill to be entered into among the Seller and Sutton Hill on or prior to the Closing Date in the form attached hereto as Exhibit A.

"Benefit Arrangement" shall have the meaning set forth in Section 3.20 hereof.

"Buyer" shall have the meaning set forth in the preamble hereto.

"Buyer Common Stock" means the Common Stock, par value $.05 per share, of the Buyer.

"Buyer Series A Preferred Stock" means the Series A Convertible Preferred Stock, par value $.05 per share, of the Buyer, described on Exhibit F hereto.

"Buyer Employee Plans" shall have the meaning set forth in Section 4.12 hereof.

"Buyer ERISA Affiliate" shall have the meaning set forth in Section 4.12 hereof.

"Buyer Events of Breach" shall have the meaning set forth in Section 6.3 hereof.

"Buyer Indemnitees" shall have the meaning set forth in Section 6.1 hereof.

"Buyer Leased Property" shall have the meaning set forth in Section 4.10(b) hereof.

"Buyer Leases" shall have the meaning set forth in Section 4.10(b) hereof.

"Buyer Losses" shall have the meaning set forth in Section 6.1 hereof.

"Buyer Material Adverse Effect" shall mean a material adverse effect on the business, operations, assets, properties or condition (financial or otherwise) of the Buyer and its subsidiaries, taken as a whole.

"Buyer Multiemployer Plan" shall have the meaning set forth in Section 4.12(b) hereof.

"Buyer Owned Real Property" shall have the meaning set forth in Section 4.10(a) hereof.

"Buyer Pension Plans" shall have the meaning set forth in Section 4.12 hereof.

"Buyer Plans" shall have the meaning set forth in Section 4.12 hereof.

"Buyer Financial Statements" shall have the meaning set forth in Section 4.7 hereof.

"CERCLA" shall have the meaning set forth in Section 3.22(b) hereof.

"Certificate of Designation" shall mean that Certificate of Designation, Number, Powers, Preferences and Relative, Participating, Optional and Other Special Rights and the Qualifications, Limitations, Restrictions, and Other Distinguishing Characteristics of the Series A Convertible Preferred Stock of National Auto Credit, Inc., the form of which is attached hereto as Exhibit F.

"Closing" shall have the meaning set forth in Section 2.2 hereof.

"Closing Date" shall have the meaning set forth in Section 2.2 hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder, as in effect from time to time.

"Commission" means the Securities and Exchange Commission.

"Company" shall have the meaning set forth in the preliminary statement hereof.

"Company Balance Sheet" shall have the meaning set forth in Section 3.7 hereof.

"Company Financial Statements" shall have the meaning set forth in Section 3.7 hereof.

"Company Material Adverse Effect" shall mean a material adverse effect on

the business, operations, assets, properties or condition (financial or otherwise) of the Company.

"Company Permits" shall have the meaning set forth in Section 3.14 hereof.

"Company Unaudited Financial Statements" shall have the meaning set forth in Section 3.7 hereof.

"Contracts" shall have the meaning set forth in Section 3.16 hereof.

"Employee Plans" shall have the meaning set forth in Section 3.20(a) hereof.

"Employment and Labor Agreements" shall have the meaning set forth in Section 4.13(a) hereof.

"Environmental Laws" shall have the meaning set forth in Section 3.22(a) hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and all regulations promulgated thereunder, as in effect from time to time.

"GAAP" shall mean United States generally accepted accounting principles as in effect on the date on which the document or calculation to which it refers relates, applied on a consistent basis throughout the periods covered thereby.

"Government" shall mean any agency, division, subdivision, audit group or procuring office of the Government of the United States, any state of the United States or any foreign government, including the employees or agents thereof.

"Hazardous Materials" shall have the meaning set forth in Section 3.22(c) hereof.

"Income Tax" or "Income Taxes" shall mean all Taxes based upon, measured by, or calculated with respect to (i) gross or net income or gross or net receipts or profits (including, but not limited to, any capital gains, minimum taxes and any Taxes on items of tax preference, but not including sales, use, goods and services, real or personal property transfer or other similar Taxes), (ii) multiple bases (including, but not limited to, corporate franchise, doing business or occupation Taxes) if one or more of the bases upon which such Tax may be based upon, measured by, or calculated with respect to, is described in clause (i) above or (iii) withholding taxes measured by, or calculated with respect to, any payments or distributions (other than wages).

"Indebtedness" shall mean all loan and credit agreements, indentures, debentures, promissory notes and other evidences of indebtedness, and all guarantees related thereto, of the Company.

"Intellectual Property" shall have the meaning set forth in Section 3.11 hereof.

"Interests" shall have the meaning set forth in the Preliminary Statement hereof.

"Leases" shall have the meaning set forth in Section 3.13(b) hereof.

"Leased Property" shall have the meaning set forth in Section 3.13(b) hereof.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien (statutory or other) or conditional sale agreement.

"Management Agreement" shall mean the Management Agreement, dated as of August 27, 1996, by and between the Company and City Cinemas Corporation, a New York corporation.

"Newco" shall have the meaning set forth in the preamble hereto.

"NLRB" shall have the meaning set forth in Section 4.13(b) hereof.

"Option Letters" shall have the meaning set forth in Section 2.6 hereof.

"Parent" shall have the meaning set forth in the preamble hereto.

"PBGC" shall have the meaning set forth in Section 4.12(e) hereof.

"Permits" shall mean licenses, permits, franchises, authorizations and approvals issued or granted by the Government, any state or local government, any foreign national or local

government, or any department, agency, board, commission, bureau or instrumentality of any of the foregoing.

"Person" shall mean and include any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, any other unincorporated organization or Government.

"Plans" shall have the meaning set forth in Section 3.20(a) hereof.

"Proceeding" shall have the meaning set forth in Section 6.2 hereof.

"Purchased Interests" shall have the meaning set forth in the Preliminary Statement hereof.

"Reading Investment" shall have the meaning set forth in Section 5.9 hereof.

"Registration Rights Agreement" means the Registration Rights Agreement to be entered into among the Buyer and the Seller on the Closing Date in the form attached hereto as Exhibit D.

"SEC Reports" means the registration statements, reports and proxy statements filed with the Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Seller Events of Breach" shall have the meaning set forth in Section 6.1 hereof.

"Seller Indemnitees" shall have the meaning set forth in Section 6.3 hereof.

"Seller Losses" shall have the meaning set forth in Section 6.3 hereof.

"Seller" shall have the meaning set forth in the preamble hereto.

"Share Consideration" shall have the meaning set forth in Section 2.3 hereof.

"Sutton Hill" shall have the meaning set forth in the Preliminary Statement hereof.

"Taxes" shall mean any and all federal, state, local, foreign and other taxes, levies, fees, imposts, duties and charges of whatever kind (including any interest, penalties or additions to the tax imposed in connection therewith or with respect thereto), whether or not imposed on the Company, including, without limitation, taxes imposed on, or measured by, income, franchise, profits or gross receipts, and also ad valorem, value added, sales, use, service, real or personal property, capital stock, license, payroll, withholding, employment, social security, workers' compensation, unemployment compensation, utility, severance, production, excise, stamp, occupation, premium, windfall profits, transfer and gains taxes and customs duties.

"Tax Returns" shall mean returns, reports, information statements and other documentation (including any additional or supporting material) filed or maintained, or required to be filed or maintained, in connection with the calculation, determination, assessment or collection of any Tax and shall include any amended returns required as a result of examination adjustments made by the Internal Revenue Service or other Tax authority.

"Transaction Documents" shall mean this Agreement and the Exhibits and Schedules hereto, the Registration Rights Agreement, the Option Letters, the Amendment and Waiver, the Amended Trademark License Agreement and all other agreements, instruments, certificates and other documents to be entered into or delivered by any party in connection with the transactions contemplated to be consummated pursuant to any of the foregoing.

ARTICLE II.
PURCHASE AND SALE

Section 2.1. Transfer of Interests. On the Closing Date and upon the terms and subject to the conditions set forth in this Agreement, the Seller shall sell, assign, transfer, convey and deliver the Purchased Interests, free and clear of any liens, claims, charges, security interests or other legal or equitable encumbrances, limitations or restrictions, to the Buyer, and the Buyer shall purchase and accept the Purchased Interests from the Seller.

Section 2.2. Closing. The closing of the sale and purchase of the Purchased Interests (the "Closing") shall take place on the 5/th/ day of April, 2000, or at such other time and date as the parties hereto shall agree in writing (the "Closing Date"), at the offices of De Martino Finkelstein Rosen & Virga, 1818 N Street, N.W., Suite 400, Washington, D.C. 20036, or at such other place as the parties hereto shall agree. At the Closing, the Seller shall deliver to the Buyer or its designees instruments of transfer reasonably acceptable to the Buyer transferring the Purchased Interests, with all stamp or other taxes attributable to the transfer of such Purchased Interests paid or provided for as contemplated herein, and the Seller and the Parent shall execute and deliver the Transaction Documents to which each of them is a party. In full consideration and exchange for the Purchased Interests, the Buyer shall thereupon pay to the Seller the purchase price as provided in Section 2.3

hereof, and the Buyer and Newco shall execute and deliver the Transaction Documents to which each of them is a party.

Section 2.3. Purchase Price. Upon the terms and subject to the conditions set forth in this Agreement, in reliance on the representations, warranties, covenants and agreements of the parties contained herein, the consideration for the sale and transfer of the Purchased Interests on the Closing Date shall consist of (i) 8,999,900 shares of Buyer Common Stock (the "Common Share Consideration") and (ii) 100 shares of Buyer Series A Preferred Stock (the "Preferred Share Consideration"). The Buyer shall deliver to the Seller the certificates representing the Common Share Consideration on the Closing Date, and the Buyer shall deliver to the Seller the certificates representing the Preferred Share Consideration promptly following the acceptance for filing under the Delaware General Corporation Law of the Certificate of Designation. In the event that the Certificate of Designation for the Buyer's Series A Preferred Stock has not been filed with the appropriate Delaware authorities at the Closing Date, the parties will nevertheless

close the transaction, based upon Buyer's covenant to file such Certificate of Designation and to issue the Buyer Series A Preferred Stock immediately thereafter. In such case, stock certificates representing such Buyer Series A Preferred Stock will be conditionally delivered to Seller at the Closing to be effective immediately upon the filing of the Certificate of Designation. The failure to file the Certificate of Designation within 48 hours of the Closing will give to Seller the right, at its election, either (a) to rescind the transactions provided for in this Agreement or (b) to surrender to Buyer the Buyer Common Stock received and its rights to receive the Buyer Series A Common Stock in exchange for cash in the amount of $13.5 million.

Section 2.4. Certain Indemnitees. Reference is made to that certain Guarantee dated August 28, 1996 by Parent in favor of Cable Building Associates, pursuant to which Parent has guaranteed the obligations of the Company under the lease between Cable Building Associates and the Company (the "Cable Guarantee"). Effective upon the Closing, NAC agrees to indemnify Parent for 50% of any liability that Parent may incur under the Cable Guarantee other than any liability resulting solely from the breach by Parent of its obligations under the Cable Guarantee. Upon the request of Parent, NAC and Parent will cooperate and work in good faith to separately document such indemnity, with the intention that Parent and NAC be, in effect, each responsible for 50% of the obligations of the guarantor under such guarantee.

Section 2.5. Newco. On the Closing Date, the Buyer shall transfer to Newco the Purchased Interests. Seller hereby consents to the transfer of the Purchased Interests to Newco. The parties acknowledge and agree that other than Newco's obligations pursuant to this Agreement, ownership and management of the Purchased Interests, ownership of any distributions received from the Company and obligations pursuant to the operating agreement with respect to the Company, Newco shall not incur any liabilities or obligations or conduct any business. Buyer hereby covenants and agrees that it will not take, and will cause Newco not to take, any action that would foreseeably cause Newco to be unable to satisfy its obligations hereunder or would foreseeably render such obligations unenforceable, including, without limitation, any action with respect to the sale or other disposition by Newco of any of its assets, the declaration of dividends by Newco, the repurchase, redemption or other acquisition by Newco of any of its stock, the incurrence of indebtedness by Newco, the creation of any liens or encumbrances by Newco on any of its assets, or the merger, consolidation, liquidation or dissolution of Newco.

Section 2.6. Option Letters. The Buyer and the Parent acknowledge that they are executing and delivering simultaneously with this Agreement the Option Letters in the form set forth as Exhibits B-1 and B-2 hereto (the "Option Letters").

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF THE SELLER AND THE PARENT

The Seller and the Parent (jointly and severally) represent and warrant to the Buyer as follows:

Section 3.1. Organization. The Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority and all governmental licenses, authorizations, permits, consents and approvals to own its properties and assets and to conduct its businesses as now conducted and as proposed to be conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority will not, in the aggregate, have a Company Material Adverse Effect. The Company is duly qualified to do business as a foreign company and is in good standing in every jurisdiction where the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified would not have a Company Material Adverse Effect. The Company is qualified to do business only in the State of New York. Copies of the Limited Liability Company Agreement, the Management Agreement of the Company and other formation documents of the Company, with all amendments thereto to the date hereof, have been furnished by the Parent to the Buyer or its representatives, and such copies are accurate and complete as of the date hereof.

Section 3.2. Capitalization; Title to the Interests. The authorized and outstanding capitalization of the Company is as set forth in Schedule 3.2. All of the Purchased Interests are issued and outstanding as of the date of this Agreement and are owned of record and beneficially by the Seller as set forth in Schedule 3.2. The Purchased Interests have been duly authorized and validly issued and no personal liability attaches to the ownership thereof. The Purchased Interests represent 50% of the issued and outstanding Interests of the Company. Except for this Agreement and as set forth on Schedule 3.2, there are no outstanding options, warrants, agreements, conversion rights, preemptive rights or other rights to subscribe for, purchase or otherwise acquire the Interests, any unissued or treasury shares of capital stock or interests of the Company, any outstanding obligations of the Company to repurchase, redeem or otherwise acquire outstanding Interests or any securities convertible into or exchangeable for any shares of capital stock or interests of the Company. The Seller owns beneficially and of record and has all of the ownership interests in, all of the Purchased Interests, free and clear of any mortgage, pledge, hypothecation, rights of others, claim, security interest, charge, encumbrance, title defect, title retention agreement, voting trust agreement, interest, option, lien, charge or similar restriction or limitation (including any restriction on the right to vote, sell or otherwise dispose of the Purchased Interests).

Section 3.3. Subsidiaries and Investments. The Company does not, directly or indirectly, own, of record or beneficially, any outstanding voting securities

or other equity interests in or control any corporation, limited liability company, partnership, trust, joint venture or other entity.

Section 3.4. Authorization and Validity of Agreement. Each of the Seller and the Parent has all requisite corporate or other authority to enter into the Transaction Documents to which it is a party and to carry out its obligations thereunder. The execution and delivery of the Transaction Documents to which the Seller and Parent are parties by the Seller and the Parent and the performance by the Seller and the Parent of their respective obligations thereunder have been duly authorized by all necessary action on the part of the Seller and the Parent, and no other

proceedings on the part of the Seller and the Parent are necessary to authorize such execution, delivery and performance. The Transaction Documents to which the Seller and Parent are parties have been duly and validly executed and delivered by each of the Seller and the Parent and constitute a valid and binding obligation of each of the Seller and the Parent, enforceable against each of them in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, moratorium or similar laws of general application relating to or affecting creditors' rights generally and except for the limitations imposed by general principles of equity.

Section 3.5. No Conflict or Violation. Assuming the consents and approvals listed on Schedule 3.6 are obtained or waived, the execution, delivery and performance by each of the Seller and the Parent of the Transaction Documents to which it is a party (i) does not and will not violate or conflict with the Limited Liability Company Agreement, Operating Agreement, Management Agreement or any formation documents of the Company, (ii) does not and will not violate any provision of law, or any order, judgment or decree of any court or other governmental or regulatory authority binding on the Company, the Seller or the Parent except which individually or in the aggregate would not have a Company Material Adverse Effect, (iii) does not violate and will not result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which the Seller, the Parent or the Company is a party or by which the Seller, the Parent or the Company is bound or to which any of their respective properties or assets is subject, except which in the aggregate would not have a Company Material Adverse Effect, (iv) will not result in the creation or imposition of any Lien upon any of the Purchased Interests, and (v) will not result in the cancellation, modification, revocation or suspension of any of the licenses, franchises, Permits, authorizations or approvals referred to on Schedule 3.14, except which in the aggregate would not have a Company Material Adverse Effect.

Section 3.6. Consents and Approvals. Except as set forth on Schedule 3.6, no consent, waiver, authorization or approval of, or declaration or filing with, any governmental or regulatory authority, domestic or foreign, or other Person is required in connection with the execution and delivery of the Transaction Documents by the Seller and the Parent or the performance by the Seller and the Parent of their respective obligations thereunder.

Section 3.7. Financial Statements. The Parent has heretofore furnished to the Buyer copies of (i) the unaudited consolidated balance sheet of the Company as of December 31, 1999 (the "Company Balance Sheet"), together with the related statements of operations, members' equity and cash flows for the twelve month

period then ended and the notes thereto, if any (the "Company Unaudited Financial Statements"); and (ii) the unaudited consolidated balance sheet of the Company as of December 31, 1998, together with the related statement of operations, members' equity and cash flows for the twelve month period then ended and the notes thereto, if any and (iii) the audited consolidated balance sheet of the Company as of the fiscal years ended January 1, 1998 and December 31, 1996, together with the related statements of operations, members' equity and cash flows for the periods then ended and the notes thereto, if any, (the financial statements listed in clause (i) (ii) and (iii) above being hereinafter referred to as the "Company Financial Statements"). Except as set forth therein, the Company Financial

Statements: (i) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby; (ii) present fairly in all material respects the financial position, results of operations and cash flow of the Company as of such dates and for the periods then ended, except for customary audit adjustments which are not material to the financial position or results of operations of the Company; and (iii) are in accordance with the books of account and records of the Company. The Company Financial Statements are attached hereto as Exhibit C.

Section 3.8. Absence of Certain Changes or Events. Except as contemplated by this Agreement, or as set forth in Schedule 3.8, since December 31, 1999, the
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business of the Company has been conducted in the ordinary course consistent with past practices and, other than any of the following actions taken in the ordinary course of business, there has not been any:

(a) Event that has had or is reasonably likely to have a Company Material Adverse Effect, and no factor or condition exists and no event has occurred that would be likely to result in a Company Material Adverse Effect;

(b) Destruction of, damage to, or loss of, any material asset of the Company (whether or not covered by insurance);

(c) Change in accounting methods or practices (including, without limitation, any change in depreciation or amortization methods, policies, or rate) by the Company;

(d) Declaration or making of, or agreement to declare or make, any payment of dividends or distribution of any asset of any kind whatsoever in respect to any of the Company's interests, nor any purchase, redemption, or other acquisition or agreement to purchase, redeem, or otherwise acquire, any of such outstanding interests;

(e) Borrowing of, or agreement to borrow, any funds by the Company, and the Company has not incurred or become subject to any material obligation or liability (whether absolute, accrued, contingent or otherwise);

(f) Payment of any obligation or liability (absolute or contingent), by the Company other than current liabilities reflected in or shown on the Company Financial Statements and current liabilities incurred in the ordinary course of business;

(g) Mortgage, pledge, or subjection to lien, charge, or other encumbrance, of any of the assets, properties, or rights (tangible or intangible) of the Company, except for mechanics lien and Liens for taxes, in

each case, not yet due and payable;

(h) Sale, transfer or disposal of any of the assets, properties, or rights (tangible or intangible) of the Company;

(i) Agreement entered into granting any preferential rights to purchase any of the assets, properties, or rights (tangible or intangible) of the Company (including management and control thereof), or requiring the consent of any party to the transfer and

assignment of any such assets, properties, or rights (including management and control thereof);

(j) Amendment, modification, or termination of any contract, lease, license, promissory note, commitment, indenture, mortgage, deed of trust, collective bargaining agreement, employee benefit plan, or any other agreement, instrument, indebtedness, or obligation to which the Company is a party, or by which it or any of its assets or properties are bound, except those agreements, amendments, or terminations effected in the ordinary course of business consistent with past practices;

(k) Capital expenditure by the Company exceeding $25,000, or additions to property, plant and equipment used in the operations of the Company other than ordinary repairs and maintenance;

(l) Citation received by the Company from any governmental entity or agency for any violations of any act, law, rule, regulation, or code of any governmental entity or agency, which citations in the aggregate would be reasonably likely to result in a Company Material Adverse Effect;

(m) Claim against the Company for damages or alleged damages for any actual or alleged negligence or other tort or breach of contract (whether or not fully covered by insurance) except as would not have a Company Material Adverse Effect; or

(n) Agreement by the Seller, the Parent or the Company to do any of the things described in the preceding clauses.

Section 3.9. Tax Matters. Except as otherwise disclosed in Schedule 3.9, ----------
(i) the Company has filed (or joined in the filing of) when due all Tax Returns required by applicable law to be filed with respect to the Company and all Taxes shown to be due on such Tax Returns have been paid; (ii) all such Tax Returns were true, correct and complete in all material respects as of the time of such filing; (iii) all Taxes relating to periods ending on or before the Closing Date, owed by the Company (whether or not shown on any Tax Return) at any time on or prior to the Closing Date, if required to have been paid, have been paid (except for Taxes which are being contested in good faith); (iv) any liability of the Company for Taxes not yet due and payable, or which are being contested in good faith, has been provided for on the financial statements of the Company in accordance with and to the extent required by GAAP; (v) there is no action, suit, proceeding, investigation, audit or claim now pending against, or with respect to, the Company in respect of any Tax or assessment, nor is any claim for additional Tax or assessment asserted by any Tax authority; (vi) no material claim has been made by any Tax authority in a jurisdiction where the Company does not currently file a Tax Return that it is or may be subject to Tax by such jurisdiction, nor to the Company's knowledge is any such assertion threatened;

(vii) there is no outstanding request for any extension of time within which to pay any Taxes or file any Tax Returns; (viii) there has been no waiver or extension of any applicable statute of limitations for the assessment or collection of any Taxes of the Company; (ix) no property of the Company is "tax-exempt use property" within the meaning of Section 168(h) of the Code; (x) the Company is not a party to any lease made pursuant to former Section

168(f)(8) of the Internal Revenue Code of 1954; (xi) the Company is currently and for all periods since its formation has qualified as a "partnership" within the meaning of Section 7701(a)(2) of the Code; (xii) the Company has a valid election in effect under Section 754 of the Code or, at the request of Buyer, will make a timely election under Section 754 of the Code with respect to the Purchased Interests; (xiii) Seller is not a "foreign person" within the meaning of Section 1445 of the Code; (xiv) the Company is not a party to any agreement, whether written or unwritten, providing for the payment of Taxes, payment for Tax losses, entitlements to refunds or similar Tax matters; and (xiv) the Company has withheld and paid all material Taxes required to be withheld in connection with any amounts paid or owing to any employee, creditor, independent contractor or other third party.

Section 3.10. Intentionally Omitted.

Section 3.11. Intellectual Property. Schedule 3.11 sets forth a true and complete list of all domestic and foreign trademarks, trademark applications, patents, registered copyrights (except copyrighted software and theatrical films and film trailers licensed to the Company in its ordinary course of business) and patent applications owned by, registered in the name of or licensed to or from the Company as of the date hereof. The Company owns or possesses adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on its business as presently conducted. Except as set forth on Schedule 3.11, the Company has not received any notice of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would result in a Company Material Adverse Effect.

Section 3.12. Personal Property. Except as set forth in Schedule 3.12, the Company owns and has good and marketable title, free and clear of all title defects and objections, security interests, Liens, charges and encumbrances of any nature whatsoever to each item of personal property owned or leased by the Company and reflected on the Company Balance Sheet and all such property acquired or leased since the date thereof, except for sales and dispositions in the ordinary course of business since such date. The property owned, leased or used by the Company is sufficient and adequate to carry on its business as presently conducted and all items thereof are in good operating condition and repair. Except as set forth in Schedule 3.12, the Company holds good and transferable leaseholds under valid and enforceable leases in all of the personal property leased by it, and none of the property leased by the Company

is subject to any sublease, license or other agreement granting to any person any right to use such personal property. Except as set forth in Schedule 3.12, the Company is not in breach of or default (and no event has occurred which, with due notice or lapse of time or both, may constitute such a lapse or default) of any provision of any of its personal property leases. Except as disclosed in Schedule 3.12, and except for the personal property of the Seller located at 950 Third Avenue,

New York, New York, the Company does not hold any personal property of the Seller or any of their respective Affiliates or any other Person.

Section 3.13. Real Property.

(a) The Company does not own any real property.

(b) Schedule 3.13(b) contains a list of all leases and subleases, together with any amendments thereto and any subordination, nondisturbance and attornment agreements (the "Leases"), with respect to all real property leased by the Company (the "Leased Property"). Each Lease is in full force and effect. The Company has performed all material obligations required to be performed by it to date under each of the Leases and neither the Company nor, to the best knowledge of the Parent or the Seller, any other party thereto is (except as set forth on Schedule 3.13(b)) in material default under any of the Leases (and, except as set forth on Schedule 3.13(b), no event has occurred which, with due notice or lapse of time or both, would constitute such a lapse or default). Except as set forth on Schedule 3.13(b), no amount due under the Leases remains unpaid and no material controversy, claim, dispute or disagreement exists between the parties to any of the Leases. The Company has delivered to the Buyer a copy of each Lease, and all amendments thereto, listed in Schedule 3.13(b), except to the extent otherwise noted therein.

(c) To the knowledge of the Parent and the Seller, the covenants, conditions, restrictions, encroachments, encumbrances, easements, rights of way, licenses, grants, building or use restrictions, exceptions, reservations, limitations or other impediments affecting the Leased Property do not and will not, with respect to each Leased Property, materially impair the Company's ability to use any such Leased Property in the operation of the Company's business as presently conducted. There are no pending or, to the knowledge of the Company, threatened condemnation or similar proceedings affecting the Leased Property. The Company has access to public roads, streets or the like or valid easements over private streets, roads or other private property for such ingress to and egress from the Leased Property, except as would not materially impair the Company's ability to use any such Leased Property in the operation of the Company's business as presently conducted.

(d) All brokerage commissions and other compensation and fees payable by reason of the Leases have been paid in full or are reflected in the Company Financial Statements except for such commissions and other compensation related to options or extensions in the Leases which are not yet exercised.

(e) No notices of violations have been received with respect to the improvements on the Leased Property and the operations therein conducted, including without limitation, health, fire, environmental, safety, zoning and building laws, ordinances and administrative regulations, except as set forth on Schedule 3.13(e).

(f) There are no outstanding requirements or recommendations by any insurance company which has issued to the Company a policy covering the Leased Property, or

by any board of fire underwriters or other body exercising similar functions, requiring or recommending any repairs or work to be done on such property.

(g) All public utilities required for the operation of the Leased Property, as it is currently operated, and necessary for the conduct of the business of the Company, as it is presently conducted, are installed and operating, and all installation and connection charges are paid in full.

(h) Except as set forth in Schedule 3.13(b), the Leased Property is not subject to any lease, sublease, license or other agreement granting to any person any right to the use, occupancy or enjoyment of such property or any portion thereof.

(i) The plumbing, electrical, heating, air conditioning, elevator, ventilating and all other mechanical or structural systems for which the Company is responsible under the Leases in the buildings or improvements are, to the knowledge of the Company, in good working order and condition, and the roof, basement and foundation walls of such buildings and improvements for which the Company is responsible under said Leases are, to the knowledge of the Company, in good condition and free of leaks and other material defects. All such mechanical and structural systems and such roofs, basement and foundation walls for which others are responsible under said Leases are, to the knowledge of the Company, in good working order and condition and free of leaks and other material defects.

Section 3.14. Licenses, Permits and Governmental Approvals. Schedule 3.14 sets forth a true and complete list of all material Permits issued or granted to the Company (the "Company Permits"), and all pending applications therefor. Such list contains a summary description of each such item and, where applicable, specifies the date issued, granted or applied for, the expiration date and the current status thereof. Except as set forth in Schedule 3.14, each Company Permit has been duly obtained, is valid and in full force and effect, and is not subject to any pending or threatened administrative or judicial proceeding to revoke, cancel or declare such Company Permit invalid in any respect. The Company Permits have never been suspended, revoked or otherwise terminated, subject to any fine or penalty, or subject to judicial or administrative review, for any reason other than the renewal or expiration thereof nor has any application of any of the Company for any Company Permit ever been denied. The Company Permits are sufficient and adequate in all material respects to permit the continued lawful conduct of the Company's business in the manner now conducted, and none of the operations of the Company are being conducted in a manner that violates any of the terms or conditions under which any Company Permit was granted, except for such Company Permits the absence of which would

not have a Company Material Adverse Effect or any non-compliance which will not have a Company Material Adverse Effect. Except as set forth in Schedule 3.14, no such Company Permit will in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by the Transaction Documents.

Section 3.15. Compliance with Law. Except as set forth in Schedule 3.15 or as would not reasonably be expected to have a Company Material Adverse Effect, the operations of the Company have been conducted in accordance with all applicable laws, regulations, orders and

other requirements of all courts and other governmental or regulatory authorities having jurisdiction over the Company and its assets, properties and operations. Except as set forth in Schedule 3.15 or as would not reasonably be expected to have a Company Material Adverse Effect, the Company has not received notice of any violation of any such law, regulation, order or other legal requirement binding on it, and the Company is not in default with respect to any order, writ, judgment, award, injunction or decree of any federal, state or local court or governmental or regulatory authority or arbitrator, domestic or foreign, applicable to it or any of its assets, properties or operations. The Company does not have knowledge of any proposed change in any such laws, rules or regulations (other than laws of general applicability) that would materially and adversely affect the transactions contemplated by the Transaction Documents or all or a material part of the Company's business.

Section 3.16. Contracts.

(a) Schedule 3.16 sets forth (subject to the dollar amount limitations of clause (i) below) a true and complete list of all material contracts, agreements, instruments, commitments and other arrangements to which the Company is a party or to which the Parent or the Seller is a party and which otherwise relate to or affect in a material way any of the Company's assets, properties or operations including, without limitation, all written or oral, express or implied, (i) contracts, agreements and commitments for the purchase or sale of products or services which involve a consideration in excess of $25,000; (ii) contracts, loan agreements, letters of credit, repurchase agreements, mortgages, security agreements, guarantees, pledge agreements, trust indentures, promissory notes and other documents or arrangements relating to the borrowing or lending of money or for lines of credit (including intercompany Indebtedness); (iii) personal property leases, agreements relating to intangible assets; (iv) agreements and other arrangements for the sale, pledge, transfer of, or placing of a Lien on any Interests of the Company, any material assets, property or rights or for the grant of any options or preferential rights to purchase any assets, property or rights; (v) documents granting any power of attorney with respect to the affairs of the Company; (vi) suretyship contracts, performance bonds, working capital maintenance or other forms of guaranty agreements; (vii) contracts or commitments limiting or restraining the Company from engaging or competing in any lines of business or with any person, firm, or corporation; (viii) partnership or joint venture agreements; (ix) shareholder or membership agreements or agreements relating to the issuance of any securities of the Company or the granting of any registrations rights with respect thereto; and (x) all amendments, modifications, extensions or renewals of any of the foregoing (the foregoing contracts, agreements and documents are hereinafter referred to collectively as the "Contracts" and individually as a "Contract").

(b) Each Contract is valid, binding and enforceable against the Company in accordance with its terms, and in full force and effect on the date hereof. The Seller, the Parent and the Company have performed all material obligations, including, but not limited to, the timely making of any rental or other payments, required to be performed by it under, and is not in default or in breach of in respect of, any Contract, and no event has occurred which, with due notice or lapse of time or both, would constitute such a default. To the Company's knowledge, no other party to any Contract is in default in respect thereof, and no event has

occurred which, with due notice or lapse of time or both, would constitute such a default. The Parent has delivered to the Buyer or its representatives true and complete originals or copies of all the Contracts.

Section 3.17. Intentionally Omitted.

Section 3.18. Litigation. Except as set forth in Schedule 3.18, there are no claims, actions, suits, proceedings, labor disputes or investigations pending or, to the knowledge of the Seller or the Parent, threatened, before any federal, state or local court or governmental or regulatory authority, domestic or foreign, or before any arbitrator of any nature, brought by or against any of the Seller, Parent or, to their knowledge after due inquiry, the Company or any of its respective officers, directors, employees, agents or Affiliates, except as would not have a Company Material Adverse Effect. Schedule 3.18 sets forth a list and a summary description of all such pending actions, suits, proceedings, disputes or investigations. None of the Seller, the Parent nor the Company is subject to any order, writ, judgment, award, injunction or decree which of any national, state or local court or governmental or regulatory authority or arbitrator, domestic or foreign, which would have a Company Material Adverse Effect, or that would interfere with the transactions contemplated by the Transaction Documents.

Section 3.19. Insurance. Schedule 3.19 sets forth a complete and accurate list of the insurance policies of the Company as in effect on the date hereof, including in each case the applicable coverage limits, deductibles and the policy expiration dates. No notice of any termination or threatened termination of any of such policies has been received by the Company and such policies are in full force and effect.

Section 3.20. Employee Plans.

The Company has no employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974) covering former and current employees of the Company, or under which the Company has any obligation or liability. Schedule 3.20 lists all material plans, contracts, bonuses, commissions, profit-sharing, savings, stock options, insurance, deferred compensation, or other similar fringe or employee benefits covering former or current employees of the Company or under which the Company has any obligation or liability (each, a "Benefit Arrangement"), if any. The Benefit Arrangements are and have been administered in substantial compliance with their terms and with the requirements of applicable federal, state and local laws.

Section 3.21. Labor Matters.

The Company is in material compliance with all laws, if applicable, regarding employment, wages, hours, equal opportunity, collective bargaining and payment of social security and other taxes. The Company is not engaged in any unfair labor practice or discriminatory employment practice and no complaint of any such practice against the Company has been filed or, to the best of the Company's knowledge, threatened to be filed with or by the National Labor Relations Board, the Equal Employment Opportunity Commission or any other administrative agency, federal or state, that regulates labor or

employment practices. The Company is in compliance with all applicable federal, state and local laws and regulations regarding occupational safety and health standards.

Section 3.22. Environmental Matters. Notwithstanding anything to the contrary contained in this Agreement and in addition to the other representations and warranties contained herein:

(a) The Company and its operations are in material compliance with all applicable laws, regulations and other requirements of governmental or regulatory authorities or duties under the common law relating to Hazardous Materials (as defined below) or to the protection of health, safety or the environment (collectively, "Environmental Laws") and has obtained, maintained in effect and complied in all material respects with all licenses, permits and other authorizations or registrations required under Environmental Laws except where such noncompliance or such failure to obtain, maintain in effect or comply with such licenses, permits and other authorizations or registrations would not give rise to a Material Adverse Effect.

(b) The Company has not performed any act which would reasonably be expected to give rise to, and has not otherwise incurred, liability to any person (governmental or not) under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (S) 9601 et seq. ("CERCLA"), or any
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similar state or municipal law, except in either case where such liability would not constitute a Material Adverse Effect. nor has the Company received notice of any such liability or any claim therefor or submitted notice pursuant to Section 103 of CERCLA to any governmental agency.

(c) To the knowledge of James A. Wunderle or Robert F. Smerling, no asbestos, lead, petroleum, hazardous substance, hazardous waste, contaminant, pollutant or toxic substance (as such terms may be defined in any Environmental Law and collectively referred to herein as "Hazardous Materials") has been released, placed, dumped or otherwise come to be located on, at, beneath or near, and no storage tank containing any Hazardous Materials is located at, any of the real property and/or improvements currently or formerly owned or leased by the Company which could subject the Company to a claim or claims pursuant to Environmental Laws.

Section 3.23. Brokers and Finders. None of the Seller, the Parent, the Company or any of their respective officers, directors or employees has employed any broker or finder and none of the Seller, the Parent, the Company or any of their respective officers, directors or employees has incurred any liability for any investment banking fees, brokerage fees, commissions or finders' fees in connection with the transactions contemplated by this Agreement.

Section 3.24. Year 2000 Compliance. To the knowledge of the Seller and

the Parent after due inquiry, the software used by the Company will be year 2000 compliant, which, for purposes of this Agreement, shall mean that the data outside the range 1900-1999 will be correctly processed.

Section 3.25. Intentionally Omitted.

Section 3.26. Change in Ownership. Neither the purchase of the Purchase Interests by the Buyer nor the consummation of the transactions contemplated by the Transaction Documents are reasonably likely to result in any material adverse change in the business operations of the Company or in the loss of the benefits of any servicing relationship.

Section 3.27. Intentionally Omitted.

Section 3.28. Absence of Undisclosed Liabilities. Except as set forth in Schedule 3.28, the Company has no indebtedness or liability, absolute or contingent, direct or indirect, which is not shown or provided for on the balance sheets of the Company included in the Company Financial Statements other than liabilities incurred or accrued in the ordinary course of business (including liens of current taxes and assessments not in default) since December 31, 1999 and other than liabilities which GAAP does not require to be shown or provided for and there is no existing condition, situation or set of circumstances which would reasonably be expected to result in such a liability. Except as shown in such balance sheets or in the Company Financial Statements, the Company is not, directly or indirectly, liable upon or with respect to (by discount, repurchase agreements or otherwise), or obligated in any other way to provide funds in respect of, or to guarantee or assume, any debt, obligation or dividend of any person.

Section 3.29. Purchase for Investment. Each of the Seller and the Parent is an accredited investor as defined under Rule 501(a) of the Securities Act. The Share Consideration will be acquired for investment for the Seller's own account and not with a view to the resale or distribution of any part thereof, except in compliance with the registration provisions of the Securities Act or an exemption therefrom.

Section 3.30. Restricted Securities. Each of the Seller and the Parent understands that the Share Consideration is characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Buyer in a transaction not involving a public offering and that under such laws and applicable regulations the Share Consideration may be resold without registration under the Securities Act only in certain limited circumstances.

Each of the Seller and the Parent further agrees that each certificate representing the Share Consideration shall be stamped or otherwise imprinted with a legend substantially in the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS SUCH SECURITIES HAVE BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE."

A certificate shall not bear such legend if the Seller shall have delivered to the Buyer an opinion of counsel reasonably satisfactory to the Buyer to the

effect that the securities being sold may be publicly sold without registration under the Securities Act. The foregoing shall not be deemed to affect the obligations of the Buyer under the Registration Rights Agreement.

Section 3.31. Due Diligence. Each of the Seller and the Parent has sufficient knowledge and experience in investing in companies similar to the Buyer and is capable of evaluating the merits and risks of its investment in the Buyer as contemplated by this Agreement and is able to bear the economic risk of such investment for an indefinite period of time. Each of the Seller and the Parent has been given access to full and complete information regarding the Buyer and has utilized such access to its satisfaction for the purpose of obtaining information each of the Seller and the Parent desires or deems relevant to its decision to acquire the Share Consideration. Each of the Seller and the Parent has had the opportunity to ask questions of and receive answers from management and representatives of the Buyer, including the Buyer's accountants, to discuss the Buyer's business, management and financial affairs and to obtain any additional information each of the Seller and the Parent desires or deems relevant. Each of the Seller and the Parent has obtained, to the extent it has deemed necessary, professional advice with respect to the risks inherent in the acquisition of the Share Consideration, including, without limitation, the matters relating to the Buyer's business and financial condition set forth in the Buyer's internal reports and public filings.

Section 3.32. Survival. Except where a representation or warranty expressly refers to another date, in which case such representation or warranty need be true and correct only as of such date, each of the representations and warranties set forth in this Section 3 shall be deemed represented and made by the Seller and the Parent at the Closing as if made at such time and shall survive the Closing for a period terminating on the later of (a) the date 6 months after the Closing Date, and (b) with respect to claims asserted pursuant to Section 6.1 of this Agreement before the expiration of the applicable representation or warranty, on the date such claim is finally liquidated or otherwise resolved; provided, however, that (x) the representations and warranties in Sections 3.22 hereof shall survive until the third anniversary of the Closing Date and (y) the representations and warranties in Sections 3.2 and 3.9 hereof shall survive until the applicable statute of limitations for third party or governmental actions has expired.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF THE BUYER AND NEWCO

The Buyer and Newco represent and warrant (jointly and severally) to the Seller as follows:

Section 4.1. Corporate Organization. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to own its properties and assets and to conduct its businesses as now conducted, except where the failure to be so organized, existing and in good standing or to have such power or authority will not, in the aggregate, have a Buyer Material Adverse Effect. The Buyer is duly qualified to do business as a foreign corporation and is in good standing in every jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified would not have a Buyer Material Adverse Effect. Newco is a corporation duly organized, validly existing and in good standing under the laws

of the State of

Delaware, and has all requisite corporate power and authority to own its properties and assets and to conduct its businesses as now conducted.

Section 4.2. Subsidiaries and Investments. Except as set forth in Schedule 4.2, the Buyer does not, directly or indirectly, own, of record or beneficially, any outstanding voting securities or other equity interests in or control any corporation, limited liability company, partnership, trust, joint venture or other entity.

Section 4.3. Authorization and Validity of Agreement. Each of the Buyer and Newco has all requisite power and authority to enter into the Transaction Documents to which it is a party and to carry out its obligations thereunder. The execution and delivery of the Transaction Documents to which Buyer and Newco are parties and the performance of the Buyer's and Newco's obligations thereunder have been duly authorized by all necessary corporate action by the Buyer and Newco, respectively, and no other proceedings on the part of the Buyer or Newco are necessary to authorize such execution, delivery and performance. The Transaction Documents to which the Buyer and Newco are parties have been duly executed by the Buyer and Newco, respectively, and constitute a valid and binding obligation of each of them, enforceable against each of them in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, moratorium or similar laws of general application relating to or affecting creditors' rights generally and except for the limitations imposed by general principles of equity. The Buyer has authorized the issuance and delivery of the Share Consideration in accordance with this Agreement. For purposes of Section 203 of the General Corporation Law of the State of Delaware, the Board of Directors of the Buyer, prior to the execution and delivery of this Agreement by the Buyer, and as a condition to the parties' reaching agreement hereunder, has approved the transactions that are the subject hereof as contemplated by subsection (a)(1) of said Section 203.

Section 4.4. Capitalization. The authorized and outstanding capital stock of the Buyer is as set forth in Schedule 4.4. Upon issuance, sale and delivery as contemplated by this Agreement, the shares which constitute the Share Consideration will be duly authorized, validly issued, fully paid and non-assessable shares of the Buyer, free of all preemptive or similar rights, and entitled to the rights therein described. Except as set forth in Schedule 4.4, there are no outstanding options, warrants, agreements, conversion rights, preemptive or similar rights to subscribe for or purchase shares of capital stock of the Buyer. The fair market value of the Buyer's net assets (calculated net of all liabilities whether or not currently liquidated and whether currently known or unknown, including, without limitation, all contingent liabilities which may be asserted against the Buyer by a Person with respect to the actions of the Buyer, its officers and/or directors during the time that Sam Frankino was an officer and/or director of the Buyer, all current litigation claims, and any liabilities, if any, which may result from the current audit of the Buyer by the Internal Revenue Service) is not less than $1.65 per share. Notwithstanding the provisions of Section 4.18 to the contrary, the representation and warranty set forth in the penultimate sentence of this Section 4.4 shall be deemed represented and made by the Buyer at the Closing as if made at such time and shall survive the Closing for a period terminating on the earlier of (a) the date that the Buyer files its Annual Report on Form 10-K for the fiscal year

ended January 31, 2001 with the Securities and Exchange Commission; or (b) April 1, 2001.

Section 4.5. No Conflict or Violation.

(a) Assuming the consents and approvals listed on Schedule 4.6 are obtained or waived, the execution, delivery and performance by the Buyer and Newco of the Transaction Documents to which it is a party does not and will not violate or conflict with any provision of the Certificate of Incorporation or the By-laws of the Buyer or Newco and does not and will not violate any provision of law, or any order, judgment or decree of any court or other governmental or regulatory authority, nor violate nor will result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which the Buyer or Newco is a party or by which either of them is bound or to which any of the Buyer's or Newco's properties or assets is subject, except for such violations, breaches or defaults which, in the aggregate, will not have a Buyer Material Adverse Effect.

(b) Neither the transfer to Newco of the Purchased Interests and cash as contemplated in Section 2.5 hereof, nor the payment by Newco to the Seller of any amount required to be paid pursuant to Section 2.4(a) or (b) hereof, will render the Buyer or Newco insolvent or be made with the intention to hinder, delay or defraud creditors of either the Buyer or Newco, nor will any such transfer or payment contravene any requirement under Delaware or other applicable law that such payment be made only out of legally available funds.

Section 4.6. Consents and Approvals. Except as set forth in Schedule 4.6, ----------
no consent, waiver, authorization or approval of, or declaration or filing with, any governmental or regulatory authority, domestic or foreign, or other Person is required in connection with the execution and delivery of the Transaction Documents by the Buyer or Newco or the performance by the Buyer or Newco of its obligations thereunder.

Section 4.7. Financial Statements. The Buyer has heretofore furnished to the Seller copies of the audited consolidated balance sheets of the Company as of: (i) January 31, 1999, 1998 and 1997, together with the related statements of income, stockholders' equity and cash flows for the twelve month period then ended and the notes thereto, if any, and (ii) the unaudited consolidated balance sheet of the Company as of October 31, 1999, together with the related statements of income, stockholders' equity and cash flows for the nine month period then ended and the notes thereto, if any, (the "Buyer Financial Statements"). Except as set forth therein, the Buyer Financial Statements, including the notes thereto: (i) were prepared in accordance with GAAP; (ii) present fairly in all material respects the consolidated financial position, results of operations and changes in cash flows of the Buyer as of such dates and for the periods then ended; and (iii) are in accordance with the books of account and records of the Buyer.

Section 4.8. Absence of Certain Changes or Events.

(a) Except as contemplated by this Agreement or as set forth in Schedule 4.8, since October 31, 1999, there has not been:

(i) Any material adverse change in the business, operations, properties, assets, condition (financial or other) or prospects of the Buyer, or any event that has had or is reasonably likely to have a Buyer Material Adverse Effect, and no factor or condition exists and no event has occurred that would be likely to result in any such change;

(ii) Any material loss, damage, destruction or other casualty to its business (whether or not insurance awards have been received or guaranteed); or

(iii) Any material change in any method of accounting or accounting practice of the Buyer.

(b) Except as contemplated by the Transaction Documents or as set forth in Schedule 4.8, since October 31, 1999, the Buyer has not:

(i) Incurred any material obligation or liability (whether absolute, accrued, contingent or otherwise) relating to the operations of Buyer except in the ordinary course of business consistent with past practice;

(ii) Sold or transferred any assets material to its business or canceled any debts or claims or waived any material rights relating to the operations of its business, except in the ordinary course of business consistent with past practice;

(iii) Defaulted on any of its material obligations;

(iv) Entered into any material transaction, except in the ordinary course of business consistent with past practice;

(v) Made any capital expenditure in excess of $25,000, or additions to property, plant and equipment used in the operations of its business other than ordinary repairs and maintenance;

(vi) Entered into any agreement or made any commitment to do any of the foregoing.

Section 4.9. Tax Matters. Except as otherwise disclosed in Schedule 4.9,
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(i) the Buyer has filed (or joined in the filing of) when due all Tax Returns required by applicable law to be filed with respect to the Buyer and all Taxes shown to be due on such Tax Returns have been paid; (ii) all such Tax Returns were true, correct and complete in all material respects as of the time of such filing; (iii) all Taxes relating to periods ending on or before the Closing Date owed by the Buyer (whether or not shown on any Tax Return) or to which the Buyer may be liable under Treasury Regulations (S) 1.1502-6 (or analogous state or foreign provisions) by virtue of having been members of any "affiliated group" (or other group filing on a combined or unitary basis) at any time on or prior to the Closing Date, if required to have been paid, have been paid (except for Taxes which are being contested in good faith); (iv) any liability of the Buyer for Taxes not yet due and payable, or which are being contested in good faith, has been provided for

on the financial statements of the Buyer in accordance with and to the extent

required by GAAP; (v) there is no action, suit, proceeding, investigation, audit or claim now pending against, or with respect to, the Buyer in respect of any Tax or assessment, nor is any claim for additional Tax or assessment asserted by any Tax authority; (vi) no material claim has been made by any Tax authority in a jurisdiction where the Buyer does not currently file a Tax Return that it is or may be subject to Tax by such jurisdiction, nor to the Buyer's knowledge is any such assertion threatened; (vii) there is no outstanding request for any extension of time within which to pay any Taxes or file any Tax Returns; (viii) there has been no waiver or extension of any applicable statute of limitations for the assessment or collection of any Taxes of the Buyer; (ix) no property of the Buyer is "tax-exempt use property" within the meaning of Section 168(h) of the Code; (x) the Buyer is not a party to any lease made pursuant to former Section 168(f)(8) of the Internal Revenue Code of 1954; (xi) the Buyer has not filed any agreement or consent under Section 341(f) of the Code; (xii) the Buyer is not a "foreign person" within the meaning of Section 1445 of the Code; (xiii) the Buyer is not a party to any agreement, whether written or unwritten, providing for the payment of Taxes, payment for Tax losses, entitlements to refunds or similar Tax matters; and (xiv) the Buyer has withheld and paid all material Taxes required to be withheld in connection with any amounts paid or owing to any employee, creditor, independent contractor or other third party.

Section 4.10. Real Property.

(a) Schedule 4.10(a) lists all real property owned by the Buyer or its subsidiaries (the "Buyer Owned Real Property"). Except as disclosed on Schedule 4.10(a), the Buyer or its subsidiaries have good and marketable title in fee simple to the Buyer Owned Real Property free and clear of any Liens. All buildings, plants and structures included on the Buyer Owned Real Property lie wholly within the boundaries of the Buyer Owned Real Property and do not encroach upon the property of, or otherwise conflict with the property rights of, any other Person.

(b) Schedule 4.10(b) contains a list of all leases and subleases, together with any amendments thereto and any subordination, nondisturbance and attornment agreements (the "Buyer Leases"), with respect to all real property leased by the Buyer or its subsidiaries (the "Buyer Leased Property"). Each Lease is in full force and effect. Each of the Buyer or its subsidiaries has performed all material obligations required to be performed by it to date under each of the Leases and neither the Buyer or its subsidiaries nor any other party thereto is, except as set forth on Schedule 4.10(b), in material default under any of the Leases (and, except as set forth on Schedule 4.10(b), no event has occurred which, with due notice or lapse of time or both, would constitute such a lapse or default). No amount due under the Leases remains unpaid and no material controversy, claim, dispute or disagreement exists between the parties to any of the Leases. The Buyer has delivered to the Seller a copy of each Lease, and all amendments thereto, listed in Schedule 4.10(b), except to the extent otherwise noted therein.

(c) The covenants, conditions, restrictions, encroachments, encumbrances, easements, rights of way, licenses, grants, building or use restrictions, exceptions,

reservations, limitations or other impediments affecting the Buyer Owned Real Property or Buyer Leased Property do not and will not, with respect to each Buyer Owned Real Property or Buyer Leased Property, materially impair the Buyer's or its subsidiaries' ability to use any such Buyer Owned Real Property or Buyer Leased Property in the operation of the Buyer's and its subsidiaries' business as presently conducted. There are no pending or, to the knowledge of the Buyer, threatened condemnation or similar proceedings affecting the Buyer Owned Real Property. There are no pending or, to the knowledge of the Buyer, threatened condemnation or similar proceedings affecting the Buyer Leased Property. The Buyer and its subsidiaries have access to public roads, streets or the like or valid easements over private streets, roads or other private property for such ingress to and egress from the Buyer Owned Real Property and the Buyer Leased Property, except as would not materially impair the Buyer's and its subsidiaries' ability to use any such Buyer Owned Real Property or Buyer Leased Property in the operation of the Buyer's and its subsidiaries' business as presently conducted.

(d) All brokerage commissions and other compensation and fees payable by reason of the Buyer Leases or the Buyer Owned Real Property have been paid in full or are reflected in the Buyer Unaudited Financial Statements except for such commissions and other compensation related to options or extensions in the Buyer Leases which are not yet exercised.

(e) No notices of violations have been received with respect to the improvements on the Buyer Owned Real Property and Buyer Leased Property and the operations therein conducted, including without limitation, health, fire, environmental, safety, zoning and building laws, ordinances and administrative regulations, except as set forth on Schedule 4.10(e).

(f) There are no outstanding requirements or recommendations by any insurance company which has issued to the Buyer or its subsidiaries a policy covering the Buyer Owned Real Property or Buyer Leased Property, or by any board of fire underwriters or other body exercising similar functions, requiring or recommending any repairs or work to be done on such property.

(g) All public utilities required for the operation of the Buyer Owned Real Property and the Buyer Leased Property, as they are currently operated, and necessary for the conduct of the business of the Buyer and its subsidiaries, as it is presently conducted, are installed and operating, and all installation and connection charges are paid in full.

(h) Except as set forth in Schedule 4.10(b), the Buyer Owned Real
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Property and the Buyer Leased Property are not subject to any lease, sublease, license or other agreement granting to any person any right to the use, occupancy or enjoyment of such property or any portion thereof.

(i) The plumbing, electrical, heating, air conditioning, elevator, ventilating and all other mechanical or structural systems for which the Buyer or its subsidiaries are responsible under the Buyer Leases in the buildings or improvements are, to the knowledge of the Buyer, in good working order and condition, and the roof, basement and foundation walls of such buildings and improvements for which the Buyer or its subsidiaries are responsible

under said Buyer Leases, to the knowledge of the Buyer, are in good condition

and free of leaks and other material defects. All such mechanical and structural systems and such roofs, basement and foundation walls for which others are responsible under said Buyer Leases are, to the knowledge of the Buyer, in good working order and condition and free of leaks and other material defects.

Section 4.11. Litigation. Except as set forth in the Buyer's public filings or in Schedule 4.11, there are no claims, actions, suits, proceedings, labor disputes or investigations pending or, to the knowledge of Buyer, threatened before any federal, state or local court or governmental or regulatory authority, domestic or foreign, or before any arbitrator of any nature, brought by or against Buyer, any of its officers, directors, employees, agents or Affiliates, nor is any basis known to Buyer or its Affiliates for any such action, suit, proceeding or investigation which would reasonably be expected to have a Buyer Material Adverse Effect. The Buyer is not subject to any order, writ, judgment, award, injunction or decree of any national, state or local court or governmental or regulatory authority or arbitrator, domestic or foreign, which would have a Buyer Material Adverse Effect, or that would or might interfere with the transactions contemplated by the Transaction Documents.

Section 4.12. Employee Plans.

(a) Schedule 4.12 sets forth: (i) all "employee benefit plans," as defined in Section 3(3) of ERISA, and all other employee benefit arrangements or payroll practices, including, without limitation, any employment or consulting agreements, any such arrangements or payroll practices providing severance pay, sick leave, vacation pay, salary continuation for disability, retirement benefits, deferred compensation, bonus pay, incentive pay, stock options, hospitalization insurance, medical insurance, life insurance, scholarships or tuition reimbursements, maintained by the Buyer or its subsidiaries or to which the Buyer or its subsidiaries are obligated to contribute thereunder for current or former employees, consultants and directors of the Buyer or its subsidiaries (the "Buyer Plans"), and (ii) all "employee pension plans", as defined in Section 3(2) of ERISA, maintained by the Buyer or its subsidiaries or any trade or business (whether or not incorporated) which is or has ever been under control or treated as a single employer with the Buyer or its subsidiaries under Section 414(b), (c), (m), or (o) of the Code ("Buyer ERISA Affiliate") or to which the Buyer or its subsidiaries or any Buyer ERISA Affiliate has contributed or has ever been obligated to contribute thereunder (the "Buyer Pension Plans") (the Buyer Plans and Buyer Pension Plans are hereafter collectively referred to as the "Buyer Employee Plans").

(b) None of the Buyer Employee Plans is a multiemployer plan, as defined in Section 3(37) of ERISA ("Buyer Multiemployer Plan"), and neither the Buyer or its subsidiaries nor any Buyer ERISA Affiliate has withdrawn in a complete or partial withdrawal from any Buyer Multiemployer Plan, nor has any of them incurred any liability due to the termination or reorganization of a Buyer Multiemployer Plan.

(c) Each Buyer Employee Plan that is intended to qualify under Section 401 of the Code has received a determination letter from the Internal Revenue Service to the effect

that it meets the requirements of Code Section 401(a) and the trust maintained pursuant thereto is exempt from federal income taxation under Section 501 of the Code, and nothing has occurred with respect to the operation of any such Buyer

Employee Plan that could cause the loss of such qualification or exemption or the imposition of any liability, penalty or tax under ERISA or the Code.

(d) All contributions (including all employer contributions and employee salary reduction contributions) required to have been made under any of the Buyer Employee Plans or by law (without regard to any waivers granted under Section 412 of the Code) to any funds or trusts established thereunder or in connection therewith have been made by the due date thereof (including any valid extension), and all contributions for any period ending on or before the Closing Date which are not yet due will have been paid or accrued on or prior to the Closing Date. No accumulated funding deficiencies exist in any of the Buyer Employee Plans subject to Section 412 of the Code.

(e) There is no "amount of unfunded benefit liabilities" within the meaning of Section 4001(a)(18) of ERISA in any of the respective Buyer Pension Plans which are subject to Title IV of ERISA. Each of the respective Buyer Pension Plans are fully funded in accordance with the actuarial assumptions used by the Pension Benefit Guaranty Corporation (the "PBGC") to determine the level of funding required in the event of the termination of the Buyer Pension Plans.

(f) None of the Buyer or its subsidiaries or any Buyer ERISA Affiliate has terminated any Buyer Pension Plan subject to Title IV, or incurred any outstanding liability under Section 4062 of ERISA to the PBGC or to a trustee appointed under Section 4042 of ERISA. All premiums due the PBGC with respect to the Buyer Pension Plans have been paid. None of the Buyer or its subsidiaries or any Buyer ERISA Affiliate has engaged in any transaction described in Section 4069 of ERISA.

(g) There has been no "reportable event" within the meaning of Section 4043 of ERISA with respect to any Buyer Pension Plans subject to Title IV of ERISA which would require the giving of notice or any other event requiring disclosure under Section 4041(c)(3)(C) or 4063(a) of ERISA.

(h) There has been no material violation of ERISA or the Code with respect to the filing of applicable reports, documents and notices regarding the Buyer Employee Plans with the Secretary of Labor or the Secretary of the Treasury or the furnishing of required reports, documents or notices to the participants or beneficiaries of the Buyer Employee Plans.

(i) True, correct and complete copies of the following documents, with respect to each of the Buyer Employee Plans, have been delivered to the Seller by the Buyer: (i) all plans and related trust documents, and amendments thereto; (ii) the most recent Forms 5500; (iii) the last IRS determination letter; (iv) summary plan descriptions; (v) the most recent actuarial report relating to the Buyer Employee Plans; and (vi) written descriptions of all non-written agreements relating to the Buyer Employee Plans.

(j) There are no pending actions, claims or lawsuits which have been asserted or instituted against the Buyer Employee Plans, the assets of any of the trusts under such plans or the plan sponsor or the plan administrator, or against any fiduciary of the Buyer Employee Plans with respect to the operation of such plans (other than routine benefit claims), nor do the Buyer or Newco have knowledge of facts which could form the basis for any such claim or lawsuit.

(k) All amendments and actions required to bring the Buyer Employee Plans into conformity in all material respects with all of the applicable

provisions of ERISA, the Code and other applicable laws have been made or taken except to the extent that such amendments or actions are not required by law to be made or taken until a date after the Closing Date.

(l) Any bonding required with respect to the Buyer Employee Plans in accordance with applicable provisions of ERISA has been obtained and is in full force and effect.

(m) The Buyer Employee Plans have been maintained, in all material respects, in accordance with their terms and with all provisions of ERISA and the Code (including rules and regulations thereunder) and other applicable federal and state laws and regulations, and none of the Buyer or its subsidiaries or any "party in interest" or "disqualified Person" with respect to the Buyer Employee Plans has engaged in a "prohibited transaction" within the meaning of Section 406 of ERISA or 4975 of the Code. No fiduciary has any liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any Buyer Employee Plan.

(n) None of the Buyer Employee Plans provide retiree life or retiree health benefits except as may be required under Section 4980B of the Code or Section 601 of ERISA and at the expense of the participant or the participant's beneficiary. The Buyer and its subsidiaries and the Buyer ERISA Affiliates have at all times complied with the notice and health care continuation requirements of Section 4980B of the Code and Sections 601 through 608 of ERISA.

(o) Except as disclosed on Schedule 4.12, no stock or other security
issued by the Seller, the Buyer or its subsidiaries or any of their Affiliates forms or has formed part of the assets of any Buyer Employee Plan.

Section 4.13. Labor Matters.

(a) Except as set forth in Schedule 4.13: (i) none of the Buyer or its subsidiaries is a party to any outstanding employment, consulting or management agreements or contracts with officers or employees that provide for the payment of any bonus or commission; (ii) none of the Buyer or its subsidiaries is party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Buyer or its subsidiaries nor do the Seller, the Buyer or its subsidiaries know of any activities or proceedings of any labor union to organize any such employees. The Buyer has furnished to the Seller complete and correct copies of all such agreements ("Employment and Labor Agreements"). The Buyer and its subsidiaries have not breached or otherwise failed to comply with any provisions of any Employment and Labor Agreement, and are in full compliance with all terms of any collective bargaining agreement and there are no grievances outstanding thereunder.

(b) The Buyer and its subsidiaries are in compliance with all applicable laws relating to employment and employment practices, wages, hours, and terms and conditions of employment and are not engaged in any unfair labor practice; (ii) there is no unfair labor practice charge or complaint pending before the National Labor Relations Board ("NLRB"); (iii) there is no labor strike, material slowdown or material work stoppage or lockout actually pending or threatened against or affecting the Buyer or its subsidiaries, and the Buyer and its subsidiaries have not at any time experienced any strike, material slow down or material work stoppage, lockout or other collective labor action by or

with respect to employees of the Buyer or its subsidiaries; (iv) there is no representation claim or petition pending before the NLRB or any similar foreign agency and no question concerning representation exists relating to the employees of the Buyer or its subsidiaries; (v) there are no charges with respect to or relating to the Buyer or its subsidiaries pending before the Equal Employment Opportunity Commission or any state, local or foreign agency responsible for the prevention of unlawful employment practices; and (vi) the Buyer and its subsidiaries have no formal notice from any federal, state, local or foreign agency responsible for the enforcement of labor or employment laws of an intention to conduct an investigation of the Buyer or its subsidiaries and no such investigation is in progress.

Section 4.14. Environmental Matters. Notwithstanding anything to the contrary contained in this Agreement and in addition to the other representations and warranties contained herein:

(a) The Buyer and its subsidiaries and their operations are in compliance with all applicable Environmental Laws and have obtained, maintained in effect and complied with all licenses, permits and other authorizations or registrations required under Environmental Laws.

(b) The Buyer and its subsidiaries have not performed or suffered any act which could give rise to, or have otherwise incurred, liability to any person (governmental or not) under CERCLA or any similar state or municipal law, nor has the Buyer or its

subsidiaries received notice of any such liability or any claim therefor or submitted notice pursuant to Section 103 of CERCLA to any governmental agency.

(c) No Hazardous Materials have been released, placed, dumped or otherwise come to be located on, at, beneath or near, and no storage tank containing any Hazardous Materials is located at, any of the real property and/or improvements currently or, to the knowledge of the Buyer, formerly owned or leased by the Company which could subject the Buyer to a claim or claims pursuant to Environmental Laws.

Section 4.15. Purchase for Investment. Each of the Buyer and Newco is an accredited investor as defined under Rule 501(a) of the Securities Act. The Purchased Interest will be acquired for investment for Buyer's own account and not with a view to the resale or distribution of any part thereof, except in compliance with the registration provisions of the Securities Act or an exemption therefrom.

Section 4.16. Brokers and Finders. None of the Buyer or its subsidiaries or any of their respective officers, directors or employees has employed any broker or finder, except for Slusser Associates, Inc., and none of the Buyer or its subsidiaries or any of their respective officers, directors or employees has incurred any liability for any investment banking fees, brokerage fees, commissions or finders' fees in connection with the transactions contemplated by this Agreement other than fees payable to Slusser Associates, Inc.

Section 4.17. Due Diligence. Each of the Buyer and Newco has sufficient knowledge and experience in investing in companies similar to the Company and is capable of evaluating the merits and risks of its investment in the Company as contemplated by this Agreement and is able to bear the economic risk of such investment for an indefinite period of time. Each of the Buyer and Newco has been given access to full and complete information regarding the Company and has

utilized such access to its satisfaction for the purpose of obtaining information each of the Buyer and Newco desires or deems relevant to its decision to acquire the Purchased Interests. Each of the Buyer and Newco has had the opportunity to ask questions of and receive answers from management and representatives of the Company to discuss the Company's business, management and financial affairs and to obtain any additional information each of the Buyer and Newco desires or deems relevant. Each of the Buyer and Newco has obtained, to the extent it has deemed necessary, professional advice with respect to the risks inherent in the acquisition of the Purchased Interests, including, without limitation, the matters relating to the Company's business and financial condition.

Section 4.18. Survival. Except where a representation or warranty expressly refers to another date, in which case such representation or warranty need be true and correct only as of such date, each of the representations and warranties set forth in this Section 4 shall be deemed represented and made by the Buyer at the Closing as if made at such time and shall survive the Closing for a period terminating on the later of (a) date 6 months after the Closing Date, and (b) with respect to claims asserted pursuant to Section 6.2 of this Agreement before the expiration of the applicable representation or warranty, on the date such claim is finally liquidated or otherwise resolved; provided, --------

however, that (x) the representations and warranties in Sections 4.14 hereof -------

shall survive until the third anniversary of the Closing Date and (y) the representations and warranties in Sections 4.4 and 4.9 hereof shall survive until the applicable statute of limitations for third party or governmental actions has expired.

ARTICLE V.
COVENANTS OF THE PARTIES

The Parties hereto covenant as follows (all covenants of the Seller and the Parent being joint and several obligations and all covenants of the Buyer and Newco being joint and several obligations):

Section 5.1. Consents and Approvals Required on Closing Date. Each of the parties hereto has or will have on or prior to the Closing Date, at its cost and expense, obtained all necessary consents, waivers, authorizations and approvals of all governmental and regulatory authorities, domestic and foreign, and of all other Persons required on the Closing Date in connection with the execution, delivery and performance by it of the Transaction Documents.

Section 5.2. Further Assurances. Upon the request of another party at any time after the Closing Date, the Buyer, Newco, the Seller and the Parent shall forthwith execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as the requesting party or its counsel may request to perfect title of the Buyer and its successors and assigns to the Purchased Interests and to perfect title of the Seller in and to the Share Consideration or otherwise to effectuate the purposes of the Transaction Documents.

Section 5.3. Best Efforts. Upon the terms and subject to the conditions of this Agreement, each party shall use its reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and

make effective in the most expeditious manner practicable the transactions contemplated hereby and in the Transaction Documents.

Section 5.4. Nondisclosure. Except as required under applicable law, from and after the Closing Date, no party shall use, divulge, furnish or make accessible to anyone any proprietary, material non-public, confidential or secret information to the extent relating to the Buyer or its subsidiaries, in the case of the Seller and the Parent, or relating to the Seller and the Parent, in the case of the Buyer and Newco (in each case including, without limitation, customer lists, supplier lists and pricing and marketing arrangements with customers or suppliers), and each of the parties shall cooperate reasonably with the others in preserving such proprietary, confidential or secret aspects of the parties.

Section 5.5. Tax Matters. All transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be borne and paid equally by the Parent and the Seller, on the one hand, and the Buyer and Newco, on the other hand, when due, and the Seller will file all necessary tax returns and other documentation with respect to all such taxes and fees, and, if

required by applicable law, the Buyer will, and will cause its affiliates to, join in the execution of any such tax returns and other documentation.

Section 5.6. Cooperation on Tax Matters. The Buyer and the Seller shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the preparation and filing of any tax return, statement, report or form (including any report required pursuant to Section 6043 of the Code and all Treasury Regulations promulgated thereunder), any audit, litigation or other proceeding with respect to taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Seller and the Buyer agree (i) to retain, and to cause the Company to retain, all books and records with respect to tax matters pertinent to the Company relating to any pre-closing tax period, and to abide by all record retention agreements entered into with any taxing authority and (ii) to give the other party reasonable written notice prior to destroying or discarding any such books and records and, if the party so requests, the Buyer or the Seller, as the case may be, shall allow the other party to take possession of such books and records.

Section 5.7. Amendment to Management Agreement. The Parent shall use its best efforts to cause the Company and City Cinemas Corporation to amend the Management Agreement so that it provides the Buyer with the same rights as the Parent pursuant to Section 3.2(b) thereof, and in any event, the Parent shall deliver to the Buyer the financial statements referenced in such Section promptly following receipt thereof.

Section 5.8. Amendment to Trademark License Agreement. The Parent shall cause its affiliate Reading Investment Company, Inc. ("Reading Investment") and the Company to execute an amended Angelika-SOHO Trademark License Agreement dated as of April 15, 1997 by and between Reading Investment (as amended, the "Amended Trademark License Agreement") in the form attached hereto as Exhibit E.

Section 5.9. Notification and Put Rights.

(a) Buyer covenants and agrees that it shall provide written notice to Parent at least thirty (30) days prior to the date on which any of the following is proposed to occur: (i) the issuance of shares of Common Stock or of any class or series of Preferred Stock (in one or a series of related transactions) representing more than fifteen percent (15%) of the number or voting power of the shares of Common Stock or Buyer Preferred Stock, as the case may be, outstanding immediately prior to such issuance, or (ii) the making of an investment or series of related investments involving aggregate payments by Buyer of $10 million or more (calculated on a consolidated basis);

(b) Parent shall notify Buyer within thirty (30) days after the date of the notice in paragraph (a) above whether it agrees with the proposed issuance or investment described in such notice. If (x) Parent objects to any such proposed transaction and (y) Buyer notifies Parent

that Buyer will nonetheless proceed with the proposed transaction, Parent shall have the option, exercisable within fifteen (15) days after the date of such written notice, to cause Buyer to repurchase, out of funds legally available therefor, all of the Common Share Consideration and the Preferred Share Consideration, for an aggregate purchase price equal to (aa) $13.5 million plus (bb) interest at a per annum rate of ten percent (10%) calculated on a daily basis through the date of such repurchase, which repurchase shall be consummated no later than thirty (30) days after the date of the notice of exercise of the option provided herein; and

(c) The rights of Parent to receive notice and to require the Buyer to repurchase the Common Share Consideration and the Preferred Share Consideration shall expire on the date that is thirty (30) days following the date on which Buyer files with the Securities and Exchange Commission its Annual Report on Form 10-K for the fiscal year ended January 30, 2001, provided that the parties shall be obligated to consummate any repurchase for which Parent has provided notice of exercise of the repurchase option provided in Section 5.9(b) prior to such expiration date.

Section 5.10. Amendment to Certificate of Incorporation. Buyer hereby covenants, subject to the fiduciary duty of the Board of Directors of Buyer, to present to the stockholders of Buyer, at Buyer's next annual or special meeting of stockholders, a proposed amendment to Buyer's restated Certificate of Incorporation to eliminate Article SIXTH thereof, and shall use their best efforts to solicit proxies in favor of such amendment.

Section 5.11. Board Representation. Parent will be entitled to have a representative attend all meetings of the Board of Directors of the Buyer, and of any meetings of any executive or other similar committee of the Board of Directors as may be formed from time to time. Buyer will give Parent substantially the same notice of any such meeting as Parent provides to its directors, so as to allow such representative to attend such meetings in person, and provide to such representative copies of any materials provided to directors from time to time, whether or not in connection with any particular Board or executive committee meeting, contemporaneously with the delivery of such materials to such directors. Notwithstanding the above, it is acknowledged and agreed that such representative will not be entitled to attend any portions of any such meeting where specific advice is being given by legal counsel to the directors and where the presence of such representative would result in a waiver of any otherwise applicable attorney-client communication privilege.

ARTICLE VI.
INDEMNIFICATION

Section 6.1. Indemnification by the Seller and the Parent. Notwithstanding the Closing and except to the extent that the Buyer or Newco has any knowledge or information with respect to such matter on or prior to the Closing Date, the Seller and the Parent, jointly and severally, shall indemnify and fully defend, save and hold the Buyer, Newco, and their directors, officers and employees (the "Buyer Indemnitees"), harmless if any Buyer Indemnitee shall at any time or from time to time suffer any damage, liability, loss, cost, expense (including all

reasonable attorneys' fees and expenses of investigation incurred by the Buyer Indemnitees in any action or proceeding between the Seller or the Parent and the Buyer Indemnitees or between the Buyer Indemnitees and any third party or otherwise), deficiency, interest, penalty, impositions, assessments or fines (collectively, "Buyer Losses") arising out of or resulting from, or shall pay or become obliged to pay any sum on account of, any and all the Seller Events of Breach. As used herein, "Seller Events of Breach" shall be and mean any one or more of the following:

(a) any untruth or inaccuracy in any representation of the Seller or the Parent or the breach of any warranty of the Seller or the Parent contained in the Transaction Documents written notice of which has been given to the Seller and the Parent prior to the expiration of any survival period applicable thereto;

(b) any failure of the Seller or the Parent duly to perform or observe any term, provision, covenant, agreement contained in the Transaction Documents on the part of such Person to be performed or observed, provided, however, that, except for Buyer Losses incurred by the Buyer Indemnitees in connection with the inaccuracy of any representation or the breach of any warranty of the Seller or the Parent relating to Taxes, the representations and warranties contained in Section 3.2 or actual fraud by the Seller or the Parent, the Seller and the Parent shall not have any obligation to make any payment under Section 6.1(a) hereof with respect to any representation or warranty unless (i) the Buyer Indemnitees have suffered Buyer Losses by reason of any particular representation or warranty, together with all other particular claims arising from the same facts and circumstances, in excess of $50,000 and (ii) until all Buyer Indemnitees have suffered Buyer Losses (other than Buyer Losses below the $50,000 threshold referred to in clause (i) above) by reason of all such claims that exceed $500,000, it being understood that once such amount is exceeded, the aggregate of all such claims in excess of $500,000 shall be payable by the Seller and Parent on demand by the Buyer.

Section 6.2. Procedures for Indemnification by the Seller and the Parent. If a Seller's Event of Breach occurs or is alleged and a Buyer Indemnitee asserts that the Seller or the Parent has become obligated to such Buyer Indemnitee pursuant to Section 6.1 hereof, or if any suit, action, investigation, claim or proceeding (a "Proceeding") is begun, made or instituted by a third party as a result of which the Seller or the Parent may become obligated to a Buyer Indemnitee hereunder, such Buyer Indemnitee shall give written notice to the Seller and the Parent. The Seller and the Parent, jointly and severally, agree to defend, contest or otherwise protect the Buyer Indemnitee against any Proceeding at their sole cost and expense. The Buyer

Indemnitee shall have the right, but not the obligation, to participate at its own expense in the defense thereof by counsel of the Buyer Indemnitee's choice and shall in any event cooperate with and assist the Seller and the Parent to the extent reasonably possible. If the Seller and the Parent fail timely to defend, contest or otherwise protect against such Proceeding, the Buyer Indemnitee shall have the right to do so, including, without limitation, the right to make any compromise or settlement thereof, and the Buyer Indemnitee shall be entitled to recover the entire cost thereof from the Seller or the Parent, including, without limitation, reasonable attorneys' fees, disbursements and amounts paid as the result of such Proceeding, as such costs are

incurred, and the Seller and the Parent shall be bound by any determination made in such Proceeding or any compromise or settlement effected by the Buyer. If the Buyer Indemnitee shall have reasonably concluded upon advice from counsel that there may be a conflict of interest between the Buyer Indemnitee and the Seller or the Parent, the Buyer Indemnitee shall have the right to defend, contest or otherwise protect against such Proceeding, provided that if the Buyer Indemnitee

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shall compromise or settle such claims without consent of Seller and Parent, such compromise or settlement shall not bind Seller or Parent. If the Seller or the Parent assumes the defense of any Proceeding, (a) it will be conclusively established for purposes of this Agreement that the claims made in that Proceeding are within the scope of and subject to indemnification, (b) no compromise or settlement of such claims may be effected by the Seller or the Parent without the Buyer Indemnitee's consent unless (i) there is no finding or admission of any violation of federal, state, local, municipal, foreign, international, multinational or other administrative order, law, ordinance, principal of common law, regulation, statute or treaty or any violation of the rights of any Person and no effect on any other claims that may be made against the Buyer Indemnitee and (ii) the sole relief provided is monetary damages that are paid in full by the Seller or the Parent; and (c) the Buyer Indemnitee will have no liability with respect to any compromise or settlement of such claims effected without its consent.

Section 6.3. Indemnification by the Buyer and Newco. Notwithstanding the Closing, and, with respect to paragraph (a) only, except to the extent that the Seller or the Parent has any knowledge or information with respect to such matter on or prior to the Closing Date (it being agreed that the Seller Indemnitees are entitled to indemnification under this Section 6.3 regardless of their knowledge of facts giving rise to any litigation referred to in paragraph (b) hereof or of their knowledge for purposes of the representation and warranty set forth in the penultimate sentence of Section 4.4 of any liabilities or claims against the Buyer or any of its Affiliates), the Buyer and Newco shall, jointly and severally, indemnify and agree to fully defend, save and hold the Seller, the Parent, or any Affiliate of the Seller or of the Parent and their directors, officers and employees (the "Seller Indemnitees"), harmless if any Seller Indemnitee shall at any time or from time to time suffer any damage, liability, loss, cost, expense (including all reasonable attorneys' fees and expenses of investigation incurred by the Seller Indemnitees in any action or proceeding between the Buyer or Newco and the Seller Indemnitees or between the Seller Indemnitees and any third party or otherwise), deficiency, interest, penalty, impositions, assessments or fines (collectively, "Seller Losses") arising out of or resulting from, or shall pay or become obligated to pay any sum on account of, any and all the Buyer Events of Breach. As used herein, "Buyer Events of Breach" shall be and mean any one or more of the following:

(a) any untruth or inaccuracy in any representation of the Buyer or

Newco or the breach of any warranty of the Buyer or Newco contained in the Transaction Documents written notice of which has been given to the Buyer and Newco prior to the expiration of any survival period applicable thereto;

(b) any Proceeding is brought by any stockholder of the Buyer, either directly or derivatively, challenging any of the transactions contemplated herein or in any other Transaction Document or asserting any liability on the part of Parent, any of its affiliates or any of the respective officers or directors;

(c) any failure of the Buyer or Newco duly to perform or observe any term, provision, covenant, agreement or condition contained herein or in the Transaction Documents on the part of the Buyer or Newco to be performed or observed;

provided, however, that, except for Seller Losses incurred by the Seller Indemnitees in connection with the inaccuracy of any representations or the breach of any warranty of the Buyer or Newco relating to Taxes, the representations and warranties contained in Section 5.4 hereof or actual fraud by the Buyer or Newco, the Buyer and Newco shall have no obligation to make any payment under Section 6.3(a) hereof with respect to any representation or warranty unless (i) the Seller Indemnitees have suffered Seller Losses by reason of any particular representation or warranty, together with all other particular claims arising from the same facts and circumstances, in excess of $50,000 and (ii) until all Seller Indemnitees have suffered Seller Losses (other than Seller Losses below the $50,000 threshold referred to in clause (i) above) by reason of all such claims that exceed $500,000, it being understood that once such amount is exceeded, the aggregate of all such claims in excess of $500,000 shall be payable by the Buyer and Newco on demand by the Seller.

Section 6.4. Procedures for Indemnification by the Buyer and Newco. If a Buyer Event of Breach occurs or is alleged and a Seller Indemnitee asserts that the Buyer or Newco has become obligated to such Seller Indemnitee pursuant to Section 6.3 hereof, or if any Proceeding is begun, made or instituted by a third party as a result of which the Buyer or Newco may become obligated to a Seller Indemnitee hereunder, such Seller Indemnitee shall give written notice to the Buyer and Newco. The Buyer and Newco, jointly and severally, agree to defend, contest or otherwise protect the Seller Indemnitee against any Proceeding at their sole cost and expense. The Seller Indemnitee shall have the right, but not the obligation, to participate at its own expense in the defense thereof by counsel of the Seller Indemnitee's choice and shall in any event cooperate with and assist the Buyer and Newco to the extent reasonably possible. If the Buyer or Newco fail timely to defend, contest or otherwise protect against such Proceeding, the Seller Indemnitee shall have the right to do so, including, without limitation, the right to make any compromise or settlement thereof, and the Seller Indemnitee shall be entitled to recover the entire cost thereof from the Buyer or Newco, including, without limitation, reasonable attorneys' fees, disbursements and amounts paid as the result of such Proceeding, as such costs are incurred, and the Buyer or Newco shall be bound by any determination made in such Proceeding or any compromise or settlement effected by the Seller. If the Seller Indemnitee shall have reasonably concluded upon advice from counsel that there may be a conflict of interest between the Seller Indemnitee and the Buyer or Newco, the Seller Indemnitee shall have the right to defend, contest or otherwise protect against such Proceeding, provided that if the Seller

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Indemnitee shall compromise or settle such claims without consent of Buyer and Newco, such compromise or settlement shall not bind the Buyer or Newco. If the

Buyer or Newco assumes the defense of any Proceeding, (a) it will be conclusively established for purposes of this Agreement that the claims made in that Proceeding are within the scope of and subject to indemnification, (b) no compromise or settlement of such claims may be effected by the Buyer or Newco without the Seller Indemnitee's consent unless (i) there is no finding or admission of any violation of federal, state, local, municipal, foreign, international, multinational or other administrative order, law, ordinance, principal of common law, regulation, statute or treaty or

any violation of the rights of any Person and no effect on any other claims that may be made against the Seller Indemnitee and (ii) the sole relief provided is monetary damages that are paid in full by the Buyer or Newco; and (c) the Seller Indemnitee will have no liability with respect to any compromise or settlement of such claims effected without its consent. Notwithstanding the above, in the event of any claim for indemnity under clause 6.3(b) the Seller Indemnitees will be entitled to retain their own counsel and Buyer will promptly reimburse such Seller Indemnitees for the reasonable costs and disbursements of such separate counsel.

ARTICLE VII.
CONDITIONS TO OBLIGATIONS OF THE SELLER AND THE PARENT

The obligations of the Seller and the Parent to consummate the transactions contemplated by the Transaction Documents are subject to the fulfillment, at or before the Closing Date of the following conditions, any one or more of which may be waived by the Parent and the Seller in their sole discretion:

Section 7.1. Representations and Warranties of the Buyer and Newco. All representations and warranties made by the Buyer and Newco in this Agreement shall be true and correct in all material respects on and as of the Closing Date as if again made by the Buyer and Newco on and as of such date, except for any warranties made with reference to a specific date, which shall be true and correct as of such specific date.

Section 7.2. Performance of the Obligations of the Buyer and Newco. The Buyer and Newco shall have performed in all material respects all obligations required under this Agreement to be performed by them on or before the Closing Date.

Section 7.3. Consents and Approvals. All consents, waivers, authorizations and approvals of any governmental or regulatory authority, domestic or foreign, and of any Person, other than the Seller, the Parent or their respective subsidiaries or affiliates, required on the Closing Date in connection with the execution, delivery and performance of the Transaction Documents shall have been duly obtained and shall be in full force and effect on the Closing Date.

Section 7.4. No Violation of Orders. No preliminary or permanent injunction or other order issued by any court or other governmental or regulatory authority, domestic or foreign, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any government or governmental or regulatory authority, domestic or foreign, that declares any of the Transaction Documents invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby shall be in effect on the Closing Date.

Section 7.5. Registration Rights Agreement. On the Closing Date, the

Buyer and the Seller shall enter into the Registration Rights Agreement in the form attached hereto as Exhibit D for the registration of the Buyer Common Stock included in the Share Consideration.

Section 7.6. Buyer Closing Documents. The Buyer shall have delivered to the Seller or cause Newco to deliver to the Seller the following documents on the Closing Date:

(a) the certificates representing the Share Consideration;

(b) a certificate dated the Closing Date of the Secretary of State of the jurisdiction of incorporation of the Buyer as to its good standing in such jurisdiction;

(c) the Transaction Documents; and

(d) such other documents, including legal opinions, or certificates relating to the transactions contemplated by the Transaction Documents as the Seller reasonably requests.

Section 7.7. Legal Matters. All certificates, instruments, opinions and other documents required to be executed or delivered by or on behalf of the Buyer and Newco under the provisions of the Transaction Documents, and all other actions and proceedings required to be taken by or on behalf of the Buyer and Newco in furtherance of the transactions contemplated hereby and thereby, shall be reasonably satisfactory in form and substance to counsel for the Seller.

ARTICLE VIII.
CONDITIONS TO OBLIGATIONS OF THE BUYER AND NEWCO

The obligations of the Buyer to consummate the transactions contemplated by the Transaction Documents are subject to the fulfillment, at or before the Closing Date of the following conditions, any one or more of which may be waived by the Buyer in its sole discretion:

Section 8.1. Representations and Warranties of the Seller and the Parent. All representations and warranties made by the Seller and the Parent in this Agreement shall be true and correct in all material respects on and as of the Closing Date as if again made by the Seller and the Parent on and as of such date, except for any warranties made with reference to a specific date, which shall be true and correct as of such specific date.

Section 8.2. Performance of the Obligations of the Seller and the Parent. The Seller and the Parent shall have performed in all material respects all obligations required under this Agreement to be performed by them on or before the Closing Date and the Buyer shall have received a certificate dated the Closing Date signed by the duly authorized representatives of the Seller and the Parent to that effect.

Section 8.3. Consents and Approvals. All consents, waivers, authorizations and approvals of any governmental or regulatory authority, domestic or foreign, and of any Person, other than the Buyer, Newco or their respective subsidiaries or affiliates, in connection with the execution, delivery and performance of the Transaction Documents shall have been duly obtained and shall be in full force and effect on the Closing Date, subject to the proviso in Section 8.4 hereof.

Section 8.4. No Violation of Orders. No preliminary or permanent

injunction or other order issued by any court or other governmental or regulatory authority, domestic or foreign, nor

any statute, rule, regulation, decree or executive order promulgated or enacted by any government or governmental or regulatory authority, domestic or foreign, that declares any of the Transaction Documents invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby shall be in effect on the Closing Date; provided that if Buyer or Newco
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fail to consummate the transactions contemplated by the Transaction Documents because of a failure of the conditions specified in Sections 8.3 and 8.4 based solely upon the entry by the Delaware Court of Chancery in the Chancery Court Litigation or another court in related litigation of an injunction or other order barring the Closing, then the parties agree that their contractual rights under this agreement are not affected.

Section 8.5. Seller Closing Documents. The Seller shall have delivered to the Buyer or caused the Parent to deliver to the Buyer the following documents on the Closing Date:

(a) instruments of transfer duly transferring all the Purchased Interests on the Closing Date with appropriate transfer stamps, if any, affixed thereto;

(b) a certificate dated the Closing Date of the Secretary of State of the State of Delaware as to its good standing in such jurisdiction;

(c) copies of the consents, waivers and approvals specified on Schedule 3.6;

(d) the Transaction Documents; and

(e) such other documents, including legal opinions, or certificates relating to the transactions contemplated by the Transaction Documents as the Buyer reasonably requests.

Section 8.6. Legal Matters. All certificates, instruments, opinions and other documents required to be executed or delivered by or on behalf of the Seller and the Parent under the provisions of the Transaction Documents, and all other actions and proceedings required to be taken by or on behalf of the Seller and the Parent in furtherance of the transactions contemplated hereby and thereby, shall be reasonably satisfactory in form and substance to counsel for the Buyer.

ARTICLE IX.
TERMINATION

Section 9.1. Conditions of Termination. Notwithstanding anything to the contrary contained herein, this Agreement may be terminated at any time before the Closing (a) by mutual consent of the Seller and the Buyer, (b) by the Seller if the conditions set forth in Section 8 hereof are not satisfied or waived by the Closing Date, (c) by the Buyer if the conditions set forth in Section 9 hereof are not satisfied or waived by the Closing Date or (d) by any party hereto that is not in breach of its material obligations hereunder if the Closing shall not have occurred on or prior to April 30, 2000, provided that the
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Buyer and Newco shall not have a right to terminate this Agreement pursuant to clause (d) if they are prohibited from closing because of a preliminary or permanent injunction binding on them.

Section 9.2. Effect of Termination. In the event of termination pursuant to Section 9.1 hereof, this Agreement shall become null and void and have no effect, with no liability on the part of the Seller, the Company or the Buyer, or their respective directors, officers, agents or stockholders, with respect to this Agreement, except for the (i) liability of a party for expenses pursuant to Section 11.3 hereof, (ii) liability for any breach of this Agreement and (iii) Buyer and Newco's indemnification obligations under Section 6.3(b).

Section 9.3. Intentionally Omitted.

ARTICLE X.
MISCELLANEOUS

Section 10.1. Successors and Assigns. Except as otherwise provided in this Agreement, no party hereto shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other parties hereto and any such attempted assignment without such prior written consent shall be void and of no force and effect, provided that the Buyer may assign its rights to a wholly-owned subsidiary. This Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties hereto.

Section 10.2. Governing Law; Jurisdiction. This Agreement shall be construed, performed and enforced in accordance with, and governed by, the laws of the State of New York, without giving effect to the principles of conflicts of laws thereof. The parties hereto irrevocably elect as the sole judicial forum for the adjudication of any matters arising under or in connection with this Agreement, and consent to the jurisdiction of, the courts of the State of New York.

Section 10.3. Service of Process. The parties hereto acknowledge and agree that under this Agreement process may be served, in the case of the Buyer and Newco, by delivery to CT Corporation, 111 8th Avenue, New York, New York, 10011, in the case of the Seller, the Parent and the Company, by delivery to Duane, Morris & Heckscher LLP, 380 Lexington Avenue, New York, New York 10168, Attn: Michael H. Margulis, Esq. or to such other address or to the attention of such other person in New York City as the parties may provide by notice by given in accordance with Section 10.6 hereof.

Section 10.4. Expenses; Fees. Except as otherwise provided herein, each of the parties hereto shall pay its own expenses in connection with this Agreement and the transactions contemplated hereby, including, without limitation, any legal and accounting fees, whether or not the transactions contemplated hereby are consummated.

Section 10.5. Severability. In the event that any part of this Agreement is declared by any court or other judicial or administrative body to be null, void or unenforceable, said provision shall survive to the extent it is not so declared, and all of the other provisions of this Agreement shall remain in full force and effect.

Section 10.6. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to

have been duly given (i) on the date of

service if served personally on the party to whom notice is to be given, (ii) on the day of transmission if sent via facsimile transmission to the facsimile number given below, and telephonic confirmation of receipt is obtained promptly after completion of transmission, (iii) on the day after delivery to Federal Express or similar overnight courier or the Express Mail service maintained by the U.S. Postal Service or (iv) on the fifth day after mailing, if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid and properly addressed, to the party as follows:

If to the Seller:

Reading Entertainment, Inc.
One Penn Square West
30 South Fifteenth Street, Suite 1300
Philadelphia, Pennsylvania 19102-4813
Attention: James J. Cotter, Chairman
Facsimile: (215) 569-2862

Copy to:

Potter Anderson & Corroon LLP
Hercules Plaza
1313 N. Market Street
Wilmington, Delaware 19801
Attention: John F. Grossbauer, Esq.
Facsimile: (302) 984-1192

If to the Buyer:

National Auto Credit, Inc.
30000 Aurora Road
Solon, Ohio 44139
Attention: David L. Huber, Chairman of the Board
Facsimile: (440) 349-0442

Copy to:

National Auto Credit, Inc.
30000 Aurora Road
Solon, Ohio 44139
Attention: Raymond A. Varcho, Esq., Vice President,
Secretary and General Counsel
Facsimile: (440) 349-3959

Any party may change its address for the purpose of this Section by giving the other party written notice of its new address in the manner set forth above.

Section 10.7. Amendments; Waivers. This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written

instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall not be deemed to be nor construed as further or continuing waiver of any such condition, or of the

breach of any other provision, term, covenant, representation or warranty of this Agreement.

Section 10.8. Public Announcements. The parties agree that after the signing of this Agreement, neither party shall make any press release or public announcement concerning the transactions contemplated by the Transaction Documents without the prior written approval of the other parties unless the disclosing party is advised by counsel that a press release or public announcement is required by law. If any such announcement or other disclosure is required by law, the disclosing party agrees to give the nondisclosing parties prior notice and an opportunity to comment on the proposed disclosure.

Section 10.9. Entire Agreement. The Transaction Documents contain the entire understanding between the parties hereto with respect to the transactions contemplated hereby and thereby and supersedes and replaces all prior and contemporaneous agreements and understandings, oral or written, with regard to such transactions. All schedules hereto and any documents and instruments delivered pursuant to any provision hereof are expressly made a part of this Agreement as fully as though completely set forth herein.

Section 10.10. Parties in Interest. Except for the rights granted to the Buyer Indemnitees and the Seller Indemnitees in Article VI hereof, nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Seller, the Parent, the Company, the Buyer and Newco and their respective successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligations or liability of any third persons to the Seller, the Parent, the Company, the Buyer or Newco. No provision of this Agreement shall give any third persons any right of subrogation or action over or against the Seller, the Parent, the Company, the Buyer or Newco.

Section 10.11. Scheduled Disclosures. Disclosure of any matter, fact or circumstance in a Schedule to this Agreement shall not be deemed to be disclosure thereof for purposes of any other Schedule hereto.

Section 10.12. Specific Performance. The parties recognize that the Purchased Interests and the Company's principal asset, the Angelika Film Center, are unique and not capable of duplication. Accordingly, without limited or waiving any rights or remedies the parties may have under this Agreement now or hereinafter existing at law or in equity or by statute, each of the parties hereto shall be entitled to seek specific performance by the other of the obligations to be performed by the other in accordance with the provisions of this Agreement.

Section 10.13. Section and Paragraph Headings. The section and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 10.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on April 5, 2000.

SELLER:

FA, INC.

By: /s/ S. Craig Tompkins

Name: S. Craig Tompkins
Title: Vice Chairman

PARENT:

READING ENTERTAINMENT, INC.

By: /s/ S. Craig Tompkins

Name: S. Craig Tompkins
Title: Vice Chairman

BUYER:

NATIONAL AUTO CREDIT, INC.

By: /s/ David L. Huber

Name: David L. Huber
Title: President Chairman CEO

NEWCO:

NATIONAL CINEMAS, INC.

By: /s/ David L. Huber

Name: David L. Huber
Title: President

EXHIBIT B

FORM OF REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated as of April ____, 2000, between FA, Inc. d/b/a FA of Delaware (the "Investor")and National Auto Credit, Inc., a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Investor, an indirect wholly owned subsidiary of Reading Entertainment, Inc. , a Delaware corporation (the "Parent"), has received or will receive shares (the "Shares") of Common Stock, par value $0.05 per share, of the Company (the "Common Stock"), in the amount and subject to the conditions set forth in the Purchase Agreement, dated as of April ___, 2000, among, the Investor, the Parent and the Company (the "Purchase Agreement");

WHEREAS, the Company has agreed to grant the Investor certain registration rights with respect to the Shares; and

WHEREAS, the Company and the Investor desire to define the registration rights of the Investor on the terms and subject to the conditions herein set forth.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the parties hereby agree as follows:

1. DEFINITIONS

As used in this Agreement, the following terms have the respective meanings set forth below:

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Holder" shall mean any holder of Registrable Securities.

"Initiating Holder" shall mean any Holder or Holders of Registrable Securities aggregating at least 25% of the aggregate number of shares of Common Stock held by all Holders.

"Person" shall mean an individual, partnership, joint-stock company,

corporation, limited liability company, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"register, "registered" and "registration" shall mean a registration effected by preparing and filing a registration statement in compliance with the Securities Act (and any post-effective amendments filed or required to be filed) and the declaration or ordering of effectiveness of such registration statement.

"Registrable Securities" shall mean the Shares and any additional shares of Common Stock of the Company issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, the Shares, until, in the case of any such securities, (i) a registration statement covering such securities has been declared effective by the Commission and such securities have been disposed of pursuant to such effective Registration Statement or (ii) such securities have been disposed of in open market transactions pursuant to Rule 144 under the Securities Act (or similar rule then in effect).

"Registration Expenses" shall mean all expenses incurred by the Company in compliance with Sections 2(a) and (b) hereof, excluding Selling and Legal Expenses, but including, without limitation, all registration and filing fees, printing expenses, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company, which shall be paid in any event by the Company).

"Security" and "Securities" shall have the meaning set forth in Section 2(l) of the Securities Act.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Selling and Legal Expenses" shall mean (x) all underwriting and selling discounts, fees and commissions applicable to the sale of Registrable Securities and (y) all reasonable fees and disbursements of counsel retained by the Holders of the Registrable Securities to be included in a particular registration.

2. REGISTRATION RIGHTS

(2) Requested Registration.

(a) Request for Registration. If the Company shall receive from an Initiating Holder, at any time after September 30, 2000, a written request that the Company effect any registration with respect to all or a part of the Registrable Securities, the Company will:

(A) promptly, but in any event within ten (10) business days

of the receipt of such request, give written notice of the proposed registration, qualification or compliance to all other Holders; and

(B) as soon as reasonably practicable, but in any event within 60 days following the receipt of such request, file a registration statement on an

appropriate form with the Commission and use its reasonable best efforts to effect such registration (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such request as are specified in a written request received by the Company within 10 business days after written notice from the Company is given under Section 2(a)(i)(A) above; provided that the Company shall not be obligated to
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effect, or take any action to effect, any such registration pursuant to this Section 2(a):

(v) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act or applicable rules or regulations thereunder;

(w) with respect to a request for registration of Shares, after the Company has effected one (1) such registration pursuant to this Section 2(a) requested by an Initiating Holder and such registration has been declared or ordered effective and the sales of such Registrable Securities shall have closed;

(x) if the Registrable Securities requested by all Holders to be registered pursuant to such request do not have an anticipated aggregate public offering price (before any underwriting discounts and commissions) of at least $1,000,000;

(y) if at the time of any request to register Registrable Securities, the Company is engaged or intends to engage in an acquisition, financing or other material transaction which, in the good faith determination of the Board of Directors of the Company, would be adversely affected by the requested registration to the material detriment of the Company, or the Board of Directors of the

Company determines in good faith that the registration would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, in which event, the Company may, at its option, direct that such request be delayed for a period not in excess of sixty days from the date of the determination by the Board of Directors, as the case may be, such right to delay a request to be exercised by the Company not more than once in any twelve-month period; or

(z) with respect to Holders who are officers, directors or employees of the Company, if at the time of any request to register Registrable Securities, directors, officers, or employees of the Company are not permitted to offer or sell securities in accordance with the Company's policies.

The registration statement filed pursuant to the request of an Initiating Holder may, subject to the provisions of Section 2(a)(ii) below, include other securities, other than Registrable Securities, of the Company which are held by the other stockholders ("Other Stockholders") of the Company.

The Holders holding a majority of the Registrable Securities requested to be registered may, at any time prior to the effective date of the registration statement relating to such registration, revoke such request, without liability to the Company, such Holders, any of the other Holders or the Other Stockholders, by providing a written notice to the Company revoking such request, provided that such revoked request shall count against the registrations available to the Holders pursuant to Section 2(a)(w) unless such Holders pay the costs and expenses associated with such revoked request.

(ii) Underwriting. If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 2(a). If shares held by Other Stockholders are requested by such Other Stockholders to be included in any registration pursuant to this Section 2, the Company shall condition such inclusion on their acceptance of the further applicable provisions of this Section 2. The Initiating Holders whose Registrable Securities are to be included in such registration and the Company shall (together with all Other Stockholders proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected for such underwriting by such Initiating Holders and reasonably acceptable to the

Company. Notwithstanding any other provision of this Section 2(a), if the representative advises the Holders in writing that marketing factors (including, without limitation, pricing considerations) require a limitation on the number of shares to be underwritten or a limitation on the inclusion of shares held by directors and officers of the Company, the securities of the Company held by Other Stockholders shall be excluded from such registration to the extent so required by such limitation. If, after the exclusion of such shares, further reductions are still required, the Registrable Securities of the Company held by each Holder other than the Initiating Holders shall be excluded from such registration to the extent so required by such limitation. Thereafter, if still further reductions are required, the number of Registrable Securities included in the registration by each Initiating Holder shall be reduced on a pro rata basis (based on the number of Registrable Securities held by such Initiating Holder), by such minimum number of Registrable Securities as is necessary to comply with such request. No Registrable Securities or any other securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in

such registration. If any Other Stockholder who has requested inclusion in such registration as provided above disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the underwriter and the Initiating Holders. The securities so withdrawn shall also be withdrawn from registration. If the underwriter has not limited the number of Registrable Securities or other securities to be underwritten, the Company and officers and directors of the Company may include its or their securities for its or their own account in such registration if the representative so agrees and if the number of Registrable Securities and other securities which would otherwise have been included in such registration and underwriting will not thereby be limited.

(iii) Other Registration Rights. The Company shall not grant any registration rights inconsistent with the provisions of this Section 2(a)and in granting any demand registration rights hereafter shall provide that the Holders shall have the right to notice of the exercise of any such demand registration right and to participate in such registration on a pro rata basis.

(b) Company Registration.

(i) If the Company shall determine to register any of its equity securities either for its own account or for any Other Stockholders, other than a registration relating solely to employee benefit plans, or a registration relating solely to a Commission Rule 145 transaction, or a registration on any registration form which does not permit secondary sales, the Company will:

(A) promptly give to each of the Holders a written notice thereof; and

(B) include in such registration (and any related qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made by the Holders within fifteen (15) days after receipt of the written notice from the Company described in clause (A) above, except as set forth in Section 2(b)(ii) below.

The Company may terminate, in its sole and absolute discretion, any registration described in this Section 2 (b) at any time prior to the effectiveness of the applicable registration statement. Upon such termination, the Company's obligations under this Section 2(b) with respect to such terminated registration shall terminate.

(ii) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise each of the Holders as a part of the written notice given pursuant to Section 2(b)(i)(A). In such event, the right of each of the Holders to registration pursuant to this Section 2(b) shall be conditioned upon such Holders' participation in such underwriting and the inclusion of such Holders' Registrable Securities in the underwriting to the extent

provided herein. The Holders whose shares are to be included in such registration shall (together with the Company and the Other Stockholders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected for underwriting by the Company. Notwithstanding any other provision of this Section 2(b), if the representative determines that marketing factors require a limitation on the number of shares to be underwritten or a limitation on the inclusion of shares held by directors and officers of the Company, the representative may (subject to the allocation priority set forth below) limit the number of Registrable Securities to be included in the registration and underwriting to not less than twenty five percent (25%) of the total number of shares to be included in such underwritten offering, subject to the Company's compliance with any registration obligations to any Demanding Holders (as hereinafter defined) participating in such registration. The Company shall so advise all holders of securities requesting registration, and the number of shares of securities that are entitled to be included in the registration and underwriting shall be allocated in the following manner: The securities of the Company held by officers, directors and Other Stockholders (other than Registrable Securities and other than securities

held by holders who by contractual right demanded such registration ("Demanding Holders")) shall be excluded from such registration and underwriting to the extent required by such limitation, and, if a limitation on the number of shares is still required, the number of shares that may be included in the registration and underwriting by each of the Holders other than the Demanding Holders shall be excluded from such registration to the extent so required by such limitation. Thereafter, if still further reductions are required, the number of shares included in the registration by each of the Demanding Holders shall be reduced, on a pro rata basis (based on the number of shares held by such Demanding Holders), by such minimum number of shares as is necessary to comply with such limitation. If any of the Holders or any officer, director or Other Stockholder disapproves of the terms of any such underwriting, he may elect to withdraw therefrom by written notice to the Company and the underwriter. Any Registrable Securities or other securities excluded or withdrawn from such underwriting shall be withdrawn from such registration.

(iii) Number and Transferability. Each of the Holders shall be entitled to have its shares included in two registrations pursuant to this Section 2(b); provided, however, that notwithstanding anything to the contrary contained herein, the Holders shall not be entitled to have their shares registered in the first registered public offering of the Company occurring within six months of the Closing Date.

(c) Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to this Section 2 shall be borne by the Company, and all Selling and Legal Expenses shall be borne by the Holders of the securities so registered pro rata on the basis of the number of their shares so registered; provided, however, that if, as a result of the withdrawal of a request for registration by any of the Holders, as applicable, the registration statement does not become effective, the Holders and Other Stockholders requesting registration may elect to bear the Registration Expenses

(pro rata on the basis of the number of their shares so included in the registration request, or on such other basis as such Holders and Other Stockholders may agree), in which case such registration shall not be counted as a registration pursuant to Section 2(a)(i)(B)(w).

(d) Registration Procedures. In the case of each registration effected by the Company pursuant to this Section 2, the Company will keep the Holders holding Registrable Securities requested to be included in such registration ("Participating Holders") advised in writing as to the initiation of each registration and as to the completion thereof. At its expense, the Company will:

(i) furnish to each Participating Holder, and to any underwriter before filing with the Commission, copies of any registration statement (including all exhibits) and any prospectus forming a part thereof and any amendments and supplements thereto (including, upon request, all documents incorporated or deemed incorporated by reference therein) prior to the effectiveness of such registration statement and including each preliminary prospectus, any summary prospectus or any term sheet (as such term is used in Rule 434 under the Securities Act)) and any other prospectus filed under Rule 424 under the Securities Act, which documents, other than exhibits and documents incorporated or deemed incorporated by reference, will be subject the review of the Participating Holders and any such underwriter for a period of at least five business days, and the Company shall not file any such registration statement or such prospectus or any amendment or supplement to such registration statement or prospectus to which any Participating Holder or any such underwriter shall reasonably object within five business days after the receipt thereof; a Participating Holder or such underwriter(s), if any, shall be deemed to have reasonably objected to such filing only if the registration statement, amendment, prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission;

(ii) furnish to each Participating Holder and to any underwriter, such number of conformed copies of the applicable registration statement and of each amendment and supplement thereto (in each case including all exhibits) and such number of copies of the prospectus forming a part of such registration statement (including each preliminary prospectus, any summary prospectus or any term sheet (as such term is used in Rule 434 under the Securities Act)) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, including without limitation documents incorporated or deemed to be incorporated by reference prior to the effectiveness of such registration, as each of the Participating Holders or any such underwriter, from time to time may reasonably request;

(iii) to the extent practicable, promptly prior to the filing of any document that is to be incorporated by reference into any registration statement or prospectus forming a part thereof subsequent to the effectiveness thereof, and in any event no later than the date such document is filed with the Commission, provide copies of such document to the Participating Holders, if requested, and to any underwriter, make

representatives of the Company available for discussion of such document and other customary due diligence matters;

(iv) make available at reasonable times for inspection by the Participating Holders, any underwriter participating in any disposition pursuant to such registration and any attorney or accountant retained by the Holders or any such underwriter, all financial and other records,

pertinent corporate documents and properties of the Company and cause the officers, directors and employees of the Company to supply all information reasonably requested by the Participating Holders and any such underwriters, attorneys or accountants in connection with such registration subsequent to the filing of the applicable registration statement and prior to the effectiveness of the applicable registration statement, subject to the execution of a customary confidentiality agreement;

(v) use its reasonable best efforts (x) to register or qualify all Registrable Securities and other securities covered by such registration under such other securities or blue sky laws of such States of the United States of America where an exemption is not available and as the sellers of Registrable Securities covered by such registration shall reasonably request, (y) to keep such registration or qualification in effect for so long as the applicable registration statement remains in effect, and (z) to take any other action which may be reasonably necessary or advisable to enable such sellers to consummate the disposition in such jurisdictions of the securities to be sold by such sellers, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where it is not so qualified, or to subject itself to taxation in any such jurisdiction, or to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act or applicable rules or regulations thereunder;

(vi) use its reasonable best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other federal or state governmental agencies or authorities as may be necessary in the opinion of counsel to the Company and counsel to the Participating Holders of Registrable Securities to enable the Holders thereof to consummate the disposition of such Registrable Securities in accordance with the plan of distribution described in the applicable registration statement;

(vii) promptly notify each Holder of Registrable Securities covered by a registration statement (A) upon discovery that, or upon the happening of any event as a result of which, the prospectus forming a part of such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (B) of the issuance by the Commission of any stop order suspending the effectiveness of such registration statement or the initiation of proceedings for that purpose, (C) of any request by the

Commission for (1) amendments to such registration statement or any document incorporated or deemed to be incorporated by reference in any such

registration statement, (2) supplements to the prospectus forming a part of such registration statement or (3) additional information, (D) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, and at the request of any such Holder promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(viii) use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of any such registration, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction;

(ix) if requested by a Participating Holder, or any underwriter, subject to receipt of any required information from such Holder or underwriter, promptly incorporate in such registration statement or prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as the Participating Holder and any underwriter may reasonably request to have included therein, including, without limitation, information relating to the "plan of distribution" of the Registrable Securities, information with respect to the number of shares of Registrable Securities being sold to such underwriter, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering and make all required filings of any such prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(x) furnish to the Participating Holders, addressed to them, an opinion of counsel for the Company, dated the date of the closing under the underwriting agreement, if any, or the date of effectiveness of the registration statement if such registration is not an underwritten offering, and use its reasonable best efforts to furnish to the Participating Holders, addressed to them, a "cold comfort" letter signed by the independent certified public accountants who have certified the Company's financial statements included in such registration, covering substantially the same matters with respect to such registration (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities and such other matters as the Participating Holders may reasonably request;

(xi) provide promptly to the Participating Holders upon request any document filed by the Company with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act; and

(xii) use its reasonable best efforts to cause all Registrable Securities included in any registration pursuant hereto to be listed on each securities exchange on which securities of the same class are then listed or, if not then listed on any securities exchange, to be eligible for trading in any over-the-counter market or trading system in which securities of the same class are then traded.

(e) Indemnification.

(i) The Company will indemnify each of the Holders, as applicable, each of its officers, directors and partners, and each person controlling each of the Holders (within the meaning of the Securities Act), with respect to each registration which has been effected pursuant to this Section 2, and each underwriter, if any, and each person who controls any underwriter, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any preliminary, final or summary prospectus, offering circular or other document (including any related registration statement, notification or the like, or any amendment or supplement to any of the foregoing) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation (or alleged violation) by the Company of the Securities Act or the Exchange Act or any rule or regulation thereunder or of any applicable state or common law applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and (subject to Section 2(e)(iii)) will reimburse each of the Holders, each of its officers, directors and partners, and each person controlling each of the Holders, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission based upon and in conformity with written information furnished to the Company by the Holders or underwriter and stated to be specifically for use therein. The foregoing indemnification shall remain in effect regardless of any investigation by any indemnified party and shall survive any transfer or assignment by a Holder of its Registrable Securities or of its rights pursuant to this Agreement.

(ii) Each of the Holders will, if Registrable Securities held by it are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers and each underwriter, if any, of the Company's securities covered by such a registration

statement, each person who controls the Company or such underwriter, each Other Stockholder and each of their officers, directors, and partners, and each person controlling such Other Stockholder against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) made by such Holder of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) made by such Holder to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and such directors, officers, partners, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use therein; provided, however, that the obligations of each of the Holders hereunder
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shall be limited to an amount equal to the net proceeds to such Holder of securities sold pursuant to such registration statement or prospectus.

(iii) Each party entitled to indemnification under Section 2(e)(the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld) and the Indemnified Party may participate in such defense at such party's expense (unless the Indemnified Party shall have reasonably concluded upon advice from counsel that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party in such action, in which case the reasonable fees and expenses of counsel shall be at the expense of the Indemnifying Party), and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 2 except to the extent the Indemnifying Party is materially prejudiced thereby. No

Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall promptly furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(iv) If the indemnification provided for in this Section 2(e) is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage or expense referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions which resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations, provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of any such fraudulent misrepresentation. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue (or alleged untrue) statement of a material fact or the omission (or alleged omission) to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Notwithstanding the foregoing, no Holder will be required to contribute any amount pursuant to this paragraph (e) in excess of the total price at which the Registrable Securities of such Holder were offered to the public (less underwriting discounts and commissions, if any).

(v) The foregoing indemnity agreement of the Company and Holders is subject to the condition that, insofar as they relate to any loss, claim, liability or damage made in a prospectus, preliminary prospectus or other offering document but eliminated or remedied in an amended prospectus, preliminary prospectus or other offering document delivered to an underwriter or Holder, as applicable (the "Final Prospectus"), such indemnity agreement shall not inure to the benefit of (A) any underwriter if a copy of the Final Prospectus was furnished to the underwriter and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act or (B) in circumstances where no underwriter is acting as such in the offer

and sale in question, any Holder who (1) either directly or through its agent provided the preliminary prospectus to the Person asserting the loss, liability, claim or damage, (2) was furnished with a copy of the Final Prospectus, and (3) did not furnish or cause to be furnished the Final Prospectus to the Person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(vi) Any indemnification payments required to be made to an Indemnified Party under this Section 2(e) shall be made as the related claims, losses, damages, liabilities or expenses are incurred.

(f) Information bv the Holders. Each of the Holders holding securities
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included in any registration shall furnish to the Company such information regarding such Holder and the

distribution proposed by such Holder as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Section 2. No Investor shall be required, in connection with any underwriting agreements entered into in connection with any registration, to provide any information, representations or warranties, or covenants with respect to the Company, its business or its operations, and such Investor shall not be required to provide any indemnification with respect to any registration statement except as specifically provided for in Section 2(d)(ii) hereof.

(g) Rule 144 Reporting.

With a view to making available the benefits of certain rules and regulations of the Commission which may permit the sale of restricted securities to the public without registration, the Company agrees to:

(i) make and keep public information available as those terms are understood and defined in Rule 144 under the Securities Act ("Rule 144"), at all times;

(ii) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(iii) so long as the Holder owns any Registrable Securities, furnish to the Holder upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as the Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing the Holder to sell any such

securities without registration.

(h) Termination. The registration rights set forth in this Section 2 shall not be available to any Holder if, in the opinion of counsel to the Company, all of the Registrable Securities then owned by such Holder could be sold in any 120-day period pursuant to Rule 144(k)or at such time that no Registrable Securities are outstanding. The Company will arrange for a provision to the transfer agent for such shares of an opinion of counsel in connection with any such sale under Rule 144. The Company shall use its reasonable best efforts to comply with the requirements of Rule 144 as will enable the Holders to make sales pursuant to Rule 144.

(i) Assignment. The registration rights set forth in Section 2 hereof may be assigned, in whole or in part, to any transferee of Registrable Securities (who shall be considered thereafter to be a Holder and shall be bound by all obligations and limitations of this Agreement).

(j) The Holders agree that, upon receipt of any notice from the Company pursuant to Section 2(d)(vii), they shall immediately discontinue the disposition of Registrable Securities

pursuant to the registration statement applicable to such Registrable Securities until they have received copies of the amended or supplemented prospectus as described in Section 2(d)(vii). The Holders shall destroy all copies in their possession of the registration statement and related materials covering such Registrable Securities at the time of receipt of the Company's notice.

3. MISCELLANEOUS

(a) Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

(b) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

(c) Section Headings. The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof.

(d) Notices.

(i) All communications under this Agreement shall be in writing and shall be delivered by hand or by facsimile or mailed by overnight courier or by registered or certified mail, postage prepaid:

(A) If to the Investor:

FA, Inc.
c/o Reading Entertainment, Inc.
One Penn Square West
30 South Fifteenth Street, Suite 1300
Philadelphia, Pennsylvania 19102-4813
Attention: James A. Wunderle, Executive Vice President
Facsimile: (215)569-2862

Copy to:

Potter Anderson & Corroon LLP
Hercules Plaza
1313 N. Market Street
Wilmington, Delaware 19801
Attention: John F. Grossbauer, Esq.
Facsimile: (302)658-1192

If to the Company:

National Auto Credit, Inc.
30000 Aurora Road
Solon, Ohio 44139
Attention: David L. Huber, Chairman of the Board
Facsimile: (440)349-0442

Copy to:

National Auto Credit, Inc.
30000 Aurora Road
Solon, Ohio 44139
Attention: Raymond A. Varcho, Esq., Vice President,
Secretary and General Counsel
Facsimile: (440)349-3959

Any party may change its address for the purpose of this Section by giving the other party written notice of its new address in the manner set forth above.

(ii) Any notice so addressed shall be deemed to be given: if

delivered by hand or facsimile, on the date of such delivery; if mailed by courier, on the first business day following the date of such mailing; and if mailed by registered or certified mail, on the third business day after the date of such mailing.

(e) Reproduction of Documents. This Agreement and all documents relating thereto, including, without limitation, any consents, waivers and modifications which may hereafter be executed may be reproduced by the parties hereto by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and the parties hereto may destroy any original document so reproduced. The parties hereto agree and stipulate that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by the Investor in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties.

(g) Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire understanding of the parties hereto and supersedes all prior understanding among such parties. This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and the Holders holding a majority of the then outstanding Registrable Securities.

(h) Severability. In the event that any part or parts of this Agreement shall be held illegal or unenforceable by any court or administrative body of competent jurisdiction, such determination shall not effect the remaining provisions of this Agreement which shall remain in full force and effect.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

INVESTOR:

FA, INC.

By:

Name:
Title:

COMPANY:

NATIONAL AUTO CREDIT, INC.

By:

Name:
Title:

EXHIBIT C

NATIONAL AUTO CREDIT, INC.
LETTERHEAD

April 5, 2000

James J. Cotter, Chairman
Reading Entertainment, Inc.
One Penn Square West
30 South Fifteenth Street, Suite 1300
Philadelphia, PA 19103-4831

James J. Cotter, Chairman
FA, Inc.
c/o Reading Entertainment, Inc.
One Penn Square West
30 South Fifteenth Street, Suite 1300
Philadelphia, PA 19103-4831

Re: Acquisition of Additional 1/3 Membership interest in Angelika Film Center, LLC

Dear Mr. Cotter:

National Auto Credit, Inc. ("National") and its wholly-owned subsidiary, National Cinemas, Inc. ("National Cinemas"), have entered into an agreement (the "Angelika Agreement") with FA, Inc. and Reading Entertainment, Inc. ("RDG" and collectively with its consolidated subsidiaries, "Reading") to acquire a 50% membership interest in Angelika Film Centers, LLC ("AFC"). The purpose of this letter is to set out the terms under which Reading has agreed to grant to National an option to acquire an Additional 1/3 Membership Interest in AFC.

A. The Option Grant: For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Reading does hereby grant to National that option more specifically described hereinbelow.

B. Exercise Option: National will have a period of forty-five (45) days, through and including May 20, 2000 in which to determine whether or not it wishes to proceed with the acquisition of the 1/3 Membership Interest owned by Reading that is not subject to the Angelika Agreement (the "Subject Interest"), for a purchase price of $9,000,000, on substantially the same terms and conditions set forth in the Angelika Agreement (except as otherwise provided herein). If National determines that it wishes to exercise the option, it will give written notice of that election to Reading within this period. Thereafter, National and Reading will cooperate and work in good faith to complete the definitive documentation necessary to complete the transaction, with an intention to close such transactions within thirty (30) days of the date of such election. Closing shall be subject to compliance with the Hart-Scott-Rodino Antitrust Improvements

Act.

C. Exclusivity: Reading agrees to deal exclusively with National during the term of this

option, other then its ongoing discussions with Citadel Holding Corporation.

D. Form and Payment of the Purchase Price: The purchase price of $9,000,000 will be paid in full at the Closing by the issuance of the Common Stock of National, priced at $1.50 per share. In the event that National lacks sufficient authorized and unissued shares to pay the entire purchase price in Common Stock, it will pay the balance in cash by wire transfer of currently available funds. National will grant to Reading registration rights equivalent to the registration rights granted to Reading pursuant to the Angelika Agreement.

Sincerely,

/s/ David L. Huber

David L. Huber
Chairman of the Board and
Chief Executive Officer

ACCEPTED AND AGREED
AS OF THIS 5/th/ DAY
OF APRIL, 2000

READING ENTERTAINMENT, INC.

By: /s/ S. Craig Tompkins

Its: Vice Chairman

EXHIBIT D

NATIONAL AUTO CREDIT, INC.
LETTERHEAD

April 5, 2000

James J. Cotter, Chairman
Reading Entertainment, Inc.
One Penn Square West
30 South Fifteenth Street, Suite 1300
Philadelphia, PA 19103-4831

Re: Acquisition of Domestic Cinema Assets

Dear Mr. Cotter:

As we have discussed, National Auto Credit, Inc. ("National") is interested in entering into the motion picture exhibition business in the United States through it wholly-owned subsidiary National Cinemas, Inc. ("National Cinemas"). National and National Cinemas have entered into an agreement (the "Angelika Agreement") with Reading Entertainment, Inc. ("RDG" and collectively with its consolidated subsidiaries, "Reading") to acquire a 50% membership interest in Angelika Film Centers, LLC ("AFC"). The purpose of this letter is to set out the terms under which Reading has agreed to grant to National an option to acquire the remainder of Reading's domestic cinema assets.

A. The Option Fee: Promptly following the execution and delivery of this letter agreement, National will transfer to Reading the sum of $500,000, in consideration of the rights granted by Reading to National pursuant to this letter agreement.

B. The Assets Covered: In consideration of the payment of this fee, National will have the option, as described hereinbelow, to acquire the following assets:

1. The City Cinemas Rights: These are the rights held by Reading under that certain Agreement in Principle between RDG, James J. Cotter and Michael Forman dated December 2, 1998, a copy of which is appended as Appendix A to this letter (the "City Cinemas Agreement"), other than the right to acquire the 1/6th interest in AFC and the right to acquire by merger Off Broadway, Inc. described in that Agreement in Principle. The purchase price of this asset will be an amount equal to Reading's transaction costs with respect to such transaction (including reimbursement of the $1 million deposit previously made by Reading and which counts as a credit against the option fee specified in the City

Cinemas Agreement).

2. The Domestic Cinema Assets: These include the following cinema assets:

a) The remaining interest held by Reading in AFC (including the interest being acquired pursuant to the City Cinemas Agreement);
b) The Angelika Film Center Houston (Houston, Texas);
c) The Reading Mansville 12 (Mansville, New Jersey);
d) The St. Anthony Main (Minneapolis, Minnesota);
e) The Tower Cinema (Sacramento, California)
f) The Angelika Film Center Buffalo (Buffalo, New York); and
g) The Angelika Film Center Dallas (under development in Dallas, Texas).

Provided, that Reading is currently in negotiations with respect to the Angelika Film Center Buffalo, and may terminate its rights and obligations with respect to such cinema complex if it is not satisfied with the results of such negotiation.

The purchase price of the Domestic Cinema Assets will be as follows:

a) With respect to the remaining interest in AFC, the million; amount of $13.5
b) With respect to the cinemas at Houston, Mansville, Minneapolis, Sacramento and Buffalo, the lesser of Reading's historic cost basis in such assets and the fair market value of such cinemas (such fair market value to be determined, in the event of dispute between the parties, by binding arbitration under the rules of the American Arbitration Association); and
c) With respect to the cinema under development in Dallas, Reading's cost basis in such asset.

C. Exercise Option: National will have a period of sixty (60) days, through and including June 5, 2000 in which to determine whether or not it wishes to proceed with the acquisition of the City Cinema Rights and the Domestic Cinema Assets. National shall have the right to extend the sixty (60) day period provided in the immediately preceding sentence for up to two (2) additional periods of thirty (30) days, by written notice to Reading given on or before the expiration of such sixty (60) day period (or extension thereof) accompanied by payment to Reading of $100,000 in immediately available funds for each such thirty (30) day extension. If National determines that it wishes to exercise the option, it will give written notice of that election to Reading within this period. Thereafter, National and Reading will cooperate and work in good faith to complete the definitive documentation necessary to complete the transaction, with an intention to close such transactions within sixty (60) days of the date of such election. Closing shall be subject to compliance with the Hart-Scott-Rodino Antitrust Improvements Act.

D. Citadel Offer: In the event that National elects to exercise the Option that is the subject of this letter agreement, National will offer to Citadel Holding Corporation ("Citadel") the right to form a joint venture with National or National Cinemas (as the case may be) to acquire the City Cinemas Rights and the Domestic Cinema Assets. The joint venture would be structured as a

Delaware limited liability company, and would be generally on the terms set out in Appendix B to this letter. Citadel will have until the later of (i) thirty (30) days following the date on which National offers Citadel such right and (ii) two (2) business days following the date on which National notifies Citadel (by coy of its notice to Reading) whether it elects to exercise the option granted to National by RDG and FA, Inc. by letter of even date herewith to purchase the additional 1/3 Membership Interest in AFC held by FA, Inc., in which to elect in writing to accept such offer. Thereafter, if Citadel elects to accept such offer, National and Citadel will cooperate and work in good faith to complete the definitive documentation necessary to complete the transaction within the time periods specified above. If Citadel has elected to participate in the joint venture and then fails for any reason, other than default by National or National Cinemas, to close, National will be entitled, at its option, within ten (10) business days of such default, to revoke through written notice to Reading, its exercise of the option to acquire the city Cinema Rights and the Domestic Cinema Assets.

E. Exclusivity: Reading agrees to deal exclusively with National during the term of this option; provided, however, that Reading will be entitled to continue its negotiations with Citadel and to enter into agreements with Citadel with respect to the City Cinema Rights and the Domestic Cinema Assets, so long as any agreements entered into with Citadel are entered into subject to the rights of National under this letter agreement. National also acknowledges and agrees that Reading may elect to dispose of its interest in the Angelika Film Center Buffalo separate from this agreement.

F. Return of Option Fee: In the event of failure to close the acquisition of the City Cinemas Rights and the Domestic Cinema Assets due to default on the part of Reading, National will be entitled to a refund of the option fee. In all other cases, such fee will be deemed fully earned by Reading upon the execution and delivery of this letter agreement by Reading.

G. Form and Payment of the Purchase Price: The purchase price will be paid in full at the Closing by wire transfer of currently available funds. In the event of such a closing, the option fee will be credited to the purchase price (including any fee paid for the extension thereof).

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Should you have any questions, please feel free to contact me at (440) 349-1000.

Sincerely,

/s/ David L. Huber

David L. Huber
Chairman of the Board and
Chief Executive Officer

ACCEPTED AND AGREED
AS OF THIS 5th DAY

OF APRIL, 2000

READING ENTERTAINMENT, INC.

By: /s/ S. Craig Tompkins

Its: Vice Chairman

Exhibit E

Joint Filing Agreement

This Agreement is entered into as of this 17th Day of April, 2000 by an between Reading Entertainment, Inc. ("Reading"), its wholly owned subsidiary FA, Inc ("FA"), Craig Corporation ("Craig") and Citadel Holding Corporation (Citadel").

It is hereby agreed between the parties hereto that they will make a joint filing on Schedule 13D with respect to the acquisition by FA of 8,999.900 shares of the Common Stock, par value $.05 per share, of National Auto Credit, Inc. Each of the parties understands its obligations under Rule 13d-1(k) with respect to such a joint filing.

Reading Entertainment, Inc.

By:/s/ S. Craig Tompkins

S. Craig Tompkins, Vice Chairman

FA, Inc.

By:/s/ S. Craig Tompkins

S. Craig Tompkins, Vice President

Craig Corporation

By:/s/ S. Craig Tompkins

S. Craig Tompkins, President

Citadel Holding Corporation

By:/s/ S. Craig Tompkins

S. Craig Tompkins,
Vice Chairman and Corporate Secretary

Schedule 1

Information with respect to the Executive Officers and Directors of FA, Inc. is as follows:

FA, Inc. ("FA") is a wholly owned subsidiary of Reading Entertainment, Inc., ("REI" and collectively with its consolidated subscribers "Reading") and is engaged principally in the business of owning its membership interest in the Angelika Film Center and in the equipment leasing business. FA's business address is.103 Springer Building, 3411 Silverside Road, Wilmington, DE 19801. Set forth below is certain information with respect to the Executive Officers and Directors of FA. Inc.

Robert F. Smerling: President. Business Address: c/o Reading Entertainment, Inc. One Penn Square West, 30 S. Fifteenth Street, Suite 1300, Philadelphia, Pennsylvania 19102. Principal business: Mr. Smerling a Director and the President of Reading Entertainment, Inc., and of various of its subsidiaries. Reading is discussed below.

Charles S. Groshon: Vice President and Secretary. Business Address: c/o Reading Entertainment, Inc. One Penn Square West, 30 S. Fifteenth Street, Suite 1300, Philadelphia, Pennsylvania 19102. Principal business: Mr. Groshon is the Vice President of Finance of REI and of various of its subsidiaries. Reading is discussed below.

James A. Wunderle: Vice President and Treasurer. Business Address: c/o Reading Entertainment, Inc. One Penn Square West, 30 S. Fifteenth Street, Suite 1300, Philadelphia, Pennsylvania 19102. Principal business: Mr. Wunderle is the Chief Financial Officer of REI and of various of its subsidiaries. Reading is discussed below.

George P. Warren, Jr.: Vice President: Business Address: c/o Reading Entertainment, Inc. One Penn Square West, 30 S. Fifteenth Street, Suite 1300, Philadelphia, Pennsylvania 19102. Principal business: Mr. Warren is an employee of Reading is discussed below.

S. Craig Tompkins: Vice President. Business Address: c/o Craig Corporation, 550 South Hope Street, Suite 1825, Los Angeles, CA 90071. Principal business: . Mr. Tompkins is the Vice Chairman and Corporate Secretary of REI and of various of its subsidiaries, a Director and President of Craig Corporation ("CC"), and Vice Chairman and Corporate Secretary of Citadel Holding Corporation ("CHC"). Mr. Tompkins is also a director of G&L Realty, Inc. (an NYSE listed REIT specializing in health care properties). Reading, Craig and Citadel are discussed below.

Anthony V. Scoma: Assistant Secretary. c/o Reading Entertainment, Inc. One Penn Square West, 30 S. Fifteenth Street, Suite 1300, Philadelphia, Pennsylvania 19102. Principal business: Mr. Scoma is the Financial Analyst/Office Manager of REI and of various of its subsidiaries. Reading is discussed below.

Set forth below is certain information with respect to the Executive Officers and Directors of Citadel, other than those individuals already discussed above.

Citadel Holding Corporation ("CHC" and collectively with its consolidated subsidiaries "Citadel") is principally in the business of owning and managing its commercial real estate and agricultural assets. CHC's business address is 550 S. Hope Street, Los Angeles, California 90071.

James J. Cotter: Chief Executive Officer and Chairman of the Board. Business address: c/o Citadel Holding Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California 90071. Principal business: Consultant. Mr. Cotter is the Chairman of the Board of Directors of CHC, CC, and REI and of various of their subsidiaries, and a director of The Decurion Corporation (real estate and cinema exhibition). Craig and Reading are discussed below.

Robert M. Loeffler: Director. Business address: c/o Citadel Holding Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California, 90071; Principle business: Director Mr. Loeffler is also a director of CC and REI. Mr. Loeffler has been a director of PaineWebber Group, Inc. since 1978. Mr. Loeffler is a retired attorney and was Of Counsel to the California law firm of Wyman Bautzer Kuchel & Silbert from 1987 to March 1991. He was Chairman of the Board, President and Chief Executive Officer of Northview Corporation from January to December 1987 and a partner in the law firm of Jones, Day, Reavis & Pogue until December 1986. Mr. Loeffler is also a director of Advanced Machine Vision Corp. Craig and Reading are discussed below.

Andrzej J. Matyczynski: Chief Financial Officer of CHC Business address: c/o Citadel Holding Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California, 90071. Principal business: Executive. Mr. Matyczynski is also the Chief Financial Officer of CC and the Chief Administrative Officer of REI. Prior to joining the Company, Mr. Matyczynski was the Finance Director of Beckman Coulter, Inc. Mr. Matyczynski was associated with Beckman Coulter and its predecessors for more than the past twenty years and also served as a director of certain Beckman Coulter subsidiaries. Reading and Craig are discussed herein.

Brett Marsh: Vice President of Real Estate of CHC Business address: c/o Citadel Holding Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California 90071. Principal business: Executive. Mr. Marsh is also Vice President of Real Estate for Reading. Reading is discussed below.

William C. Soady: Director Business address: c/o Citadel Holding Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California, 90071. Principle business: Director. Mr. Soady is self-employed.

Alfred Villasenor Jr.: Director. Business address, c/o Citadel Holding Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California 90071; principal business activity: executive. Mr. Villasenor is the President and the owner of Unisure Insurance Services, Incorporated, a corporation specialized in the life, business life and group health insurance business, which has offices at 2214 Torrance Boulevard, Suite 201, Torrance, CA 90501.

Set forth below is certain information with respect to the Executive Officers and Directors of Craig, other than those individuals already discussed above.

Craig Corporation ("CC" and collectively with its wholly owned subsidiaries "Craig") is principally in the business of acquiring and holding controlling interests in other publicly held companies, and providing management and consulting services to such companies. At the present time, Craig's principal holdings are equity securities in Reading Entertainment, Inc. and Citadel Holding Corporation. Craig's business address is 550 S. Hope Street, Los Angeles, California 90071

Margaret Cotter: Director. Business address: c/o Craig Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California 90071. Principal business: Executive. Ms. Cotter is a member of the New York Bar, and the Vice President of Cecelia Packing Corporation, a company which is engaged in the citrus packing and marketing business in California, with offices at 24780 East South Avenue, Orange Cove, California 93646, and a Director of Big 4 Ranch, Inc., an affiliate of Craig and Reading. Ms. Margaret Cotter is also the Senior Vice President of Union Square Management, Inc. (live theater management).

William D. Gould: Director. Business address: c/o Craig Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California 90071; principal business: Attorney with the law firm of Troy & Gould.

Gerard P. Laheney: Director. Business address: c/o Craig Corporation, 550 S. Hope Street, Suite 1825, Los Angeles, California 90071.; Principal business: Executive and financial advisor. Mr. Laheney owns and operates Aegis Investment Management Company, a financial advisory business located at 3325 Clubheights, Colorado Springs, CO 80906.

Set forth below is certain information with respect to the Executive Officers an Directors of Reading, other than those individuals already discussed above.

Reading Entertainment, Inc., ("REI" and collectively with its consolidated

subsidiaries, "Reading") is principally in the business of developing, owning and operating cinemas in Australia, New Zealand, the United States and Puerto Rico and of developing, owning and operating cinema based entertainment centers in Australia and New Zealand

Kenneth S. McCormick: Director. Business Address: c/o One Penn Square West, 30 S. Fifteenth Street, Suite 1300 Philadelphia, Pennsylvania 19102. Business activity: Director and Investor and Financial Consultant. Mr. McCormick is self-employed.

Scott A. Braly: Director. Business Address: c/o One Penn Square West, 30 S. Fifteenth Street, Suite 1300 Philadelphia, Pennsylvania 19102. Business activity: Director, Investor and Business Executive. Mr. Braly is currently self-employed.

Ellen M. Cotter: Vice President--Business Affairs. Business address; 950 Third Avenue, 30th Floor, New York, NY 10022; principal business activity: Executive.

To the best knowledge of the Filing Parties, none of the above individuals have, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). Likewise, to the best knowledge of the Filing Parties, none of the above individuals was, during the last five years, a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws. To the best knowledge of the Filing Parties, all of the above individuals are citizens of the United Sates of America.

Schedule 2

Certificate of Designation

CERTIFICATE OF DESIGNATION, NUMBER, POWERS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL AND OTHER SPECIAL RIGHTS AND THE QUALIFICATIONS, LIMITATIONS, RESTRICTIONS, AND OTHER DISTINGUISHING CHARACTERISTICS OF THE SERIES A CONVERTIBLE PREFERRED STOCK OF NATIONAL AUTO CREDIT, INC.

The undersigned hereby certify that:

1. The name of the corporation is National Auto Credit, Inc. (hereinafter referred to as the "Corporation"), a corporation organized and existing under the laws of the State of Delaware.

2. The certificate of incorporation of the Corporation, as amended, authorizes the issuance of two million shares of Preferred Stock, par value $.05 per share, and expressly vests in the Board of Directors of the Corporation the authority provided therein to issue any or all of said shares as a class without series, or if so determined from time to time by the board of directors, either in whole or in part in one or more series, each series to be expressly designated by distinguishing number, letter, or title prior to the issuance thereof; and to designate the number, rights, preferences, privileges and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics thereof.

3. The Board of Directors of the Corporation, pursuant to the authority expressly vested in it as aforesaid and pursuant to the provisions of the Delaware General Corporation Law, has adopted the following resolutions creating a Series "A" issue of Preferred Stock:

WHEREAS, Article FOURTH of the certificate of incorporation, as amended (the "Certificate of Incorporation"), authorizes the Corporation to issue up to 2,000,000 shares of Preferred Stock as a class without series, or if so determined from time to time by the Board of Directors; either in whole or in part in one or more series, each series to be expressly designated by distinguishing number, letter, or title prior to the issuance thereof.

WHEREAS, the Board of Directors is authorized by the Certificate of Incorporation, to designate the number, rights, preferences, privileges and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics of one or more series of Preferred Stock;

WHEREAS, no series of such preferred stock has been previously designated, and the Corporation now wishes to designate one hundred (100) of such shares of Preferred Stock to be Series A Convertible Preferred Stock; and to designate the number, rights, preferences, privileges and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics of the same;

NOW, THEREFORE, RE IT RESOLVED, that the Board of Directors hereby fixes and determines the designation and the number of shares constituting, and the rights, preferences, privileges and other special rights and the qualifications, limitations, restrictions and other distinguishing characteristics of a new series of Preferred Stock, as follows:

1. Designation. The series of preferred stock provided for by this resolution shall be designated "Series A Convertible Preferred Stock" (hereinafter referred to as the "Series A Preferred Stock").

2. Authorization. The number of shares constituting the Series A Preferred Stock shall be one hundred (100) shares having a par value of $0.05 per share. Such number may not be increased or decreased without the vote or consent of the holders of a majority of the shares of Series A Preferred stock then outstanding.

3. Dividends. The holders of the Series A Preferred Stock shall be entitled to receive such dividends as may be declared and paid from time to time by the Board of Directors of the Corporation, prior to and in preference to the holders of Common Stock. For purposes solely of the Series A Preferred Stock's entitlement to dividends, a share of Series A Preferred Stock shall be treated as equivalent to a share of the Corporation's Common Stock, subject to adjustment pursuant to Section 5 hereof, so that the Board of Directors shall not declare or pay any dividends on the Common Stock unless it shall have declared and paid prior thereto an equivalent dividend (as adjusted pursuant to Section 5 hereof).

4. Conversion Rights.

(a) At any time, at the option of the holder, and subject to the antidilution provisions set forth in Section 5, each share of outstanding Series A Preferred Stock may be converted into one share of the Corporation's Common Stock. To exercise this conversion right, the holder shall deliver written notice to the Corporation stating the number shares of Series A Preferred Stock which it intends to convert, along with the certificate or certificates representing the whole number of shares Series A Preferred Stock which the holder intends to so convert into Common Stock.

(b) Promptly after the surrender of Series A Preferred Stock by the holder under Section 4 (a) hereof, and receipt thereof by the Corporation, the Corporation shall issue and deliver, or cause to be issued and delivered, to the holder a certificate or certificates for the number of whole shares of Common Stock issuable upon the conversion of such Series A Preferred Stock. The date of the issuance of such Common Stock shall be the "Conversion Date." No fractional shares shall be issued upon conversion of the Series A Preferred Stock into shares of Common Stock; the number of shares of Common Stock issued upon conversion of the Series A Preferred Stock shall be rounded to the nearest whole number of shares. To the extent permitted by law, the conversion shall be deemed to have been effected as of the close of business on the Conversion Date (or on the next preceding business day if the Conversion Date is not a business day) and at that time the rights of the holder of Series A Preferred Stock, as such holder, shall cease, and the holder of the Series A Preferred Stock shall become the holder of record shares of Common Stock and shall solely be entitled to the rights and preferences of the holders of shares of Common Stock.

(c) Notwithstanding anything herein to the contrary, on any liquidation of the Corporation, the right of conversion of the Series A preferred Stock shall terminate at the

close of business on the last full business day before the date fixed for payment of the amount distributable on the Series A Preferred Stock.

5. Antidilution Rights. The Conversion Price and the number of shares issuable upon conversion shall be subject to adjustment as follows:

(a) In case the Corporation shall (i) declare a dividend on its Common Stock payable in shares of its Common Stock, (ii) subdivide its outstanding shares of Common Stock, into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Corporation is the continuing corporation), then, and in each case, the Conversion Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of any shares of the Series A Preferred Stock surrendered for conversion after such time shall be entitled to receive the kind and amount of shares such holder would have owned or have been entitled to receive had such shares of the Series A Preferred Stock been convened immediately prior to the time of such dividend, subdivision, combination, or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case of any consolidation or merger of the Corporation with or into any other corporation (other than a consolidation or merger in which the Corporation is the surviving or continuing Corporation), or in case of any sale or transfer of all or substantially all of the assets of the Corporation, the holder of each share of the Series A Preferred Stock, shall have after such reorganization, classification, consolidation, merger, sale or transfer, the right to convert such shares of the Series A Preferred Stock solely into (or redeem such share for, out of funds legally available for the purpose, as the case may be) the kind and amount of shares of stock and other securities and property including cash) which such holder would have been entitled to receive had such share of Series A Preferred Stock been converted immediately prior to such consolidation, merger, sale or transfer.

(c) In case the Corporation shall distribute to holders of its Common Stock shares of its capital stock (other than Common Stock), stock or other securities of other persons, evidences of indebtedness issued by the corporation or other persons, assets (excluding cash dividends) or options or rights (excluding options to purchase and rights to subscribe for Common Stock or other securities of the corporation convertible into or exchangeable for Common Stock), then, in each such case, the holders of the Series A Preferred Stock shall, from and after the distributions of holders of Common Stock, be entitled upon Conversion to receive the number and kind of securities such holder would have received if such holder's shares had been converted immediately prior to the record date for determining holders of Common Stock entitled to such distribution.

(d) Whenever there is an adjustment in the Conversion Price and/or the number or kind of securities issuable upon conversion of the Series A Preferred Stock, as provided herein, the Corporation shall promptly file in the custody of its Secretary, a certificate signed by an

officer of the Corporation, showing in detail the facts requiring such adjustment, the number and kind of securities issuable upon conversion of Series A Preferred Stock upon such adjustment, and the Conversion Price; and notice of such adjustment along with a duplicate officers certificate shall be sent by registered mail, postage paid, to each holder at its address as it shall appear in the Corporation's Stock Register.

(e) The Corporation will not through any reorganization, recapitalization, transfer of assets, consolidation merger, dissolution, issue or sale of securities or any other voluntary action, avoid or modify or seek to avoid or modify the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Agreement and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Series A Preferred Stock against impairment.

6. Shares Reserved for Issuance. The Corporation shall at all times reserve and keep available and free of preemptive rights out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the Series A Preferred Stork, such number of shares of Common Stock (or such other shares or securities as may be required) as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Stock and if at any time the number of authorized but unissued shares of Common Stock (or any such other shares or other securities) shall not be sufficient to effect the conversion of all then outstanding Series A Preferred Stock, the Corporation shall take such action as may be necessary to increase the authorized but unissued shares of Common Stock (or other shares or other securities) to such number of shares as shall be sufficient for such purposes.

7. Voting Rights.

(a) Except as otherwise provided in this Section 7, the shares of Series A Preferred Stock shall not, as a single class with the shares of Common Stock and each share of Series A Preferred Stock shall have as many votes us the number of shares of Common Stock into which it is convertible as of the record date relating to a given vote, provided that, to the extent required by law or by the Corporation's Certificate of Incorporation, in the case of the election of directors, holders of Series A Preferred Stock shall be entitled to one vote per share of Series A Preferred Stock without regard to the number or kind shares into which such shares shall then be convertible.

(b) So long as any shares of Series A Preferred Stock are outstanding,

each share of Series A Preferred Stock shall be entitled to vote, or to submit a consent, together with the Common Stock of the Corporation, voting together as a single class, upon any matter as to which the Common Stock is entitled to vote or consent as a class under the Corporation's Certificate of incorporation or under Delaware law. Such consent or vote may be given in person or by proxy, either in writing without a meeting, or by vote at any meeting called for the purpose of obtaining such vote.

(c) In addition to the voting rights provided by Sections 7(a) and (b) above so long as any shares of Series A Preferred Stock are outstanding, (i) no amendment to the Certificate of Incorporation (except for the designation of one or more series of Preferred Stock pursuant to Article FOURTH of the Certificate of Incorporation, which shall not require the approval of the Series A Preferred Stock if a series so designated does not rank prior to the Series A Preferred Stock with respect to dividends or on liquidation) and no amendment to

the Bylaws of the Corporation by the stockholders of the Corporation may be effected without the prior vote or written consent of a majority of those shares of Series A preferred Stock outstanding voting as a class and (ii) to the extent (if any) permitted by law no director may be removed from the Board of Directors of the Corporation without the prior vote or written consent of a majority of those shares of Series A Preferred Stock outstanding, voting as a class. Such consent or vote may be given in person or by proxy, either in writing without a meeting, or by vote at any meeting called for the purpose of obtaining such vote. Each share of Series A Preferred Stock shall, in either such event be entitled to a single vote or consent.

8. Redemption Rights. Neither the Corporation nor the holders of Series A Preferred Stock shall have any redemption rights with respect to the Series A Preferred Stock except and to the extent that an adjustment in the conversion rate made pursuant to Section 5 shall require that the Series A Preferred Stock is convertible (in whole or in part) into cash.

9. Liquidation, Dissolution and Winding Up.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, each holder of Series A Preferred Stock shall have the right to receive a distribution of assets of the Corporation equal to $1.50 per share from any of the Corporation's assets then available for distribution (i) pari passu with the holders of any other Series of Preferred Stock and (ii) before any distribution in connection with the liquidation, dissolution and winding up is made to the holders of Common Stock, all, in accordance with the Delaware General Corporation Law. If the assets of the Corporation are not sufficient to pay in full the liquidation payments payable to the holders of the Series A Preferred Stock, then the holders of such shares shall share ratably in such distribution of assets (i) pari passu with the holders of any other series of Preferred Stock and (ii) before any distributions in connection

with the liquidation, dissolution, and winding up is made to the holders of Common Stock, all, in accordance with the Delaware General Corporation Law

(b) Whenever the distribution provided for in this Section 9 shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by not less than a majority of the directors then serving on the Board of Directors of the Corporation. A reorganization of the Corporation, or a consolidation or merger of the Corporation with or into another corporation or entity or a sale of or other disposition of all or substantially all of the assets of the Corporation, shall not be treated as a liquidation, dissolution or winding up of the Corporation within the meaning or this Section 9.

FURTHER RESOLVED, that the Statements contained in the foregoing resolutions creating and designating the number, powers, preferences and relative, optional, participating, and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics thereof shall, upon the effective date of such series, be deemed to be included in and be a part of the Certificate of Incorporation of the Corporation pursuant to the provisions of Section 104 and 151 of the general Corporate Law of the State of Delaware.

The foregoing resolutions were duly adopted by the Board of Directors without the requirement of shareholder action by meeting held on April 5, 2000 pursuant to the Certificate of Incorporation and the provisions of the Delaware General Corporation Law.

IN WITNESS WHEREOF, National Auto Credit, Inc. has caused this Certificate Of Designation, Number, Powers, Preferences And Relative, Participating, Optional And Other Special Rights And The Qualifications, Limitations, Restrictions, And Other Distinguishing Characteristics Of The Series A Convertible Preferred Stock Of National Auto Credit, Inc. to be executed by its duly authorized officer, on this 5th day of April, 2000.

National Auto Credit, Inc.
By: /s/ David Huber

David Huber, Chairman of the Board
and Chief Executive Officer

Schedule 3

Purchase in the past 60 days by Citadel Holding Corporation.

All of these transactions were open market purchases.

<TABLE>
<CAPTION>

<S>	<C>	<C>
02/17	15,000	1.13
02/25	2,000	1.01
02/25	2,500	1.01
02/29	2,500	1.01
03/03	1,500	1.10
03/07	13,000	1.125
03/07	2,000	1.125
03/07	5,000	1.125
03/07	5,000	1.125
03/07	7,000	1.125
03/07	8,500	1.125
03/07	1,500	1.125
03/08	1,500	1 125
03/08	1,500	1.11
03/08	2,000	1.12
03/08	4,000	1.125
03/08	5,000	1.12
03/08	8,000	1.11
03/08	10,000	1.125
03/08	18,000	1.125
03/09	5,000	1.10
03/09	15,000	1.10
03/09	20,000	1.10
03/13	1,000	1.10
03/13	24,000	1.10
03/17	2,500	1.00
03/17	20,000	1.00
03/17	5,000	1.00
03/17	5,000	1.00
03/17	10,000	.99
03/21	5,000	1.00
03/21	16,500	1.00
03/23	30,000	1.00

</TABLE>

Purchases in the past 60 days by FA, Inc.

All of the shares were acquired as a part of the Exchange Transaction

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04/05	8,999,900	$1.50