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

FORM 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NO. 0-25370

RENTERS CHOICE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	48-1024367
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13800 MONTFORT DRIVE, SUITE 300
DALLAS, TEXAS 75240
(972) 701-0489
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01 PER SHARE	NASDAQ NATIONAL MARKET SYSTEM

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [x] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

AGGREGATE MARKET VALUE OF THE 14,889,172 SHARES OF COMMON STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT AT THE CLOSING SALES PRICE ON MARCH 24, 1997.....	$204,726,115
NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AS OF THE CLOSE OF BUSINESS ON MARCH 24, 1997:.....	24,792,685

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive proxy statement relating to the 1997 Annual Meeting of Stockholders of Renters Choice, Inc., are incorporated by reference into Part III of this report.

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PART I

ITEM 1. BUSINESS

GENERAL

Renters Choice, Inc., a Delaware corporation (the "Company"), currently operates 450 rent-to-own stores providing high quality durable goods in 33 states and in Puerto Rico. The Company's wholly-owned subsidiary, ColorTyme, Inc. ("ColorTyme"), is a national franchisor of 251 rent-to-own stores in 37 states, all of which operate under the "ColorTyme" name. The Company's and the ColorTyme franchisees' stores offer home electronics, appliances, furniture and accessories under flexible rental purchase arrangements that allow the customer to obtain ownership of the merchandise at the conclusion of an agreed upon rental period. The Company's and the ColorTyme franchisees' rental purchase arrangements are designed to appeal to a wide variety of consumers by allowing them to obtain merchandise that they might otherwise be unable or unwilling to obtain due to insufficient cash resources or a lack of access to credit or because they have a temporary, short-term need or a desire to rent rather than to purchase the merchandise.

The Company's principal executive offices are located at 13800 Montfort, Suite 300, Dallas, Texas 75240.

ACQUISITION HISTORY

The Company was incorporated in 1986. In 1989, J. Ernest Talley, the Company's Chairman of the Board and Chief Executive Officer, acquired a controlling interest in the Company and certain related entities, which then owned 22 rent-to-own stores located primarily in New Jersey and Puerto Rico. These related entities were merged into the Company under the name Vista Rent To Own, Inc. in 1990. In March 1993, the Company formed Renters Choice, L.P., for the purpose of acquiring from DEF Investments, Inc. and certain related entities 84 rent-to-own stores located in 12 states (the "1993 Acquisition"). The 1993 Acquisition was consummated in April 1993. The Company changed its name to Renters Choice, Inc. in December 1993 and in May 1994 the Company acquired all of the assets and liabilities of Renters Choice, L.P. in connection with the dissolution of that partnership. Effective as of January 1, 1995, Talley Lease To Own, Inc. ("Talley LTO"), a rent-to-own company owned primarily by Mr. Talley and his son Michael C. Talley, was merged into the Company, with the Company being the surviving corporation. In April 1995, the Company acquired (such acquisition being herein referred to as the "Crown Acquisition") 72 stores located in 18 states, including nine states in which the Company previously had no operations, from Crown Leasing Corporation and certain of its affiliates (collectively, "Crown"), and in September 1995, the Company completed the acquisition of an additional 135 stores located in 10 states, including one state in which the Company previously had no operations, from the shareholders of the parent company of a chain of rent-to-own stores doing business as Magic Rent-to-Own and Kelway Rent-to-Own (the "Magic Acquisition").

Unless the context otherwise requires, references to the Company are to Renters Choice, Inc. and its predecessors, viewed as a single entity.

COMMON STOCK

On February 1, 1995, the Company consummated its initial public offering of 2,587,500 shares of its common stock, par value $.01 per share (the "Common Stock"), at a price of $10 per share, for an aggregate offering price of approximately $25.9 million. The Company effected two splits of its Common Stock in 1995, including a 3-for-2 split in June and a 2-for-1 split in October. On November 1, 1995, the Company consummated a second public offering of its Common Stock pursuant to which the Company sold an additional 3,650,000 shares at a price of $16.00 per share, for an aggregate offering price of $58.4 million. Net proceeds of both offerings were used by the Company to repay indebtedness, for working capital and general corporate purposes and to fund acquisitions.

Unless the context otherwise requires, all information contained in this Report gives effect to the 3-for-2 and 2-for-1 stock splits described above.

RECENT DEVELOPMENTS

COLORTYME ACQUISITION

In May 1996, the Company, ColorTyme, Inc. ("Old ColorTyme") and CT Acquisition Corporation, a wholly-owned subsidiary of the Company, entered into an Agreement and Plan of Reorganization pursuant to which Old ColorTyme was merged into CT Acquisition Corporation, with CT Acquisition Corporation being the surviving corporation (the "ColorTyme Acquisition"). Upon effectiveness of the merger, the name of CT Acquisition Corporation was changed to ColorTyme, Inc.

The merger consideration paid by the Company consisted of cash in the amount of approximately $4.7 million, 343,175 restricted shares of the Company's Common Stock valued at $19.04 per share and 313,000 options issued to franchisees of ColorTyme, each to purchase one share of the Company's Common Stock for a price of $26.75 per share. The Company financed the cash portion of the merger consideration using cash from operations.

Immediately following consummation of the ColorTyme Acquisition, ColorTyme Financial Services, Inc. ("CTFS"), then a wholly-owned subsidiary of ColorTyme, sold certain loans owned by CTFS to STI Credit Corporation for an aggregate purchase price of $21.7 million. Approximately $13.2 million of the net proceeds of such sale were used to repay certain indebtedness owed by CTFS.

At the time of the closing of the ColorTyme Acquisition, ColorTyme was the franchisor of 313 rent-to-own stores in 40 states, and directly owned seven rent-to-own stores. One of the seven stores directly owned by ColorTyme was sold by ColorTyme to a third party following consummation of the ColorTyme Acquisition. The remaining six stores, four of which were located in Wisconsin and two of which were located in California, were purchased by the Company from ColorTyme for fair market value following consummation of the ColorTyme Acquisition.

For the fiscal year ended December 31, 1995, Old ColorTyme had revenues of approximately $47.2 million. At March 31, 1996, Old ColorTyme had total assets and liabilities of approximately $29.7 million and $19.1 million, respectively.

Management of the Company believes that the ColorTyme Acquisition enables the Company to leverage its core competencies in the rent-to-own industry and provides the Company with certain strategic benefits arising as a result of the rights of first refusal contained in the franchise agreements of the ColorTyme franchisees and otherwise.

$90 MILLION CREDIT FACILITY

In November 1996, the Company obtained a $90 million revolving line of credit from a syndicate of banks led by Comerica Bank, as agent. The credit facility has an initial term of three years and replaces the Company's prior $40 million line of credit. Advances under the line of credit may be used by the Company for general business purposes such as working capital, as well as for the financing of acquisitions. Borrowings under the line of credit will bear interest at the Company's choice of a bank prime rate or a LIBOR-based rate, and will be secured by liens on substantially all of the assets of the Company. The line of credit contains a subfacility for letters of credit in an aggregate amount of up to $2 million, and a $2 million swing line of credit, both of which provide the Company with increased flexibility. The amount currently outstanding under the new line of credit is $19.3 million.

Management of the Company believes that the new credit facility provides the Company with even greater capital resources and increased flexibility to pursue the Company's goals of internal growth and growth by additional store acquisitions.

OTHER ACQUISITIONS AND NEW STORE OPENINGS

As the pool of available large acquisition candidates has significantly decreased in the last year, the Company in mid-1996 launched an aggressive program to purchase smaller chains of rent-to-own stores, as well as individual stores. The Company hired a Director of Acquisitions to oversee such acquisitions. As a result of this program, the Company acquired 88 stores between May 1 and December 31, 1996 (exclusive of the 6 stores purchased from ColorTyme) in 20 separate transactions, for an aggregate purchase price of $25.3 million, all of which was financed using cash from operations. The acquired stores are located in 18 states, including five states in which the Company previously had no operations. Management believes that the majority of the stores acquired during 1996 are underperforming. Average monthly revenues (including rentals and fees only) for the stores acquired during 1996 (measured immediately prior to their acquisitions) were $31,000.

In addition, the Company opened 13 new stores in 3 states and in Puerto Rico during 1996.

The Company has reorganized its regional manager territories to accommodate the stores acquired and opened during 1996. The Company has incorporated all acquired stores into its operating structure, and installed its computer system in all such stores to enable increased monitoring of store performance.

Management believes that the 1996 acquisitions and new stores provide the Company with certain strategic benefits including (i) increased geographic presence, (ii) greater market share in certain states or regions, (iii) improved flexibility to realign regional store management responsibilities on a more favorable geographic basis, and (iv) increased economies of scale in both purchasing and advertising due to its larger store base. Management believes that substantial opportunity exists to improve the performance of the stores acquired during 1996, and management has implemented certain operating strategies designed to improve the efficiency and performance of such stores.

To date during 1997, the Company has acquired 25 additional stores in seven states, including one in which the Company previously had no operations, for an aggregate purchase price of approximately $10.8 million, and has opened two additional new stores.

INDUSTRY OVERVIEW

The Association of Progressive Rental Organizations ("APRO"), an industry trade association, estimates that at the end of 1995 the rent-to-own industry comprised approximately 7,500 stores that provided 5.5 million products to 2.9 million households. Although, according to industry sources and management estimates, the 10 largest industry participants account for 42% of the total stores, management estimates that the majority of the industry consists of operations with fewer than 20 stores. The rent-to-own industry is highly fragmented and, due primarily to the decreased availability of traditional financing sources, has experienced and is expected to continue to experience increasing consolidation. Management believes that this consolidation of operations in the industry presents opportunities for the Company, as well as other well capitalized rent-to-own operators, to continue to acquire additional stores on favorable terms.

STRATEGY

The Company plans to continue expanding its business activities and increasing revenue by: (i) increasing the number of stores it owns, both through strategic acquisitions and new store openings; (ii) increasing the number of items on rent at each store through effective merchandising and focused advertising; (iii) increasing the average

revenue per unit rented by expanding the Company's offering of higher priced merchandise; (iv) closely monitoring each store's performance, through the use of its management information system, to ensure each store's adherence to established operating guidelines; and (v) emphasizing results-oriented compensation. The Company's business strategy is designed to capitalize on the fragmentation and potential for growth of the rent-to-own industry, which management believes should provide opportunities to grow through strategic and consolidating acquisitions and through the development of new stores.

COMPANY STORE OPERATIONS

The number of stores operated by the Company increased during 1996 from 325 in January to 423 at December 31. The Company currently operates 450 stores in 33 states and in Puerto Rico, as illustrated by the following table:

LOCATION	NUMBER OF STORES	LOCATION	NUMBER OF STORES
Texas	79	Kentucky	6
Florida	39	Wisconsin	6
Ohio	38	Mississippi	5
Georgia	35	Virginia	5
Tennessee	25	California	5
North Carolina	24	Pennsylvania	5
Alabama	22	Colorado	4
Michigan	21	South Carolina	4
New York	20	Delaware	4
New Jersey	17	Iowa	2
Indiana	15	Massachusetts	2
Puerto Rico	15	New Hampshire	2
Louisiana	12	Oklahoma	2
Illinois	10	Utah	2
Missouri	8	Nevada	1
Arizona	7	West Virginia	1
Arkansas	6	Maryland	1

PRODUCT SELECTION

Each of the Company's stores offers merchandise from three basic product categories: home electronics, appliances and furniture and accessories. The Company's policy is to ensure that its stores maintain sufficient inventory to offer customers a wide variety of models, styles and brands. The Company seeks to provide a wide variety of high quality merchandise to its customers, and emphasizes products from brand-name manufacturers. During 1996, home electronic products accounted for approximately 45.3% of the Company's store revenue, appliances for 24.1% and furniture and accessories for 30.6%. Customers may request either new merchandise or previously rented merchandise. Previously rented merchandise is offered at the same weekly or monthly rental rate as is offered for new merchandise, but with an opportunity to obtain ownership of the merchandise after fewer rental payments. Many of the stores acquired in 1996 carried certain merchandise from other product categories and different manufacturers than those selected by the Company. As part of the integration process, the Company has standardized the inventory in each of these stores.

Home electronic products offered by the Company's stores include televisions, video cassette recorders and stereos from top brand manufacturers such as Magnavox, RCA, JVC and Technics. The Company rents major appliances manufactured by Whirlpool, including refrigerators, washing machines, dryers, microwave ovens, freezers

and ranges. The Company offers a variety of furniture products, including dining room, living room and bedroom furniture featuring a number of styles, materials and colors. Showroom displays enable customers to visualize how the product will look in their homes and provide a showcase for accessories. The Company offers furniture made by Ashley, Franklin, Lazyboy and other top brand manufacturers. Accessories include pictures, plants, lamps and tables and are typically rented as part of a package of items, such as a complete room of furniture.

RENTAL PURCHASE AGREEMENTS

The Company's customers generally enter into weekly or monthly rental purchase agreements, which renew automatically upon receipt of each payment. The Company retains title to the merchandise during the term of the rental purchase agreement. Ownership of the merchandise generally transfers to the customer if the customer has continuously renewed the rental purchase agreement for a period of 18 to 36 months or exercises a specified early purchase option. Although the Company does not conduct a formal credit investigation of each customer, a potential customer must provide store management with sufficient personal information to allow the Company to verify sources of income. References listed by the customer are contacted to verify the information contained in the customer's rental purchase order form. Rental payments are made in cash, by money order and, occasionally, by personal check or debit card. Depending on state regulatory requirements, the Company charges for the reinstatement of terminated accounts or collects a delinquent account fee and collects loss/damage waiver fees from customers desiring such product protection in the case of theft and certain natural disasters. Such fees are standard in the industry and may be subject to government-specified limits. See "Item 1. Business-- Government Regulation."

PRODUCT TURNOVER

In the majority of the Company's stores, a minimum rental term of 18 months generally is required to obtain ownership of new merchandise. Management believes that fewer than 25% of the Company's customers complete the full term of the agreement as to a given item of merchandise. Turnover varies significantly based on the type of merchandise rented, with certain consumer electronics products, such as camcorders and VCRs, generally rented for shorter periods, while appliances and furniture are generally rented for longer periods. In order to cover the relatively high operating expenses generated by greater product turnover, rental purchase agreements require higher aggregate payments than are generally charged under installment purchase or credit plans.

CUSTOMER SERVICE

The Company offers same day or 24-hour delivery and installation of its merchandise at no additional cost to the customer. The Company provides any required service or repair without charge, except for damage in excess of normal wear and tear. If the product cannot be repaired at the customer's residence, the Company provides a temporary replacement while the product is being repaired. The customer is fully liable for damage, loss or destruction of the merchandise, unless the customer purchases an optional loss/damage waiver. Most of the products offered by the Company are covered by a manufacturer's warranty for varying periods, which, subject to the terms of the warranty, is transferred to the customer in the event that the customer obtains ownership. Certain of the services provided by the Company, such as repair services, are provided through independent contractors or under factory warranties.

COLLECTIONS

Store managers use the Company's computerized management information system to track cash collections on a daily basis. In the event a customer fails to make a rental payment when due, store management will attempt to contact the customer to obtain payment and reinstate the contract or will terminate the account and arrange to regain possession of the merchandise. The Company attempts to recover the rental items by the seventh to tenth day following termination or default of a rental purchase agreement. Charge-offs due to lost or stolen merchandise, expressed as a percentage of store revenues, were approximately 2.3% in 1996, as compared to approximately 2.4% in

1995. In an effort to improve collections at the stores acquired during 1996, the Company has implemented its collection procedures in such stores, including its management incentive plans, which provide incentives to reduce the percentage of delinquent accounts.

MANAGEMENT

The Company's network of stores is organized geographically with multiple levels of management. At the individual store level, each store manager is responsible for customer and credit relations, deliveries and pickups, inventory management, staffing and certain marketing efforts. Each store manager reports to a regional manager who typically oversees 5 to 7 stores. Regional managers are primarily responsible for monitoring individual store performance and inventory levels within their respective regions. The Company's 75 regional managers, in turn, report to 13 regional vice presidents, who monitor the operations of regions and, through the regional managers, individual store performance. The regional vice presidents report to the Company's senior executives. A significant portion of a regional or store manager's compensation is dependent upon store revenue and profits.

Executive management at the Company's headquarters directs and coordinates purchasing, financial planning and controls, employee training, personnel matters and new store site selection. Headquarters personnel also evaluate the performance of each store, including on-site reviews. The Company's business strategy emphasizes strict cost containment and operational controls.

MANAGEMENT INFORMATION SYSTEMS

The Company uses integrated computerized management information and control systems to track each unit of merchandise in its stores and each rental purchase agreement. The Company's systems also include extensive management software and report-generating capabilities. The reports for all stores are reviewed daily by senior management and any irregularities are addressed the following business day. Each store is equipped with a computer system that tracks individual components of revenue, each item in idle and rented inventory, total items on rent, delinquent accounts and other account information. The Company electronically gathers each day's activity report through the computer located at the headquarters office. This system provides the Company's management with access to operating and financial information about any store location or region in which the Company operates and generates management reports on a daily, weekly, month-to-date and year-to-date basis for each store and every rental purchase transaction. Utilizing the management information system, executive management, regional managers and store managers can closely monitor the productivity of stores under their supervision as compared to Company prescribed guidelines. The integration of the management information system with the Company's accounting system facilitates the production of financial statements. The Company has incorporated the stores purchased in 1996 into its management information system.

PURCHASING AND DISTRIBUTION

The general product mix in the Company's stores is determined by senior management, based on an analysis of customer rental patterns and the introduction of new products on a test basis. Individual store managers are responsible for determining the particular product selection for their store from the list of products approved by senior management. Specific purchasing decisions for the Company's stores are made by store managers, subject to review by headquarters management. All merchandise is shipped by vendors directly to each store, where it is held for rental.
The Company does not maintain any warehouse space.

The Company purchases the majority of its merchandise directly from manufacturers. The Company's largest suppliers include Whirlpool and Magnavox, which accounted for approximately 20.5% and 22.7%, respectively, of merchandise purchased for the Company's stores in 1996. No other supplier accounted for more than 10% of merchandise purchased by the Company during such period. The Company generally does not enter into written contracts with its suppliers. Although the Company currently expects to continue relationships with its existing

suppliers, management believes there are numerous sources of products available to the Company, and does not believe that the success of the Company's operations is dependent on any one or more of its present suppliers.

MARKETING

The Company promotes the products and services in its stores primarily through direct mail advertising and, to a lesser extent, television, radio and secondary print media advertisement. Company advertisements emphasize such features as product and brand name selection, prompt delivery and the absence of any initial deposit, credit investigation or long-term obligation. Advertising expense as a percentage of store revenue for the year ended December 31, 1996, was approximately 5%. As the Company obtains new stores in its existing market areas, the advertising expenses of each store in the area can be reduced by listing all stores in the same market-wide advertisement.

TRADEMARKS

The Company owns the registered trademarks "Renters Choice" and "Your Home Furnishing Outlets." The products held for rent by the Company also bear trademarks and service marks held by their manufacturers.

COMPETITION

The rent-to-own industry is highly competitive. The 10 largest industry participants account for only 42% of the approximately 7,500 rent-to-own stores in the United States. The Company currently is the second largest operator of rent-to-own stores with 450 stores, while Rent-A-Center, a division of Thorn EMI PLC, currently is the largest with approximately 1,400 stores. The Company's stores compete with other national and regional rent-to-own businesses, as well as with rental stores that do not offer their customers a purchase option. With respect to customers desiring to purchase merchandise for cash or on credit, the Company also competes with department stores and discount stores. Competition is based primarily on store location, product selection and availability, customer service and rental rates and terms. The Company's largest national competitors have significantly greater resources and name recognition than the Company.

COLORTYME OPERATIONS

ColorTyme is a nationwide franchisor of television, stereo and furniture rental centers. As of March 24, 1997, there were approximately 251 franchised rental centers operating in 37 states.

All ColorTyme franchised stores use ColorTyme's tradenames, service marks, trademarks, logos, emblems and indica of origin and operate under distinctive operating procedures and standards specified by ColorTyme. ColorTyme's primary source of revenue is the sale of rental equipment to its franchisees, who, in turn, offer the equipment to the general public for rent or purchase under a rent-to-own program. As franchisor, ColorTyme receives royalties of 2.3% to 4% of the franchisees' rental income and, generally, an initial fee of $7,500 per location for existing franchisees and up to $25,000 per location for new franchisees.

ColorTyme has an arrangement with STI Credit Corporation ("STI") whereby STI may provide inventory financing to qualified new franchisees.

The ColorTyme franchise agreement (the "Franchise Agreement") generally requires the franchised stores to utilize certain computer hardware and software for the purpose of recording rentals, sales and other record keeping and central functions. ColorTyme retains the right to upload and download data, troubleshoot, and retrieve that data and information from the franchised stores' computer systems.

The Franchise Agreement also requires the franchised stores to exclusively offer for rent or sale only those brands, types, and models of products that ColorTyme has approved. The franchised stores are required to maintain an adequate mix and inventory of approved products for rent as dictated by ColorTyme policy manuals, and must maintain on display at the franchised stores, such products as specified by ColorTyme. ColorTyme negotiates purchase arrangements with various suppliers it has approved. ColorTyme's largest suppliers are Whirlpool and Magnavox, which accounted for approximately 35% of merchandise purchased by ColorTyme in 1996.

ColorTyme has established a national advertising fund (the "Fund") for the franchised stores, whereby ColorTyme has the right to collect up to 3% of the monthly gross rental payments and sales from each franchisee to be contributed to the Fund. Currently, ColorTyme has set the monthly franchisee contribution at $250 per month. ColorTyme directs the advertising programs of the Fund, generally consisting of advertising in print, television and radio. Furthermore, the franchisees are required to expend 3% of their monthly gross rental payments and sales on local advertising.

ColorTyme licenses the use of its trademarks to the franchisees under the Franchise Agreement. ColorTyme owns the registered trademarks "ColorTyme," "ColorTyme-What's Right for You" and "FlexTyme" along with certain design and service marks.

GOVERNMENT REGULATION

There currently are 44 states that have legislation regulating rental purchase transactions. Of the 33 states in which the Company operates stores, 30 require the Company to provide certain disclosure to customers regarding the terms of the rental purchase transaction and 3 regulate rental purchase transactions as credit sales. No federal legislation has been enacted regulating rental purchase transactions.

With some variations in individual states, most state legislation requires the lessor to make prescribed disclosures to a customer about the rental purchase agreement and transaction. Such legislation also prescribes grace periods for nonpayment and time periods during which a customer may reinstate a rental purchase agreement, prohibits or limits certain types of collection or other practices and, in some instances, limits certain fees that may be charged. Some states, including Iowa, Michigan, Ohio and West Virginia, limit the total rental payments that can be charged. Such limitations, however, do not become applicable unless the total rental payments required under the rental purchase agreement exceed 200% of the "disclosed cash price" in Iowa and Ohio and 240% of the "retail" value in West Virginia. Michigan limits the amount that may be charged to 2.22 times the price that would have been charged had the product been purchased rather than leased.

In Wisconsin, where the Company operates six stores, legislation has been adopted which treats certain rental purchase transactions as consumer credit sales if the rental purchase agreement permits the lessee to acquire the rental property for no other or nominal consideration upon full compliance with the agreement. The Company has responded to the Wisconsin legislation by developing and using a rent-to-rent agreement similar to agreements used by traditional rent-to-rent companies. In order for the customer to obtain ownership of a rental product, a completely separate transaction is required. While the Wisconsin legislation has caused the Company to adopt this two-step approach, it has not precluded the Company from continuing to conduct business in Wisconsin nor has it materially impacted the Company's operations.

A New Jersey trial court has held that rental purchase transactions in New Jersey are credit sales subject to certain consumer protection laws which, among other things, limit maximum interest rates to 30%. However, no legislation has been adopted in New Jersey regulating rental purchase transactions as credit sales. The Company operates 17 stores in New Jersey. Management believes that the Company's operations will not be materially affected by a binding decision or legislation requiring rental purchase transactions to be treated as credit sales because the Company anticipates that it would be able to develop and use a contractual arrangement permissible under New Jersey law similar to the rent-to-rent agreement the Company uses in Wisconsin.

EMPLOYEES

As of March 11, 1997, the Company had approximately 2,250 employees, of whom 42 are assigned to the Company's headquarters and the remainder of whom are directly involved in the management and operation of the Company's stores. As of the same date, ColorTyme had approximately 22 employees, 21 of which were employed full-time. None of the Company's nor ColorTyme's employees are covered by a collective bargaining agreement. Management believes that the Company's and ColorTyme's relationships with their respective employees are generally good.

ITEM 2. PROPERTIES

The Company leases space for all of its retail stores, as well as its corporate and regional offices, under operating leases expiring at various times through 2005. Most of these leases contain renewal options for additional periods ranging from three to five years at rental rates adjusted according to agreed upon formulas. The Company's headquarters are located at 13800 Montfort, Dallas, Texas, and consist of approximately 18,000 square feet. Store sizes range from approximately 1,300 to 12,200 square feet, and average approximately 4,150 square feet. Approximately 80% of each store's space generally is used for showroom space and 20% for offices and storage space. Management believes that suitable store space generally is available for lease and that the Company would be able to relocate any of its stores without significant difficulty should it be unable to renew a particular lease. Management also expects that additional space will be readily available at competitive rates in the event the Company desires to open new stores.

ColorTyme's headquarters are located at 1231 Greenway Drive in Irving, Texas, and consist of approximately 8,400 square feet.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and ColorTyme are party to various legal proceedings arising in the ordinary course of business. Except as described below, neither the Company nor ColorTyme is currently a party to any material litigation. Although the ultimate outcome of any litigation matter can never be predicted with certainty, management of the Company believes that the Company has established sufficient reserves to cover its reasonable exposure with respect to its outstanding litigation.

IN RE: DEF INVESTMENTS, INC.

On September 5, 1995, a complaint (the "Complaint") was filed in the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court") against Mr. and Mrs. Robert A. Hardesty (the "Hardestys") and the Company, among others (collectively, the "Defendants"). The complaint was filed by the trustee (the "Trustee") for DEF Investments, Inc. ("DEF"), in an involuntary chapter 7 bankruptcy case against DEF (the "DEF Bankruptcy Case") commenced on April 20, 1995 by the plaintiffs in a pending class action suit against DEF and other companies including the Company (the "Miller lawsuit").

The Complaint seeks (i) to avoid the transfer of certain assets purchased in 1993 by a predecessor of the Company from DEF and certain of its subsidiaries pursuant to the 1993 Acquisition and to obtain an order that such assets be turned over to the Trustee, (ii) to nullify the Hardestys' consulting and noncompetition agreements, pursuant to the terms of which the Company paid $2.0 million to the Hardestys on the closing date of the 1993 Acquisition, has paid them an additional $900,000 since the closing date and is obligated to pay them approximately $5.3 million in varying amounts through April 1, 2001, (iii) to require the Company to make all future payments under the consulting and noncompetition agreements to the Trustee for the benefit of the DEF bankruptcy estate, and (iv) to

set aside all payments already made by the Company to the Hardestys under the consulting and noncompetition agreements, and to grant judgment against the Hardestys and the Company for the amount of all such payments.

On March 8, 1996, the Company reached an agreement with the Trustee and the Hardestys to settle the bankruptcy (the "Bankruptcy Settlement"). The terms of the Bankruptcy Settlement provide that the Company will be released from the fraudulent transfer claim and the future obligation to pay $5.3 million under the consulting and noncompetition agreements with the Hardestys in exchange for a cash payment of $4.75 million to the Trustee. The Bankruptcy Settlement, which, as of March 24, 1997, has not yet been reduced to writing and is subject to approval by the Bankruptcy Court after notice and hearing, contemplates the nonrefundable payment by the Company of $50,000 upon execution of the written settlement agreement in exchange for the Trustee's dismissal of the Complaint against the Company with prejudice. On November 18, 1996, the Company interplead approximately $1.53 million into the registry of the Bankruptcy Court, leaving a balance outstanding under the consulting and noncompetition agreements of approximately $3.8 million, and reducing the cash payment due under the proposed settlement agreement to approximately $3.25 million. On December 1, 1996, the Company began monthly payments of approximately $160,000 to the registry of the Bankruptcy Court, due on the first day of each month until the consulting and noncompetition agreements are fully satisfied, or the Bankruptcy Settlement is finalized, at which time the balance of the settlement amount shall be payable in full. Each such monthly payment will reduce on a dollar-for-dollar basis the balance due under the consulting and noncompetition agreements and the Bankruptcy Settlement.

As part of the overall Bankruptcy Settlement, the Company will receive a full release from the fraudulent transfer claim by the Trustee on behalf of DEF, any of its subsidiaries which may file Chapter 7 bankruptcy cases and their respective creditors. The Bankruptcy Settlement is also conditioned on the Bankruptcy Court issuing protective orders enjoining the Hardestys from making any claims against the Company or J. E. Talley and certain of their affiliates under the noncompetition and consulting agreements.

The Miller lawsuit has recently been settled. This should result in a dismissal of all claims which were or could have been asserted in that case against the Company. The Company is insisting and TransAmerica has agreed that any potential obligations it or others may have under certain DEF-related loan documents to TransAmerica for indemnity be released as part of the settlement, including any claims TransAmerica might have for any indemnity claims asserted against it in the Miller lawsuit. Execution of a global settlement agreement should be simplified in light of the settlement of the Miller lawsuit.

Management believes that the implementation of the settlement agreement, which management expects to be executed and approved by the Bankruptcy Court sometime during 1997, will not have a material adverse effect on the Company's results of operations. There can be no assurance that the settlement agreement will be entered into. If the settlement agreement is not executed, the Trustee would be able to proceed against the Company in the fraudulent transfer claim.

GALLAGHER V. CROWN

On January 3, 1996, the Company was served with a class action complaint adding it as a defendant in this action originally filed in April 1994 against Crown Leasing Corporation ("Crown") and certain of its affiliates. The class consists of all New Jersey residents who entered into rent-to-own contracts with Crown between April 25, 1988 and April 20, 1995.

The lawsuit alleges, among other things, that under certain rent-to-own contracts entered into between the plaintiffs and Crown, some of which were purportedly acquired by the Company pursuant to the Company's acquisition in April 1995 of the rent-to-own assets of Crown (the "Acquisition"), the defendants charged the plaintiffs fees and expenses that violated the New Jersey Consumer Fraud Act and the New Jersey Retail Installment Sales Act. The plaintiffs seek damages including, among other things, a refund of all excessive fees and/or interest charged

or collected by the defendants in violation of such acts, state usury laws and other related statutes and treble damages, as applicable. The amount of such excessive fees and/or interest is unspecified.

Pursuant to the Asset Purchase Agreement entered into between Crown and its controlling shareholder and the Company in connection with the Acquisition, the Company assumed no liabilities pertaining to Crown's rent-to-own contracts for the period prior to the Acquisition in April 1995. The Asset Purchase Agreement provides that Crown and its controlling shareholder will indemnify and hold harmless the Company against damages, including reasonable attorneys' fees, due to any claim pertaining to the operation of Crown's rent-to-own business prior to the Crown Acquisition, except as set forth below. This indemnification is applicable regardless of whether the circumstances giving rise to any such claim continued after the Acquisition. Claims covered include claims of customers, other than claims relating to rent-to-own contracts entered into by Crown prior to the Acquisition which remained in full force and effect on October 20, 1995. The Company has provided Crown and its controlling shareholder with a notice of indemnification and tender of defense. Crown has assumed responsibility for defending the Company in this matter pursuant to the Asset Purchase Agreement.

The plaintiffs have obtained summary judgment against Crown on the liability issues, reserving damages for trial. Although the plaintiffs were unsuccessful in their attempt to certify a class against the Company, the plaintiffs have attempted to assert a theory of successor liability against the Company. Management believes there is no basis for a claim of successor liability against the Company, and if Crown is unable to settle the case, the Company will take appropriate steps to defend and preserve for appeal the successor liability issues at trial.

HINTON, SANCHEZ V. COLORTYME

On May 25, 1994, a class action complaint was filed in Milwaukee County, Wisconsin against ColorTyme, Inc., a wholly-owned subsidiary of the Company ("ColorTyme") alleging that ColorTyme had entered into contracts with residents of Wisconsin that were violative of the Wisconsin Consumer Act (the "Wisconsin Act"). Specifically, the plaintiffs allege that the ColorTyme contracts were consumer credit transactions under the Wisconsin Act, and that ColorTyme failed to provide required disclosures and violated the Wisconsin Act's collection practice restrictions. The plaintiffs' complaint seeks damages in an unspecified amount.

In light of the merger of a subsidiary of the Company with ColorTyme and the Company's later purchase of the assets of four Milwaukee ColorTyme stores, the plaintiffs have included the Company as a defendant to the extent that the Company assumed the obligations of certain existing ColorTyme contracts through the asset purchase of the Milwaukee stores. Furthermore, the court has defined the class to include, in general, all contracts entered into with ColorTyme in the State of Wisconsin after July 1988 and those in which payments were made after July 1988.

At this time discovery continues and no trial date has been set. Due to the uncertainties associated with any litigation, the ultimate outcome cannot presently be determined.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock has been quoted on the NASDAQ National Market System ("NASDAQ") under the symbol "RCII" since January 25, 1995, the date the Company commenced its initial public offering. The following table sets forth, for the periods indicated, the high and low sales price per share of the Common Stock as reported on NASDAQ.

1996	HIGH	LOW
First Quarter	$18.500	$12.750
Second Quarter	28.750	17.000
Third Quarter	26.000	16.250
Fourth Quarter	22.750	14.125

1995	HIGH	LOW
First Quarter (from January 25)	$ 5.584	$ 3.334
Second Quarter	10.000	5.000
Third Quarter	17.000	9.875
Fourth Quarter	18.250	11.625

As of March 24, 1997, there were 98 record holders of the Common Stock.

The Company expects that it will retain all available earnings generated by its operations for the development and growth of its business and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. Any change in the Company's dividend policy will be made at the discretion of the Board of Directors of the Company and will depend on a number of factors, including the future earnings, capital requirements, contractual restrictions, financial condition and future prospects of the Company and such other factors as the Board of Directors may deem relevant. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below for the four years ended December 31, 1996 have been derived from the financial statements of the Company audited by Grant Thornton LLP, independent certified public accountants. The selected data presented below for the year ended December 31, 1992 has been derived from the financial statements of the Company audited by Kirkpatrick, Sprecker & Company, independent certified public accountants. The historical financial data are qualified in their entirety by, and should be read in conjunction with, the financial statements and the notes thereto included elsewhere herein.

	YEAR ENDED DECEMBER 31,(1)				
	1996	1995(2)	1994(3)	1993(3)	1992(3)
	(In thousands, except per share data)				
STATEMENT OF EARNINGS DATA					
REVENUE					
Rentals and fees	$ 198,486	$ 126,264	$ 70,590	$ 51,162	$ 19,231
Merchandise sales	10,604	6,383	3,470	1,678	734
Other	687	642	325	372	298
Franchise revenue(5)	28,188	--	--	--	--
	$ 237,965	$ 133,289	$ 74,385	$ 53,212	$ 20,263
OPERATING EXPENSES					
Direct store expenses					
Deprecation of rental merchandise	$ 42,978	$ 29,640	$ 15,614	$ 11,626	$ 4,126
Cost of merchandise sold	8,357	4,954	2,915	1,756	525
Salaries and other expenses	116,577	70,012	37,786	27,820	9,581
Franchise operating expenses					
Cost of franchise merchandise sold(5)	24,010	--	--	--	--
	191,922	104,606	56,315	41,202	14,232
General and administrative expenses	10,111	5,766	2,809	2,151	574
Amortization of intangibles	4,891	3,109	6,022	5,304	120
Total operating expenses	206,924	113,481	65,146	48,657	14,926
Operating profit	31,041	19,808	9,239	4,555	5,337
Interest expense (income), net	(61)	1,312	2,160	1,817	600
Earnings before income taxes	31,102	18,496	7,079	2,738	4,737
Income tax expense	13,076	7,784	1,600	937	684
Net earnings	$ 18,026	$ 10,712	$ 5,479	1,801	$ 4,053
Earnings per share	$ 0.72	$ 0.52	--	--	--
Weighted average shares outstanding	25,065	20,794	12,967	--	--
OPERATING DATA					
Stores open at end of period	423	325	114	112	27
Comparable store revenue growth (4)	3.8%	18.1%	10.8%	11.1%	22.9%
BALANCE SHEET DATA					
Rental merchandise, net	$ 95,110	$ 64,240	$ 28,096	$ 20,672	$ 6,893
Intangible assets, net	47,192	29,549	3,712	9,741	1,878
Deferred income taxes	6,139	6,977	--	--	--
Total assets	174,467	147,294	36,959	34,813	10,813
Total debt	18,993	40,850	23,383	27,592	6,565
Total liabilities	48,964	50,810	27,673	30,645	8,145
Stockholders' equity (deficit)	125,503	96,484	9,286	4,168	2,668

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(1) The Company has pursued an aggressive growth strategy since it was acquired in 1989 by J.E. Talley. Because of the significant growth of the Company since its formation, the Company's historical results of operations, its period-to-period comparisons of such results and certain financial data may not be comparable, meaningful or indicative of future results.

(2) On April 20, 1995, the Company completed the Crown Acquisition, and in September 1995, the Company completed the Magic Acquisition, both of which affect the comparability between the historical financial and operating data for the periods presented.

(3) In each of the periods presented ending prior to January 1, 1995, the Company operated as an S corporation under Subchapter S of the Internal Revenue Code and comparable provisions of certain state tax laws. Accordingly, prior to January 1, 1995, the Company was not subject to federal income taxation. Earnings per share are not provided for periods prior to January 1, 1995, because operating results for these periods are not comparable.

(4) Comparable store revenue for each period presented includes revenues only of stores open throughout the full period and the comparable prior period.

(5) Prior to the Company's acquisition of ColorTyme in May 1996, the Company conducted no franchise operations. Therefore, franchise operations financial information is presented for the year ended December 31, 1996 only.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements that involve risks and uncertainties. The actual future results of the Company could differ materially from those statements. Factors that could cause or contribute to such differences include, but are not limited to, uncertainties regarding the ability to open new stores, the ability to acquire additional rent-to-own stores on favorable terms, the ability to enhance the performance of the required stores and to integrate the acquired stores into the Company's operations.

The following discussion and analysis should be read in conjunction with the information set forth under the caption "Selected Financial Data" and the financial statements of the Company and the accompanying notes thereto included elsewhere in this Report.

GENERAL

The Company has pursued an aggressive growth strategy since it was acquired in 1989 by J.E. Talley. In general, the Company has sought to acquire underperforming stores to which it could apply its operating strategies. See "Business--Strategy." As a result, the acquired stores generally have experienced more significant revenue growth during the initial periods following their acquisition than in subsequent periods. Because of the significant growth of the Company since its formation, the Company's historical results of operations and period-to-period comparisons of such results and certain financial data may not be meaningful or indicative of future results.

The Company expects to grow through both the acquisition of existing stores and the opening of new stores. If the Company opens new stores or acquires underperforming or unprofitable stores, start-up costs associated with new stores and excess salaries, other overhead costs and operating results associated with acquired stores could negatively impact the Company's earnings until these stores are fully integrated into the Company's operations and become profitable.

COMPONENTS OF INCOME

REVENUE. The Company collects non-refundable rental payments and fees in advance, generally on a weekly or monthly basis. This revenue is recognized when collected. Rental purchase agreements generally include a discounted early purchase option. Amounts received upon sales of merchandise pursuant to such options, and upon the sale of used merchandise, are recognized as revenue when the merchandise is sold.

FRANCHISE REVENUE. Revenue from the sale of rental equipment is recognized upon shipment of the equipment to the franchisee. Franchise fee revenue is recognized upon completion of substantially all services and satisfaction of all material conditions required under the terms of the franchise agreement.

DEPRECIATION OF RENTAL MERCHANDISE. Except for tax purposes, the Company depreciates its rental merchandise using the income forecasting method. The income forecasting method of depreciation does not consider salvage value and does not allow the depreciation of rental merchandise during periods when it is not generating rental revenue. As a result of a revenue ruling published in 1995 by the Internal Revenue Service stating that the MACRS method of depreciation over a five-year period is the appropriate method of depreciation for rental purchase merchandise, the Company began using the MACRS method of depreciation for tax purposes in 1996.

COST OF MERCHANDISE SOLD. Cost of merchandise sold represents the book value net of accumulated depreciation of rental merchandise at time of sale.

SALARIES AND OTHER EXPENSES. Salaries and other expenses include all salaries and wages paid to store level employees, including any related benefits and taxes, as well as all store level general and administrative expenses and selling, advertising, occupancy, non-rental depreciation and other operating expenses.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses include all corporate overhead expenses related to the Company's headquarters such as salaries, taxes and benefits, occupancy, administrative and other operating expenses, as well as Regional Vice President's salaries, travel and office expenses.

AMORTIZATION OF INTANGIBLES. Amortization of intangibles consists primarily of the amortization of the excess of purchase price over the fair market value of acquired assets.

INCOME TAX EXPENSE. Prior to January 1, 1995, the Company operated under Subchapter S of the Internal Revenue Code and, therefore, was not subject to federal income tax. As of January 1, 1995, the Company became subject to federal income tax. Income tax expense prior to January 1, 1995 represents primarily Puerto Rican income tax. Under current federal tax laws, income taxes paid in Puerto Rico may be used to offset the Company's federal income tax liability, subject to certain limitations.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain historical Statement of Earnings data as a percentage of total revenue.

	YEAR ENDED DECEMBER 31, (Company owned stores only)			YEAR ENDED DECEMBER 31, (Franchise operations)		
	1996	1995	1994	1996	1995	1994
REVENUE						
Rentals and fees	94.7%	94.7%	94.9%	-- %	--	--
Merchandise Sales	5.0	4.8	4.7	89.6	--	--
Other/Royalties	0.3	0.5	0.4	10.4	--	--
	100.0%	100.0%	100.0%	100.0%	--	--
OPERATING EXPENSES						
Direct expenses						
Depreciation of rental merchandise	20.5%	22.2%	21.0%	-- %	--	--
Cost of merchandise sold	4.0	3.8	3.9	85.0	--	--
Salaries and other expenses	55.6	52.5	50.8	--	--	--
	80.1	78.5	75.7	85.0	--	--
General and administrative expenses	3.8	4.3	3.8	7.7	--	--
Amortization of intangibles	2.3	2.3	8.1	0.6	--	--
Total operating expenses	86.2	85.1	87.6	93.3	--	--
Operating profit	13.9	14.9	12.4	6.7	--	--
Interest expense / (income)	0.1	1.0	2.9	(1.9)	--	--
Earnings before income taxes	13.8%	13.9%	9.5%	8.6%	--	--

COMPARISON OF YEARS ENDED DECEMBER 31, 1996 AND 1995

In May 1996, the Company completed the ColorTyme Acquisition, and between May 1996 and December 1996, the Company acquired a total of 94 additional stores. The 1996 acquisitions were accounted for as purchases, and accordingly, the operating results of the acquired operations have been included in the results of operations of the Company since the respective dates of acquisition. Primarily as a result of all of the 1996 acquisitions on the Company's results of operations, comparisons of the Company's operating results for 1996 and 1995 may not be meaningful or indicative of future results.

Total revenue increased by $104.6 million, or 78.5%, to $237.9 million for 1996 from $133.3 million for 1995. The increase in total revenue was primarily attributable to the inclusion of 94 stores purchased in 1996 and the operating results from the franchise operations. Total revenue exclusive of the 94 new stores and franchise operations increased by $67.8 million, or 50.9% to $201.1 million for 1996 from $133.3 million in 1995.

Depreciation of rental merchandise increased by $13.4 million, or 45.3%, to $43.0 million for 1996 from $29.6 million for 1995. Depreciation of rental merchandise as a percent of total store revenue decreased to 20.5%

for 1996 from 22.2% for 1995. The decrease in depreciation of rental merchandise as a percent of revenue was primarily attributable to higher rental rates on rental merchandise.

Salaries and other expenses as a percentage of store revenue increased to 55.6% for 1996 from 52.5% for 1995. This increase is attributable to the increase in salaries for employees and other expenses of the acquired stores immediately following the acquisitions while store revenue has increased gradually. Additionally, the Company increased its advertising efforts during 1996 in the markets related to the stores acquired in 1996. Occupancy costs also increased as a percent of total store revenue due to the relocation of certain stores acquired in 1996 to stores that are larger in square footage. Revenue from these stores increase gradually while the additional occupancy costs are incurred immediately. The average square footage per store was approximately 3,800 at December 31, 1995 compared to 4,150 at December 31, 1996.

General and administrative expenses expressed as a percentage of total revenue increased to 4.8% in 1996 from 4.3% in 1995. The increase was due to the higher overhead in the franchise operations relative to franchise revenue. Franchise general and administrative expenses as a percentage of franchise revenue totaled 7.7% in 1996. This increase was offset by a decrease in corporate overhead for store operations in 1996, which declined to 3.8% of store revenue in 1996 compared to 4.3% in 1995. The decrease is primarily due to increased economies of scale as a result of the increased number of stores.

Operating profit increased by $11.2 million, or 56.6%, to $31.0 million for 1996 from $19.8 million for 1995. This improvement was primarily due to an increase in both the number of items on rent and in revenue earned per item on rent in the stores acquired prior to 1996. The revenue increase exceeded increases in direct store expenses.

Net earnings increased by $7.3 million, or 68.3%, to $18.0 million in 1996 from $10.7 million in 1995. The improvement was the result of the increase in operating profit described above, as well as a reduction in interest expense from 1995.

COMPARISON OF YEARS ENDED DECEMBER 31, 1995 AND 1994

On April 20, 1995, the Company completed the Crown Acquisition consisting of 72 rent-to-own stores. In September 1995, the Company completed the Magic Acquisition consisting of an additional 135 rent-to-own stores. The 1995 Acquisitions were accounted for as purchases and, accordingly, the operating results of the acquired stores have been included in the operating results of the Company since the respective dates of acquisition. Primarily as a result of the impact of the 1995 Acquisitions on the Company's results of operations, comparisons of the Company's operating results for 1995 and 1994 may not be meaningful or indicative of future results.

Total revenue increased by $58.9 million, or 79.2%, to $133.3 million for 1995 from $74.4 million for 1994. The increase in total revenue was primarily attributable to the inclusion of the 209 stores purchased in 1995. Total revenue exclusive of the 209 new stores increased by $14.9 million, or 20.0% to $89.2 million for 1995 from $74.3 million in 1994.

Depreciation of rental merchandise increased by $14.0 million, or 89.8%, to $29.6 million for 1995 from $15.6 million for 1994. Depreciation of rental merchandise as a percent of revenue increased to 22.2% for 1995 from 21.0% for 1994. The increase in depreciation of rental merchandise as a percent of revenue was primarily attributable to lower rental rates on rental merchandise acquired in the 1995 Acquisitions.

Salaries and other expenses increased by $32.2 million, or 85.3%, to $70.0 million for 1995 from $37.8 million for 1994, primarily because of an increase in total Company personnel attributable to the 1995 Acquisitions. Salaries and other expenses as a percentage of revenue increased to 52.5% in 1995 from 50.8% in 1994, primarily as a result of increases in salaries for employees of acquired stores immediately following the acquisitions while store

revenues have increased gradually. Similarly, general and administrative expenses increased as a percentage of total revenue to 4.3% in 1995 from 3.8% in 1994 primarily due to an increase in the number of home office personnel, increased communication costs, and a national store manager meeting in 1995.

Operating profit increased by $10.6 million, or 114.4%, to $19.8 million for 1995 from $9.2 million for 1994. This improvement was primarily due to an increase in both the number of items on rent and in revenue earned per item on rent in the stores acquired before 1995. The revenue increase exceeded increases in direct store expenses.

Net earnings increased by $5.2 million, or 95.5%, to $10.7 million in 1995 from $5.5 million in 1994. The improvement was the result of the increase in operating profit described above, as well as a reduction in net interest expense of $800,000 as a result of the application of proceeds from the Company's initial and secondary offerings to reduce outstanding borrowings offset by an increase in income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary requirements for capital are the acquisition of existing stores, the opening of new stores, the purchase of additional rental merchandise and the replacement of rental merchandise which has been sold or charged-off or is no longer suitable for rent. During the year ended December 31, 1996, the Company acquired 88 stores (exclusive of the six stores purchased from ColorTyme) and ColorTyme for an aggregate purchase price of $57.2 million, of which $28.4 million was paid in cash. Additionally, the Company purchased rental merchandise in the amount of $75.2 million. The Company purchased $44.5 million and $27.5 million of rental merchandise during the years ended December 31, 1995 and 1994, respectively.

For 1996, cash provided by operating activities increased by $14.2 million from $5.2 million in 1995 to $19.4 million in 1996, primarily due to the $7.3 million increase in net earnings and the $10.7 million increase in trade accounts payable relating to the timing of payments to vendors. Cash used in investing activities increased by $11.6 million from $24.7 million in 1995 to $36.3 million in 1996, primarily due to additional cash paid for the acquisitions of businesses. Additionally, the Company paid $4.7 million more in 1996 than 1995 for the purchase of property assets. The increase is attributable primarily to relocating and improving acquired stores. During 1996, cash used in financing activities was $12.5 million which relates primarily to repayment of debt to the Magic selling shareholders which was paid in full on January 2, 1996, offset by the net proceeds of the sale of the ColorTyme franchisee loan portfolio. During 1995, cash provided by financing activities was $53.4 million, generated primarily by proceeds from the initial and secondary public Common Stock offerings offset by repayments of debt and notes to a stockholder.

On November 27, 1996, the Company consummated a $90 million revolving line of credit with a group of banks led by Comerica Bank as agent. The credit facility has a stated term of three years and replaces the Company's prior $40 million credit facility. Advances under the line of credit may be used by the Company for general business purposes such as working capital and for the financing of acquisitions. Borrowings under the line of credit will bear interest at the Company's choice of a bank prime rate or a LIBOR-based rate, and are secured by liens on substantially all of the assets of the Company. The amount outstanding under the line of credit as of March 24, 1997 is $19.3 million. The facility bears a commitment fee ranging from 0.3% to 0.5% of the average unused portions.

In connection with the 1993 Acquisition, monthly payments of $33,333 are due under a consulting agreement through April 1, 2001, and monthly payments of $125,000 are due under a non-competition agreement from February 1996 through January 1998. If the settlement agreement described under the caption "Item 3. Legal Proceedings -- IN RE: DEF INVESTMENTS, INC." is executed, the Company will be released from its obligation to make payments under such consulting and non-competition agreements, in exchange for a cash payment of $4.75 million (the "Settlement

Amount"). Management expects that its borrowing capacity under its credit facility and cash flow from operations will be sufficient to fund the payment.

In connection with the Crown Acquisition, monthly payments of $16,667 were made under a consulting agreement that ended in October 1996, and in connection with the Magic Acquisition, monthly payments in the aggregate amount of $32,500 each are due under certain noncompetition agreements through August 2000.

The Company currently expects to open approximately fifteen to twenty new stores during 1997 and to open a comparable number of stores in each of the next few years. Currently, the Company estimates that the average investment with respect to new stores is approximately $350,000 per store, of which rental merchandise comprises approximately 80% to 85% of the investment. The remaining investment consists of leasehold improvements, delivery trucks, store signs, computer equipment and start-up costs. There can be no assurance that the Company will open any new stores in the future, or as to the number, location or profitability thereof.

In addition to its intention to open new stores annually, the Company intends to increase the number of stores it operates through acquisitions. In particular, the Company's goal is to increase the number of stores it operates by approximately 60-70 stores in each of the next few years, primarily through acquisitions. Management believes that there are currently a number of possible future acquisition opportunities in the rent-to-own industry, and it is possible that any acquisition could be material to the Company. There can be no assurance that the Company will be able to acquire any additional stores, or that any stores that are acquired will be or will become profitable.

Management believes that cash flow from operations and the previously described credit facility will be adequate to fund the operations and expansion plans of the Company during 1997. In addition, to provide any additional funds necessary for the continued pursuit of the Company's growth strategies, the Company may incur, from time to time, additional short-and long-term bank indebtedness and may issue, in public or private transactions, its equity and debt securities. The availability and attractiveness of any outside sources of financing will depend on a number of factors, some of which will relate to the financial condition and performance of the Company, and some of which will be beyond the Company's control such as prevailing interest rates and general economic conditions. There can be no assurance that such additional financing will be available or, if available, will be on terms acceptable to the Company.

INFLATION

During the years ended December 31, 1996, 1995 and 1994, the cost of rental merchandise, lease expense and salaries and wages have increased modestly. The increases have not had a significant effect on the Company's results of operations because the Company has been able to charge commensurately higher rental rates for its merchandise.

QUARTERLY RESULTS

The following table contains certain unaudited historical financial information for the quarters indicated.

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	(IN THOUSANDS)			
Year ended December 31, 1996(1)				
Revenue	$49,002	$57,756	$60,025	$71,182
Operating profit	6,344	7,558	7,957	9,183
Net earnings	3,617	4,369	4,729	5,311
Earnings per share	$0.15	$0.17	$0.19	$0.21
Year ended December 31, 1995(2)				
Revenue	$21,045	$28,927	$36,659	$46,658
Operating profit	3,795	4,992	5,429	5,592
Net earnings	1,987	2,627	2,921	3,177
Earnings per share	$0.11	$0.13	$0.14	$0.14

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(1) Pursuant to the 1996 acquisitions, 11 stores were purchased during the second quarter, 12 stores were purchased during the third quarter, and 71 stores were purchased during the fourth quarter of 1996. In addition, three stores were opened in the second quarter, four stores were opened in the third quarter, and six stores were opened in the fourth quarter of 1996.

(2) Pursuant to the 1995 acquisitions, 72 stores were purchased during the second quarter of 1995 and 135 stores were purchased during the third quarter of 1995.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Company required to be included in this Item 8 are set forth in Item 14 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT(*)
ITEM 11. EXECUTIVE COMPENSATION(*)
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT(*)
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS(*)

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* The information required by Items 10, 11, 12 and 13 is or will be set forth in the definitive proxy statement relating to the 1997 Annual Meeting of Stockholders of Renters Choice, Inc., which is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. Such definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by Items 10, 11, 12 and 13 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

SCHEDULES SUPPORTING FINANCIAL STATEMENTS

Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instructions or inapplicable.

CURRENT REPORTS ON FORM 8-K

The Company filed a Current Report on Form 8-K/A on October 2, 1996, relating to the acquisition of ColorTyme, Inc. Included in the 8-K/A filed on October 2, 1996, were the financial statements of ColorTyme, Inc. as of December 31, 1994.

LISTING OF EXHIBITS

Exhibits followed by an (*) constitute management contracts or compensatory plans or arrangements.

EXHIBIT NUMBER		DESCRIPTION
2.1(1)	-	Asset Purchase Agreement dated April 20, 1995 among Renters Choice, Inc., Crown Leasing Corporation, Robert White, individually and Robert White Company, a sole proprietorship owned by Robert White
2.2(2)	-	Stock Purchase Agreement dated as of August 27, 1995 among Renters Choice, Inc., Starla J. Flake, Rance D. Richter, Bruce S. Johnson and Pro Rental, Inc.
2.3(3)	-	Stock Purchase Agreement dated September 29, 1995 between the Company and Terry N. Worrell
2.4(4)	-	Partnership Interest Purchase Agreement dated September 29, 1995 among the Company, Worrell Investors, Inc., The Christy Ann Worrell Trust and The Michael Neal Worrell Trust
2.5(5)	-	Agreement and Plan of Merger by and among Renters Choice, Inc., Pro Rental, Inc., MRTO Holdings, Inc. and Pro Rental II, Inc.
2.6(6)	-	Agreement and Plan of Reorganization dated May 15, 1996, among Renters Choice, Inc., ColorTyme, Inc., and CT Acquisition Corporation
3.1(7)	-	Amended and Restated Certificate of Incorporation of the Company
3.2(8)	-	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company
3.3(9)	-	Amended and Restated Bylaws of the Company
4.1(10)	-	Form of Certificate evidencing Common Stock
10.1(11)*	-	Amended and Restated 1994 Renters Choice, Inc. Long-Term Incentive Plan
10.2	-	Revolving Credit Agreement dated as of November 27, 1996 between Comerica Bank, as agent, Renters Choice, Inc. and certain other lenders
10.3(12)	-	Consulting Agreement dated April 1, 1993, by and between Bob A. Hardesty and Brenda K. Hardesty and Renters Choice, L.P.
10.4(13)	-	Non-Competition Agreement dated April 1, 1993, by and between Bob A. Hardesty and Brenda K. Hardesty and Renters Choice, L.P.
10.5(14)	-	Noncompetition Agreement dated as of April 20, 1995, between Renters Choice, Inc. and Patrick S. White
10.6(15)	-	Consulting Agreement dated as of April 20, 1995 between Renters Choice, Inc. and Jeffrey W. Smith
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10.10(19)	-	Option Agreement dated August 27, 1995 between the Company and Terry N. Worrell
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10.15(21)	-	Portfolio Acquisition Agreement dated May 15, 1996, by and among Renters Choice, Inc., ColorTyme Financial Services, Inc., and STI Credit Corporation
11.1	-	Computation of Earnings per share
23	-	Notice of Annual Meeting of Stockholders and Proxy Statement of the Company for the 1997 Annual Meeting of the Company (to be filed with the Securities and Exchange Commission pursuant to Regulation 14A) (Preliminary Materials)
27	-	Financial Data Schedule

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(10) Incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-1 (File No. 33-86504)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned duly authorized.

RENTERS CHOICE, INC.

By: /s/ J. ERNEST TALLEY
J. Ernest Talley
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

Date: March 24, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ J. ERNEST TALLEY J. Ernest Talley	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 24, 1997
/s/ MARK E. SPEESE Mark E. Speese	President, Chief Operating Officer and Director	March 24, 1997
/s/ RANDALL S. SIMPSON Randall S. Simpson	Vice President - Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 1997
/s/ J. V. LENTELL J.V. Lentell	Director	March 24, 1997
/s/ JOSEPH V. MARINER Joseph V. Mariner	Director	March 24, 1997
/s/ REX W. THOMPSON Rex W. Thompson	Director	March 24, 1997

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION
2.1(1)	-	Asset Purchase Agreement dated April 20, 1995 among Renters Choice, Inc., Crown Leasing Corporation, Robert White, individually and Robert White Company, a sole proprietorship owned by Robert White
2.2(2)	-	Stock Purchase Agreement dated as of August 27, 1995 among Renters Choice, Inc., Starla J. Flake, Rance D. Richter, Bruce S. Johnson and Pro Rental, Inc.
2.3(3)	-	Stock Purchase Agreement dated September 29, 1995 between the Company and Terry N. Worrell
2.4(4)	-	Partnership Interest Purchase Agreement dated September 29, 1995 among the Company, Worrell Investors, Inc., The Christy Ann Worrell Trust and The Michael Neal Worrell Trust
2.5(5)	-	Agreement and Plan of Merger by and among Renters Choice, Inc., Pro Rental, Inc., MRTO Holdings, Inc. and Pro Rental II, Inc.
2.6(6)	-	Agreement and Plan of Reorganization dated May 15, 1996, among Renters Choice, Inc., ColorTyme, Inc., and CT Acquisition Corporation
3.1(7)	-	Amended and Restated Certificate of Incorporation of the Company
3.2(8)	-	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company
3.3(9)	-	Amended and Restated Bylaws of the Company
4.1(10)	-	Form of Certificate evidencing Common Stock
10.1(11)*	-	Amended and Restated 1994 Renters Choice, Inc. Long-Term Incentive Plan
10.2	-	Revolving Credit Agreement dated as of November 27, 1996 between Comerica Bank, as agent, Renters Choice, Inc. and certain other lenders
10.3(12)	-	Consulting Agreement dated April 1, 1993, by and between Bob A. Hardesty and Brenda K. Hardesty and Renters Choice, L.P.
10.4(13)	-	Non-Competition Agreement dated April 1, 1993, by and between Bob A. Hardesty and Brenda K. Hardesty and Renters Choice, L.P.
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INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Renters Choice, Inc.

We have audited the accompanying consolidated balance sheets of Renters Choice, Inc. and Subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renters Choice, Inc. and Subsidiaries as of December 31, 1996 and 1995, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

GRANT THORNTON LLP

Dallas, Texas
February 19, 1997

Renters Choice, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

	1996	1995
ASSETS		
Cash and cash equivalents	$ 5,919,894	$ 35,321,338
Rental merchandise, net		
On rent	71,619,875	49,700,354
Held for rent	23,490,515	14,539,645
Accounts receivable - trade, net of allowance of $255,812	3,020,631	--
Prepaid expenses and other assets	2,285,044	2,391,220
Property assets, net	12,715,593	7,375,667
Refundable income taxes	2,084,244	1,440,223
Deferred income taxes	6,138,566	6,976,576
Intangible assets, net	47,192,380	29,549,275
	$174,466,742	$ 147,294,298
LIABILITIES		
Revolving credit agreement	$ 14,435,000	$ --
Accounts payable - trade	17,047,592	3,288,069
Accrued liabilities	12,923,664	6,672,608
Other debt	4,557,678	40,849,605
	48,963,934	50,810,282
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 5,000,000 shares authorized; none issue	--	--
Common stock, $.01 par value; 50,000,000 shares authorized; 24,791,085 and 24,378,108 shares issued and outstanding in 1996 and 1995, respectively	247,911	243,781
Additional paid-in capital	98,009,773	87,919,305
Unamortized value of stock award	--	(897,890)
Retained earnings	27,245,124	9,218,820
	125,502,808	96,484,016
	$174,466,742	$ 147,294,298

The accompanying notes are an integral part of these statements.

Renters Choice, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31,

	1996	1995	1994
Revenue			
Store			
Rentals and fees	$ 198,485,710	$ 126,263,843	$70,589,571
Merchandise sales	10,604,158	6,382,879	3,469,842
Other	686,540	642,471	325,277
Franchise			
Franchise merchandise sales	25,228,995	--	--
Royalty income and fees	2,959,302	--	--
	237,964,705	133,289,193	74,384,690
Operating expenses			
Direct store expenses			
Depreciation of rental merchandise	42,977,703	29,639,965	15,614,320
Cost of merchandise sold	8,356,714	4,953,675	2,914,453
Salaries and other expenses	116,577,020	70,012,036	37,786,033
Franchise operating expense			
Cost of franchise merchandise sales	24,010,304	--	--
	191,921,741	104,605,676	56,314,806
General and administrative expenses	10,110,868	5,766,115	2,809,222
Amortization of intangibles	4,890,928	3,109,067	6,022,136
Total operating expenses	206,923,537	113,480,858	65,146,164
Operating profit	31,041,168	19,808,335	9,238,526
Interest expense	606,178	2,202,427	2,159,445
Interest income	(666,957)	(890,457)	--
Earnings before income taxes	31,101,947	18,496,365	7,079,081
Income tax expense	13,075,643	7,784,205	1,600,290
NET EARNINGS	$ 18,026,304	$ 10,712,160	$ 5,478,791
Earnings per share	$0.72	$0.52	

The accompanying notes are an integral part of these statements.

Renters Choice, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	TALLEY LEASE TO OWN, INC.		RENTERS CHOICE, INC.			
			COMMON STOCK		TREASURY STOCK	
	COMMON STOCK	TREASURY STOCK	SHARES	AMOUNT	SHARES	AMOUNT
Balance at January 1, 1994	$ 248,533	$ --	989,125	$ 52,825	8,000	$ (4,495)
Net earnings	--	--	--	--	--	--
Purchase of treasury stock	--	(2,007)	--	--	8,500	(12,875)
Exercise of stock options	26,275	--	9,875	87,256	(7,000)	3,568
Retirement of treasury stock	--	--	(9,500)	(13,802)	(9,500)	13,802
Distributions	--	--	--	--	--	--
Balance at December 31, 1994	274,808	(2,007)	989,500	126,279	--	--
Net earnings	--	--	--	--	--	--
Dividends paid	--	--	--	--	--	--
Restructuring and merger of companies	(274,808)	2,007	3,310,036	(83,284)	--	--
Contribution of undistributed S corporation earnings	--	--	--	--	--	--
Initial public offering of common stock	--	--	2,587,500	25,875	--	--
Issuance of common stock under stock option plan	--	--	1,500	15	--	--
Three-for-two common stock split effected in the form of a dividend	--	--	3,444,268	34,443	--	--
Two-for-one common stock split effected in the form of a dividend	--	--	10,332,804	103,328	--	--
Stock award	--	--	62,500	625	--	--
Amortization of stock award	--	--	--	--	--	--
Public offering of common stock	--	--	3,650,000	36,500	--	--
Balance at December 31, 1995	--	--	24,378,108	243,781	--	--
Net earnings	--	--	--	--	--	--
Amortization of stock award	--	--	--	--	--	--
Termination of stock award	--	--	(37,500)	(375)	--	--
Exercise of stock options	--	--	107,302	1,073	--	--
Tax benefits related to exercise of stock options	--	--	--	--	--	--
Acquisition of ColorTyme, Inc.	--	--	343,175	3,432	--	--
Balance at December 31, 1996	$ --	$ --	24,791,085	$ 247,911	--	$ --

	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNAMORTIZED VALUE OF STOCK AWARD	TOTAL
Balance at January 1, 1994	$ --	$ 3,870,951	$ --	$ 4,167,814
Net earnings	--	5,478,791	--	5,478,791
Purchase of treasury stock	--	--	--	(14,882)
Exercise of stock options	--	--	--	117,099
Retirement of treasury stock	--	--	--	--
Distributions	--	(463,195)	--	(463,195)
Balance at December 31, 1994	--	8,886,547	--	9,285,627
Net earnings	--	10,712,160	--	10,712,160
Dividends paid	--	(1,493,340)	--	(1,493,340)
Restructuring and merger of companies	116,379	239,706	--	--
Contribution of undistributed S corporation earnings	9,126,253	(9,126,253)	--	--
Initial public offering of common stock	23,370,382	--	--	23,396,257
Issuance of common stock under stock option plan	9,985	--	--	10,000
Three-for-two common stock split effected in the form of a dividend	(34,443)	--	--	--
Two-for-one common stock split effected in the form of a dividend	(103,328)	--	--	--
Stock award	960,313	--	(960,938)	--
Amortization of stock award	--	--	63,048	63,048
Public offering of common stock	54,473,764	--	--	54,510,264
Balance at December 31, 1995	87,919,305	9,218,820	(897,890)	96,484,016
Net earnings	--	18,026,304	--	18,026,304
Amortization of stock award	--	--	321,327	321,327
Termination of stock award	(576,188)	--	576,563	--
Exercise of stock options	694,848	--	--	695,921
Tax benefits related to exercise of stock options	460,182	--	--	460,182
Acquisition of ColorTyme, Inc.	9,511,626	--	--	9,515,058

Balance at December 31, 1996	$ 98,009,773	$ 27,245,124	$ --	$ 125,502,808

The accompanying notes are an integral part of this statement.

Renters Choice, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

	1996	1995	1994
Cash flows from operating activities			
Net earnings	$ 18,026,304	$ 10,712,160	$ 5,478,791
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation of rental merchandise	42,977,703	29,639,965	15,614,320
Depreciation of property assets	3,680,167	2,130,135	1,184,690
Amortization of intangibles	4,890,928	3,109,067	6,022,136
Deferred income taxes	4,961,226	1,406,130	--
Other	24,135	(91,232)	18,206
Changes in operating assets and liabilities			
Rental merchandise	(64,926,691)	(39,220,113)	(23,038,794)
Accounts receivable - trade	(602,517)	--	--
Prepaid expenses and other assets	547,059	(937,130)	(305,754)
Accounts payable - trade	10,744,425	(27,781)	802,721
Accrued liabilities	(939,119)	183,308	325,142
Income taxes	(23,062)	(1,698,909)	108,763
Net cash provided by operating activities	19,360,558	5,205,600	6,210,221
Cash flows from investing activities			
Purchase of property assets	(8,186,607)	(3,472,963)	(1,714,879)
Proceeds from sale of property assets	302,515	414,127	156,870
Acquisitions of businesses	(28,366,616)	(21,679,967)	--
Net cash used in investing activities	(36,250,708)	(24,738,803)	(1,558,009)
Cash flows from financing activities			
Proceeds from public stock offerings	--	77,906,521	--
Purchase of treasury stock	--	--	(14,882)
Exercise of stock options	695,921	10,000	117,099
Distributions to stockholders	--	(1,493,340)	(463,195)
Proceeds from debt	37,732,462	33,083,502	38,313,082
Repayments of debt	(72,277,971)	(49,843,143)	(42,522,026)
Repayments of note payable to stockholder	--	(6,250,000)	--
Sale of notes receivable	21,338,294	--	--
Net cash provided by (used in) financing activities	(12,511,294)	53,413,540	(4,569,922)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,401,444)	33,880,337	82,290
Cash and cash equivalents at beginning of year	35,321,338	1,441,001	1,358,711
Cash and cash equivalents at end of year	$ 5,919,894	$ 35,321,338	$ 1,441,001

Renters Choice, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Year ended December 31,

	1996	1995	1994
Supplemental cash flow information			
Cash paid during the year			
Interest	$ 929,000	$1,711,000	$2,030,000
Income taxes	$8,426,000	$7,764,000	$1,245,000

Supplemental schedule of noncash investing activities

In conjunction with the businesses acquired, liabilities were assumed as follows:

	1996	1995
Fair value of assets acquired	$ 57,222,608	$ 68,284,691
Stock and options issued	(9,515,058)	--
Cash paid	(28,366,616)	(21,679,967)
Liabilities assumed	$ 19,340,934	$ 46,604,724

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF ACCOUNTING POLICIES AND NATURE OF OPERATIONS

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

PRINCIPLES OF CONSOLIDATION

The accompanying 1996 financial statements include the accounts of Renters Choice, Inc. (Renters Choice) and its subsidiary ColorTyme, Inc. (ColorTyme) (collectively, the Company). The accompanying 1995 financial statements include the accounts of Renters Choice and its subsidiary, Pro Rental, Inc. (Pro Rental). On January 1, 1996, Pro Rental merged into Renters Choice. The accompanying 1994 financial statements include the accounts of Renters Choice and its affiliate, Talley Lease To Own, Inc. (Talley LTO). Both companies were under common control. Effective January 1, 1995, Talley LTO merged into Renters Choice.

All significant intercompany accounts and transactions have been eliminated.

NATURE OF OPERATIONS

The Company leases household durable goods to customers on a rent-to-own basis. At December 31, 1996, the Company operated 423 stores which were located throughout the United States and the Commonwealth of Puerto Rico (eleven stores).

ColorTyme is a nationwide franchisor of television, stereo and furniture rental centers. ColorTyme's primary source of revenues is the sale of rental equipment to its franchisees, who, in turn, offer the equipment to the general public for rent or purchase under a rent-to-own program. The balance of ColorTyme's revenues are generated primarily from royalties based on the franchisee's monthly gross revenues. At December 31, 1996, there were approximately 294 franchised rental centers operating in 40 states.

RENTAL MERCHANDISE

Rental merchandise is carried at the lower of cost or net realizable value. Depreciation is provided using the income forecasting method which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental merchandise. The consumption of rental merchandise occurs during periods of rental and directly coincides with the receipt of rental revenue over the rental-purchase agreement period, generally 18 to 24 months. Under the income forecasting method, merchandise held for rent is not depreciated, and merchandise on rent is depreciated in the proportion of rents received to total rents provided in the rental contract, which is an activity based method similar to the units of production method.

CASH EQUIVALENTS

For purposes of reporting cash flows, cash equivalents include all highly liquid investments with an original maturity of three months or less.

NOTE A - SUMMARY OF ACCOUNTING POLICIES AND NATURE OF OPERATIONS - Continued

RENTAL REVENUE AND FEES

Merchandise is rented to customers pursuant to rental-purchase agreements which provide for weekly or monthly rental terms with nonrefundable rental payments. Generally, the customer has the right to acquire title either through a purchase option or through payment of all required rentals. Rental revenue and fees are recognized over the rental term. No revenue is accrued because the customer can cancel the rental contract at any time and the Company cannot enforce collection for nonpayment of rents. A provision is made for estimated losses of rental merchandise damaged or not returned by customers.

ColorTyme's revenue from the sale of rental equipment is recognized upon shipment of the equipment to the franchisee.

PROPERTY ASSETS AND RELATED DEPRECIATION

Furniture, equipment and vehicles are stated at cost. Depreciation is provided over the estimated useful lives of the respective assets (generally five years) by the straight-line method. Leasehold improvements are amortized over the term of the applicable leases by the straight-line method.

INTANGIBLE ASSETS AND AMORTIZATION

Intangible assets are stated at cost less amortization calculated by the straight-line method.

ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS

The Company evaluates long-lived assets used for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment is recognized when the carrying amounts of such assets cannot be recovered by the undiscounted net cash flows they will generate.

INCOME TAXES

Prior to 1995, Renters Choice and Talley LTO were S corporations. As a result, there is no provision for Federal income taxes for 1994 in the accompanying financial statements, as such taxes are the responsibility of the individual stockholders. However, the Company has provided for state and foreign income taxes for which it is responsible.

Effective January 1, 1995, the Company terminated its S corporation status and became a C corporation and, therefore, is now subject to Federal income taxes. The Company provides deferred taxes for temporary differences between the tax and financial reporting bases of assets and liabilities at the rate expected to be in effect when taxes become payable.

EARNINGS PER SHARE

Earnings per share is based upon the weighted average number of common shares and common share equivalents outstanding during each period presented. Common share equivalents included in the computation represent shares issuable upon assumed exercise of stock options. Weighted average shares entering into the computation are 25,064,930 and 20,794,065 for the years ended December 31, 1996 and 1995, respectively. Such shares have been restated to reflect the stock splits and the merger effective January 1, 1995. Earnings per share are not presented for 1994 because the Company was an S corporation and net earnings for 1994 is not comparable to 1996 and 1995.

NOTE A - SUMMARY OF ACCOUNTING POLICIES AND NATURE OF OPERATIONS - Continued

ADVERTISING COSTS

Costs incurred for producing and communicating advertising are expensed when incurred. Advertising expense was $10.6 million, $6.4 million and $3.5 million in 1996, 1995 and 1994, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial statements include estimated fair value information of financial instruments. Such information does not purport to represent the aggregate net fair value of the Company. Further, the fair value estimates are based on various assumptions, methodologies and subjective considerations which vary widely among different companies and which are subject to change. The following methods and assumptions were used by the Company in estimating financial instrument fair values:

CASH AND CASH EQUIVALENTS: The balance sheet carrying amounts approximate the estimated fair values of such assets.

DEBT: For variable rate debt that reprices frequently and entails no significant change in credit risk, fair values are based on the carrying values. The fair values of other debt is estimated based on discounted cash flow analysis using interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire that stock.

USE OF ESTIMATES

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues during the reporting period. Actual results could differ from those estimates.

NOTE B - ACQUISITIONS

On May 15, 1996 the Company acquired all the outstanding common stock of ColorTyme for $14.5 million, including acquisition costs, comprised of cash of $4.7 million and 343,175 shares of the Company's common stock and 314,000 options for the Company's common stock valued at $3.0 million.

NOTE B - ACQUISITIONS - Continued

Immediately following the purchase of ColorTyme by the Company, ColorTyme sold its loan portfolio (with certain recourse provisions) to a third party for approximately $21.7 million. No gain or loss was recognized on the sale. ColorTyme simultaneously paid off notes payable owed to a finance company of approximately $13.2 million.

The Company acquired the assets of an additional eighty-eight stores in twenty-three transactions during 1996, for approximately $25.6 million in cash and $1.8 million in notes.

In April 1995, the Company acquired 72 stores from Crown Leasing Corporation and certain of its affiliates (Crown) for a cash purchase price of approximately $20.6 million.

In September 1995, the Company completed the acquisition of 135 rent-to-own stores through the purchase of the common stock of Pro Rental, doing business as Magic Rent-to-Own and Kelway Rent-to-Own. The total purchase price was approximately $38.4 million, which was paid in cash and notes.

All acquisitions have been accounted for as purchases and the operating results of the acquired stores have been included in the financial statements of the Company since their acquisition.

The following unaudited pro forma information combines the results of operations as if the acquisitions had been consummated as of the beginning of each of the years presented, after including the impact of adjustments for amortization of intangibles and interest expense on acquisition borrowings:

	1996	1995
Revenue	$268,404,000	$217,629,000
Net earnings	$ 18,246,000	$ 9,759,000
Earnings per common share	$ .72	$ .46

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of operating results that would have occurred had the acquisition been consummated as of the above dates, nor are they necessarily indicative of future operating results.

NOTE C - RENTAL MERCHANDISE

	1996	1995
ON RENT		
Cost	$109,662,481	$77,279,439
Less accumulated depreciation	38,042,606	27,579,085
	$ 71,619,875	$49,700,354
HELD FOR RENT		
Cost	$ 27,804,654	$17,096,493
Less accumulated depreciation	4,314,139	2,556,848
	$ 23,490,515	$14,539,645

NOTE D - PROPERTY ASSETS

	1996	1995
Furniture and equipment	$ 9,258,658	$ 7,088,184
Delivery vehicles	2,711,359	2,096,807
Leasehold improvements	8,542,487	2,428,103
Construction in progress	235,834	655,041
	20,748,338	12,268,135
Accumulated depreciation	(8,032,745)	(4,892,468)
	$ 12,715,593	$ 7,375,667

NOTE E - INTANGIBLE ASSETS

	AMORTIZATION PERIOD	1996	1995
Customer rental agreements	18 months	$ 2,536,728	$ 2,751,500
Noncompete agreements	2 years	2,891,824	2,724,824
Consulting agreement	4 years	2,918,201	2,918,201
Franchise network	10 years	3,000,000	--
Goodwill	20 years	43,933,389	25,370,022
		55,280,142	33,764,547
Less accumulated amortization ...		8,087,762	4,215,272
		$47,192,380	$29,549,275

Customer rental agreements represent the projected discounted cash flows from open customer contracts of acquired stores at acquisition date and are amortized over the average stated term of the customer contract, 18 months. Noncompete agreements and the consulting agreement are amortized over the life of the respective agreements.

NOTE F - REVOLVING CREDIT AGREEMENT

On November 27, 1996, the Company entered into a $90 million three-year revolving credit agreement with a group of banks. Borrowings under the facility bear interest at a rate equal to a designated prime rate (8.25% at December 31, 1996) or 1.10% to 1.65% over LIBOR (5.6% at December 31, 1996) at the Company's option. At December 31, 1996, the average rate on outstanding borrowings was 6.9%. Borrowings are collateralized by a lien on substantially all of the Company's assets. A commitment fee equal to .30% to .50% of the unused portion of the term loan facility is payable quarterly. The weighted average interest rate under this facility was 6.7% during 1996. The credit facility includes certain net worth and fixed charge coverage requirements, as well as covenants which restrict additional indebtedness and the disposition of assets not in the ordinary course of business. Outstanding borrowings as of December 31, 1996 on the revolving credit agreement was $14,435,000.

NOTE G - ACCRUED LIABILITIES

	1996	1995
Taxes other than income	$ 2,871,794	$2,458,984
Accrued litigation costs	4,114,472	63,048
Accrued insurance costs	1,858,651	653,690
Accrued compensation and other	4,078,747	3,496,886
	$12,923,664	$6,672,608

NOTE H - OTHER DEBT

	1996	1995
Notes payable to former stockholders of Pro Rental, with principal and interest at 5.6% due at maturity in January 1996	$ --	$34,335,000
Obligation payable under noncompete agreement, due in 24 monthly installments of $125,000 commencing April 1, 1996, with interest imputed at 5.32%	1,825,669	2,831,697
Obligation payable under consulting agreement, in 96 monthly installments of $33,333 commencing May 1, 1993, with interest imputed at 5.32%	1,544,987	2,020,483
Obligations under noncompete agreements, due in 60 monthly installments of $32,500 commencing September 1, 1995 with interest imputed at 8.75%	1,187,022	1,489,832
Other	--	172,593
	$ 4,557,678	$40,849,605

Interest expense on loans made to the Company by the Chief Executive Officer amounted to $55,000 in 1995 and $578,875 in 1994. The loans were repaid in 1995.

The following are scheduled maturities of debt at December 31, 1996:

YEAR ENDING DECEMBER 31,	
1997	$2,289,323
1998	789,670
1999	713,261
2000	633,557
2001	131,867
	$4,557,678

NOTE I - INCOME TAXES

The income tax provision was comprised of the following components:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Current			
Federal	$ 5,261,991	$3,837,097	$ --
State	1,296,506	1,226,967	255,930
Foreign	1,555,920	1,314,011	1,344,360
Total current	8,114,417	6,378,075	1,600,290
Deferred			
Federal	3,865,918	1,238,129	--
State	1,095,308	168,001	--
Total deferred	4,961,226	1,406,130	--
Total	$13,075,643	$7,784,205	$1,600,290

The income tax provision reconciled to the tax computed at the statutory Federal rate was:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Tax at statutory rate	34.0%	34.0%	34.0%
Taxes allocated to shareholders pursuant to subchapter S election	--	--	(34.0)
State income taxes, net of federal benefit	5.1	4.9	3.6
Effect of foreign operations, net of foreign tax credits	.5	1.0	19.0
Goodwill amortization	1.8	.7	--
Other, net	.6	1.5	--
Total	42.0%	42.1%	22.6%

Deferred tax assets and liabilities consist of the following:

	DECEMBER 31,	
	1996	1995
Deferred tax assets		
Net operating loss carryforwards		
Federal	$ 4,594,983	$ 4,332,151
State, net of federal benefit	3,102,591	3,129,095
Accrued expenses	1,956,637	573,830
Intangible assets	835,407	63,071
Property assets	166,422	1,143,692
Alternative minimum tax carryforward	463,000	--
Other	676,596	863,832
	11,795,636	10,105,671
Less valuation allowance	3,417,591	3,129,095
	8,378,045	6,976,576
Deferred tax liability		
Rental merchandise	2,239,479	--
Net deferred tax asset	$ 6,138,566	$ 6,976,576

NOTE I - INCOME TAXES - Continued

The Company has Federal net operating loss carryforwards of $12.2 million at December 31, 1996 which were acquired in connection with the ColorTyme and Pro Rental acquisitions. The use of Federal carryforwards which expire between 2005 and 2010 are limited to approximately $3.5 million per year. Because of uncertainties with respect to allocation of future taxable income to the various states, a valuation allowance has been provided against these carryforwards. If utilized, the tax benefit will reduce goodwill.

Realization of the net deferred tax asset is dependent on generating sufficient taxable income prior to expiration of the carryforwards. Although realization is not assured, management believes it is more likely than not that all of the net deferred tax asset will be realized.

NOTE J - COMMITMENTS AND CONTINGENCIES

The Company leases its office and store facilities and certain delivery vehicles. Rental expense was $15.7 million, $9.4 million and $4.4 million for 1996, 1995 and 1994, respectively. Future minimum rental payments under operating leases with remaining noncancellable lease terms in excess of one year at December 31, 1996 are as follows:

YEAR ENDING DECEMBER 31,	
1996	$11,425,814
1997	8,801,460
1998	6,283,672
1999	4,006,090
2000	2,280,726
Thereafter	1,223,758
	$34,021,520

The Company has agreed to indemnify its original stockholders against any additional income tax liabilities incurred by them attributable to the Company's operations during taxable periods in which the Company was an S Corporation.

The Company is one of the defendants in a class action lawsuit which alleges that certain rent-to-own contracts entered into between Crown and the plaintiffs included fees and expenses that violated the New Jersey Consumer Fraud Act and the New Jersey Retail Installment Sales Act. The plaintiffs have obtained summary judgment against Crown, reserving damages for trial. Although the Company believes it has taken appropriate steps to defend itself, the ultimate outcome of this lawsuit cannot presently be determined.

ColorTyme and the Company are defendants in a class action lawsuit which alleges that contracts for rent-to-own transactions violated the Wisconsin Consumer Act. The plaintiffs allege the contracts were consumer credit transactions for which ColorTyme failed to provide required disclosures and violated collection practice restrictions. The plaintiffs' complaint seeks damages in an unspecified amount. Discovery in the case is ongoing and no trial date has been scheduled. The ultimate outcome of this lawsuit cannot presently be determined.

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

The Company is also involved in various other litigation and administrative proceedings in the normal course of business.

Management believes that any losses that may result from these matters are reasonably provided for in its accrued litigation costs at December 31, 1996.

NOTE K - STOCK BASED COMPENSATION

In November 1994, the Company established a long term incentive plan (the Plan) for the benefit of certain key employees and directors. Under the plan, up to 2,000,000 shares of the Company's shares are reserved for issuance under stock options, stock appreciation rights or restricted stock grants. Options granted to employees under the plan become exercisable over a period of one to five years from the date of grant and may be exercised up to a maximum of 10 years from date of grant. Options granted to directors are exercisable immediately. Effective September 11, 1995, the Company granted a stock award to an employee for 62,500 shares of common stock subject to forfeiture on termination of employment in certain circumstances. The amount of shares subject to forfeiture is reduced by 20% for each year of employment served. At the date of grant, the fair value of such shares was $960,938. Compensation is charged to earnings over the five years and amounted to approximately $320,000 and $63,000 in 1996 and 1995, respectively. Upon termination of employment in 1996, 37,500 shares were forfeitured in a negotiated settlement with the Company. There have been no grants of stock appreciation rights and all options had been granted with fixed prices. At December 31, 1996, there were 875,950 shares reserved for issuance under the Plan.

The Company has adopted only the disclosure provisions of SFAS 123 for employee stock options and continues to apply APB 25 for stock options granted under the Plan. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. Compensation costs for all other stock-based compensation is accounted for under SFAS 123. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for options under the Plan consistent with the methodology prescribed by SFAS 123, the Company's 1996 and 1995 net earnings and earnings per share would be reduced to the pro forma amounts indicated as follows:

	1996	1995
Net earnings		
As reported	$ 18,026,000	$ 10,712,000
Pro forma	$ 16,469,000	$ 10,494,000
Earnings per common share		
As reported	$.72	$.52
Pro forma	$.66	$.50

NOTE K - STOCK BASED COMPENSATION - Continued

The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected volatility of 50 percent; risk-free interest rates of 5.75 percent; no dividend yield; and expected lives of seven years.

Additional information with respect to options outstanding under the Plan at December 31, 1996, and changes for the two years then ended was as follows:

	1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	906,000	$ 7.10
Granted	695,000	22.22
Exercised	(109,700)	7.45
Forfeited	(349,250)	13.81
Outstanding at end of year	1,142,050	15.74
Options exercisable at December 31, 1996	127,800	$ 9.64
Weighted average fair value per share of options granted during 1996	$13.35	

	1995	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	--	$ --
Granted	1,204,500	8.75
Exercised	(3,000)	3.34
Forfeited	(295,500)	8.00
Outstanding at end of year	906,000	9.02
Options exercisable at December 31, 1995	24,000	$ 3.34

NOTE K - STOCK BASED COMPENSATION - Continued

Information about stock options outstanding at December 31, 1996 is summarized as follows:

	OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$3.34 to 6.67	443,050	8.35 years	$ 6.49
$6.68 to 18.50	331,500	9.11 years	16.38
$18.51 to $26.75	367,500	9.45 years	26.32
	1,142,050		

	OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$3.34 to 6.67	75,175	$ 5.61
$6.68 to 18.50	52,625	15.39
$18.51 to $26.75	-	
	127,800	

Prior to December 1994, Renters Choice, Inc. and Talley LTO had book value stock option plans. In December 1994, the Company terminated the plans. Under the plans, options were granted to key employees for the purchase of common stock at book value, as defined by the plans, at the date of grant. Options granted generally became exercisable either immediately or over a three-year period. Stock acquired under the plans was subject to a Stock Restriction Agreement which restricted sale of stock to the Company only, at a price equal to current book value, as defined. At December 31, 1994, all options previously granted had been exercised or canceled.

Activity under these plans in 1994 was as follows:

RENTERS CHOICE, INC.	OPTIONS	PRICE
Outstanding at January 1, 1994	14,875	$0 - $0.73
Granted	5,000	$ 1.93
Exercised	(16,875)	$0 - $1.93
Canceled	(3,000)	$0.74 - $1.93
Outstanding at December 31, 1994	--	

TALLEY LEASE TO OWN, INC.		
Outstanding at January 1, 1994	--	
Granted	9,200	$0.86
Exercised	(7,700)	$0.86
Canceled	(1,500)	$0.86
Outstanding at December 31, 1994	--	

Compensation expense was $97,920 for the year ended December 31, 1994.

NOTE L - MERGER OF TALLEY LEASE TO OWN, INC. INTO RENTERS CHOICE, INC. AND STOCK SPLITS

On January 1, 1995, the Company effected an approximately 3.624-for-1 split of its common stock through the distribution of approximately 2.624 additional shares of common stock as a dividend with respect to each then outstanding share of common stock. Immediately thereafter, Talley LTO merged with and into Renters Choice, Inc. and each Talley LTO stockholder received approximately .354 post-split shares of the Company. The merger was accounted for at historical cost in a manner similar to a pooling of interests.

In June 1995, the Company effected a 3 for 2 split of its common stock through the distribution of one-half additional share of common stock as a dividend with respect to each outstanding share of common stock.

On September 11, 1995, the Board of Directors approved a 2 for 1 stock split, to be effected as a 100% stock dividend for shareholders of record as of September 29, 1995.

All share and per share data has been retroactively restated to reflect these transactions.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents and debt. The carrying amount and fair value of debt was $18,992,678 and $18,871,000, respectively, at December 31, 1996. The carrying amount of cash and cash equivalent approximates fair value at December 31, 1996.

NOTE N - UNAUDITED QUARTERLY DATA

Summarized quarterly financial data for 1996 and 1995 is as follows:

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Year ended December 31, 1996				
Revenue	$49,002	$57,756	$60,025	$71,182
Operating profit	6,344	7,558	7,957	9,183
Net earnings	3,617	4,369	4,729	5,311
Earnings per share	$ 0.15	$ 0.17	$ 0.19	$ 0.21
Year ended December 31, 1995				
Revenue	$21,045	$28,927	$36,659	$46,658
Operating profit	3,795	4,992	5,429	5,592
Net earnings	1,987	2,627	2,921	3,177
Earnings per share	$ 0.11	$ 0.13	$ 0.14	$ 0.14

EXHIBIT 10.2

RENTERS CHOICE, INC.

REVOLVING CREDIT AGREEMENT

DATED AS OF NOVEMBER 27, 1996

COMERICA BANK, AS AGENT

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EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT ("Agreement") is made as of the 27th day of November, 1996, by and among Comerica Bank-Texas and the other financial institutions from time to time parties hereto as lenders of the Revolving Credit (individually, "Revolving Credit Bank", and collectively "Revolving Credit Banks"), Comerica Bank-Texas, as lender of the Swing Line Credit ("Swing Line Bank" and together with Revolving Credit Banks, collectively referred to as the "Banks") Comerica Bank, as agent for the Banks (in such capacity, "Agent"), and Renters Choice, Inc., a Delaware corporation ("Company").

COMPANY, AGENT AND BANKS AGREE:

1. DEFINITIONS

For the purposes of this Agreement the following terms will have the following meanings:

"Account Party(ies)" shall mean, with respect to any Letter of Credit, the account party or parties (which shall be Company, individually, or ColorTyme jointly and severally with Company) named in an application to the Issuing Bank for the issuance of such Letter of Credit.

"Advance(s)" shall mean Revolving Credit Advance(s) and Swing Line Advance(s).

"Affected Lender" shall have the meaning set forth in Section 12.8.

"Affiliate" shall mean, with respect to any Person, any other Person or group acting in concert in respect of the first Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with such first Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person or group of Persons, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise. Unless otherwise specified to the contrary herein, or the context requires otherwise, Affiliate shall refer to the Company's Affiliates.

"Agent" shall mean Comerica Bank, in its capacity as agent for the Banks hereunder, or any successor agent appointed in accordance with Section 13.4 hereof.

"Agent's Fees" shall mean those agency, and other fees and expenses required to be paid by Company to Agent under Section 13.7 hereof.

"Alternate Base Rate" shall mean, for any day, an interest rate per annum equal to the Federal Funds Effective Rate in effect on such day, plus one percent (1%).

"Applicable Commitment Fee Percentage" shall mean as of any date of determination thereof, the applicable percentage used to calculate the Revolving Credit Commitment Fee due and payable hereunder, determined (based upon the Fixed Charge Coverage Ratio) by reference to the appropriate columns in the pricing matrix attached to this Agreement as Schedule 1.1.

"Applicable L/C Fee Percentage" shall mean, as of any date of determination thereof, the applicable percentage used to calculate the Letter of Credit Fees due and payable hereunder, determined (based upon the Fixed Charge Coverage Ratio) by reference to the appropriate columns in the pricing matrix attached to this Agreement as Schedule 1.1.

"Applicable Interest Rate" shall mean (i) in respect of a Revolving Credit Advance, the Eurocurrency-based Rate or the Primebased Rate, applicable to such Advance (in the case of a Eurocurrency-based Advance, for the relevant Interest Period), and (ii) in respect of a Swing Line Advance, the Prime-based Rate or the Quoted Rate, applicable to such Advance, for the relevant Interest Period, as selected by Company from time to time subject to the terms and conditions of this Agreement.

"Average Receipts" shall mean, as of any date of determination, an amount calculated by taking the sum of the highest two of the immediately preceding three calendar months' Rental Receipts, dividing such sum by two, and multiplying the quotient by four. For the purposes of this definition, "Rental Receipts" shall mean, as of any date of determination, the amount of gross rental payments (including the amount of each such payment allocated to insurance, delivery, reinstatement and late fees, but excluding amounts allocated to any sales tax, early payouts and cash sales) received by the Company or any Subsidiary in collected funds from the related Obligor under any Rental Contract; and shall include rental payments received under any Rental Contracts originated by a Person prior to the time such Person became a Subsidiary of the Company (so long as such Person is a Subsidiary on the applicable date of determination) and under any Rental Contracts acquired by the Company or any Subsidiary of the Company, in either case pursuant to a Permitted Acquisition (though such rental payments were not received by the Company or such Subsidiary).

"Banks" shall mean Comerica Bank-Texas ("Comerica") and such other financial institutions from time to time parties hereto as lenders and shall include the Revolving Credit Banks and the Swing Line Bank and any assignee which becomes a Bank pursuant to Section 14.8 hereof.

"Borrowing Base" shall mean, as of any date of determination, the lesser of the (a) Average Receipts and (b) 50% of the Rental Income Value.

"Borrowing Base Certificate" shall mean a borrowing base certificate, substantially in the form of Exhibit K, with appropriate insertions and executed by a Responsible Officer.

"Business Day" shall mean any day on which commercial banks are open for domestic and international business in Detroit, London and New York.

"Capital Expenditures" shall mean, without duplication, any amounts accrued in respect of a period in respect of any purchase or other acquisition for value of fixed or capital assets; provided that, in no event shall Capital Expenditures include amounts expended in respect of normal repair and maintenance of plant facilities, machinery, fixtures and other like capital assets utilized in the ordinary conduct of business (to the extent such amounts would not be capitalized in preparing a balance sheet determined in accordance with GAAP).

"Collateral" shall mean all property or rights in which a security interest, mortgage, lien or other encumbrance for the benefit of the Banks is or has been granted or arises or has arisen, under or in connection with this Agreement, the Loan Documents, or otherwise.

"ColorTyme" shall mean ColorTyme, Inc., a Texas corporation.

"Commonly Controlled Entity" shall mean an entity, whether or not incorporated, which is under common control with the Company within the meaning of Section 4001 of ERISA or which is part of a group which includes the Company and which is treated as a single employer under Section 414 of the Internal Revenue Code.

"Company" is defined in the Preamble.

"Consumer Credit Laws" shall mean the requirements of all applicable federal, state and local laws, ordinances, codes, rules, regulations and guidelines (including consent decrees and administrative orders) relating to consumer credit and protection or the rent-to-own industry, including without limitation, usury laws, the Federal Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Federal

Trade Commission Act, the Magnuson-Moss Warranty Act, Federal Reserve Board Regulations B, M and Z, state adaptations of the National Consumer Act and of the Uniform Consumer Credit Code, and laws regarding unfair and deceptive practices, and any and all other Consumer Credit Laws regarding the ability of a Person to charge interest or a time price differential at a certain rate, and any equal credit opportunity, discrimination and other disclosure laws and any other consumer credit or equal opportunity disclosure.

"Contractual Obligation" shall mean as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Covenant Compliance Report" shall mean the report to be furnished by Company to the Agent pursuant to Section 8.2(a) hereof, in the form of attached Exhibit H and certified by a Responsible Officer, in which report Company shall set forth, among other things, detailed calculations and the resultant ratios or financial tests with respect to the financial covenants contained in Sections 8.9 through 8.11 and Sections 9.6 and 9.8 of this Agreement.

"Debt" shall mean, as of any applicable date of determination, all items of indebtedness, obligation or liability of a Person, whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, joint or several, that should be classified as liabilities in accordance with GAAP, including without limitation, any items so classified on a balance sheet or the accompanying footnotes and any reimbursement obligations in respect of letters of credit, obligations in respect of bankers acceptances, payment obligations, if any, under interest rate protection agreements (including without limitation interest rate swaps and similar agreements), and currency swaps and hedges and similar agreements; provided, however that for purposes of calculating the aggregate Debt of such Person and its Subsidiaries (if any), the direct and indirect and absolute and contingent obligations of such Person (whether direct or contingent) shall be determined without duplication.

"De Minimis Matters" shall mean environmental or other matters, the existence of which and any liability which may result therefrom, would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the financial condition or businesses of the Company and its Subsidiaries (taken as a whole) or on the ability of the Company and Subsidiaries (taken as a whole) to pay their debts, as such debts become due.

"Default" shall mean any event which with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Agreement.

"Dollars" and the sign "$" shall mean lawful money of the United States of America.

"EBITDAR" of any Person shall mean, for any period, the sum of (a) net income (or loss) for such period, PLUS (b) to the extent deducted in the computation of such net income (or loss), (i) all amounts treated as expenses for depreciation of fixed assets, amortization of intangible assets and interest paid or payable on the Debt of such Person for such period, (ii) all accrued taxes on or measured by income and (iii) the amount of all Rental Expenses, determined in each case in accordance with GAAP.

"Effective Date" shall mean the date on which all the conditions precedent set forth in Sections 6.1 through 6.10 have been satisfied.

"Eligible Rental Contract" shall mean a Rental Contract which has been included in a Borrowing Base Certificate to determine the Borrowing Base and as to which Rental Contract the following is true and accurate as of the time it was utilized to determine the Borrowing Base and as of the time the Company has requested an Advance to be based in part thereon:

(a) it is substantially in the form of the current form of rental contract for the rental of goods with option to purchase approved for use in each state in which such contract is intended to be used as customized to meet the legal requirements of each such state by the Association of Progressive Rental Organizations; and

(b) it (and the interest of Company or the applicable Subsidiary thereunder) has not been sold, transferred or otherwise assigned or encumbered by the Company or such Subsidiary to any Person, other than to the Banks as security for the Indebtedness hereunder; and

(c) the related Obligor thereunder is not an Affiliate of the Company; and

(d) as of the last Saturday in the calendar month referenced in such Borrowing Base Certificate, the Rental Contract remains in full force and effect and it is a valid, binding and enforceable obligation of such Obligor; and

(e) it complied at the time it was originated or made, and is currently in compliance in all respects, with all applicable laws, rules and regulations, including any Consumer Credit Laws; and

(f) subject to repair or replacement thereof by the Company or the applicable Subsidiary in accordance with the its obligations under the applicable Rental Contract, the

goods covered by the applicable Rental Contract have been delivered to the related Obligor and, on the date of delivery, satisfied all warranties, expressed or implied, made or deemed to be made to such Obligor; and

(g) the Company or the applicable Subsidiary owns the goods free and clear of all liens or encumbrances, except the security interest granted by Company or such Subsidiary, as the case may be, to the Banks.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor act or code and the regulations in effect from time to time thereunder.

"Eurocurrency-based Advance" shall mean a Revolving Credit Advance which bears interest at the Eurocurrency-based Rate.

"Eurocurrency-based Rate" shall mean, with respect to any Eurocurrency-Interest Period, the per annum interest rate which is equal to the sum of the Margin plus the quotient of:

(A) the per annum interest rate at which deposits in eurodollars are offered to Agent's Eurocurrency Lending Office by other prime banks in the eurodollar market in an amount comparable to the relevant Eurocurrency-based Advance and for a period equal to the relevant Eurocurrency-Interest Period at approximately 11:00 a.m. Detroit time two (2) Business Days prior to the first day of such Eurocurrency-Interest Period, divided by

(B) an amount equal to one minus the stated maximum rate (expressed as a decimal) of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) that is specified on the first day of such Eurocurrency-Interest Period by the Board of Governors of the Federal Reserve System (or any successor agency thereto) for determining the maximum reserve requirement with respect to eurodollar funding (currently referred to as "eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System,

all as conclusively determined (absent manifest error) by the Agent, such sum to be rounded upward, if necessary, to the nearest whole multiple of 1/16th of 1%.

"Eurocurrency-Interest Period" shall mean the Interest Period applicable to a Eurocurrency-based Advance.

"Eurocurrency Lending Office" shall mean, (a) with respect to the Agent, Agent's office located at Grand Cayman, British West Indies or such other branch or branches of Agent, domestic or

foreign, as it may hereafter designate as a Eurocurrency Lending Office by notice to Company and the Banks, and (b) as to each of the Banks, its office, branch or affiliate located at its address set forth on the signature pages hereof (or identified thereon as a Eurocurrency Lending Office), or at such other office, branch or affiliate of such Bank as it may hereafter designate as its Eurocurrency Lending Office by notice to Company and Agent.

"Existing Credit Agreement" shall mean the Amended and Restated Loan Agreement dated April 13, 1996 by and between Intrust Bank, N.A. and the Company.

"Event of Default" shall mean each of the Events of Default specified in Section 10.1 hereof.

"Federal Funds Effective Rate" shall mean, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it, all as conclusively determined by the Agent, such sum to be rounded upward, if necessary, to the nearest whole multiple of 1/16th of 1%.

"Fees" shall mean the Revolving Credit Commitment Fee, the Letter of Credit Fees, the Agent's Fees, and the other fees and charges payable by Company to the Banks or Agent hereunder.

"Financial Statements" shall mean all those balance sheets, earnings statements and other financial data (whether of the Company or the Guarantors) which have been furnished to the Agent or the Banks for the purposes of, or in connection with, this Agreement and the transactions contemplated hereby.

"Financing Lease" shall mean, as applied to any Person, any lease of any personal property the discounted present value of the rental obligations of such Person as lessee under which, in conformity with GAAP, is required to be capitalized on the balance sheet of that Person, and shall exclude any Operating Leases.

"Fixed Charge Coverage Ratio" shall mean as of any date of determination, a ratio (i) the numerator of which shall be equal to the sum of EBITDAR for the preceding four fiscal quarters then ending, and (ii) the denominator of which shall be Fixed Charges.

"Fixed Charges" of any Person shall mean, for any date of determination for the preceding four fiscal quarters then ending, the sum, without duplication, of (i) all interest expense paid or

payable during such period on the Debt of such Person plus (ii) the amount of all Rental Expenses of such Person during such period, all determined in accordance with GAAP.

"GAAP" shall mean generally accepted accounting principles in the United States of America, as in effect on the date hereof, consistently applied.

"Governmental Obligations" means noncallable direct general obligations of the United States of America or obligations the payment of principal of and interest on which is unconditionally guaranteed by the United States of America.

"Guarantor(s)" shall mean each Subsidiary which guarantees the obligations of the Company hereunder and under the Loan Documents, and, as of the Effective Date, shall mean ColorTyme (and "Guarantors" shall not include ColorTyme Financial Services, Inc. or Colortyme Life Insurance Company).

"Guaranty" shall mean the Guaranty to be made by each of the Guarantors (whether by execution thereof, or by execution of the Joinder Agreement attached as "Exhibit A" to the form of such Guaranty) in favor of the Agent for the ratable benefit of the Banks, substantially in the form of Exhibit J, as amended or otherwise modified from time to time.

"Guarantee Obligation" shall mean as to any Person (the "guaranteeing person") (a) any obligation of the guaranteeing person or (b) any obligation of another Person (including, without limitation, any bank under any letter of credit), the creation of which was induced by a reimbursement, counter indemnity or similar obligation issued by the guaranteeing person, in either case guaranteeing or in effect guaranteeing any Debt, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of shall be deemed to be the lower of (a) an amount equal to the stated or

determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Company in good faith.

"Hazardous Material" shall mean and include any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Hazardous Material Laws.

"Hazardous Material Law(s)" shall mean all laws, codes, ordinances, rules, regulations, orders, decrees and directives issued by any federal, state, provincial, local, foreign or other governmental or quasi-governmental authority or body (or any agency, instrumentality or political subdivision thereof) pertaining to any hazardous, toxic or dangerous waste, substance or material on or about any facilities owned, leased or operated by Company or any of its Subsidiaries, or any portion thereof including, without limitation, those relating to soil, surface, subsurface ground water conditions and the condition of the ambient air; and any state and local laws and regulations pertaining to any hazardous, toxic or dangerous waste, substance or material and/or asbestos; any so-called "superfund" or "superlien" law; and any other federal, state, provincial, foreign or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect.

"Hereof", "hereto", "hereunder" and similar terms shall refer to this Agreement and not to any particular paragraph or provision of this Agreement.

"Indebtedness" shall mean all indebtedness and liabilities (including without limitation interest, fees and other charges) arising under this Agreement or any of the other Loan Documents, whether direct or indirect, absolute or contingent, of Company or any Guarantor to any of the Banks or to the Agent, in any manner and at any time, whether evidenced by the Notes, arising under any Guaranty, or any of the other Loan Documents, due or hereafter to become due, now owing or that may hereafter be incurred by Company or any Guarantor to, any of the Banks or by Agent, and any judgments that may hereafter be rendered on such indebtedness or any part thereof, with interest according to the rates and terms specified, or as provided by law, and any and all consolidations, amendments, renewals, replacements, substitutions or extensions of any of the foregoing; provided, however that for purposes of calculating the Indebtedness outstanding under the Notes or any of

the other Loan Documents, the direct and indirect and absolute and contingent obligations of the Company and the Guarantors (whether direct or contingent) shall be determined without duplication.

"Interest Period" shall mean (a) with respect to a Eurocurrency-based Advance, one (1), two (2), three (3) or six (6) months (or any lesser or greater number of days agreed to in advance by Company, Agent and the Revolving Credit Banks) as selected by Company pursuant to Section 2.3, provided, however, that any Eurocurrency-Interest Period which commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month and (b) with respect to a Swing Line Advance, shall mean a period of one (1) to thirty (30) days agreed to in advance by Company and the Swing Line Bank as selected by Company pursuant to Section 4.3. Each Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day or, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day, and no Interest Period which would end after the Revolving Credit Maturity Date shall be permitted with respect to any Advance.

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

"Investment" shall mean, when used with respect to any Person, (a) any loan, investment or advance made by such Person to any other Person (including, without limitation, any contingent obligation) in respect of any capital stock, Debt, obligation or liability of such other Person and (b) any other investment made by such Person (however acquired) in stock or other ownership interests in any other Person, including, without limitation, any investment made in exchange for the issuance of shares of stock of such Person.

"Issuing Bank" shall mean Comerica Bank-Texas in its capacity as issuer of one or more Letters of Credit hereunder.

"Issuing Office" shall mean Issuing Bank's office located at 8850 Boedeker St., Dallas, Texas 75225 or such other office as Issuing Bank shall designate as its Issuing Office.

"Joinder Agreement (Guaranty)" shall mean a joinder agreement in the form attached as "Exhibit A" to the form of the Guaranty (Exhibit J to this Agreement), to be executed and delivered by any Person required to be a Guarantor pursuant to Section 8.21 of this Agreement.

"Letter(s) of Credit" shall mean any standby letters of credit issued by Issuing Bank at the request of or for the account of an Account Party or Account Parties pursuant to Article 3 hereof.

"Letter of Credit Agreement" shall mean, in respect of each Letter of Credit, the application and related documentation satisfactory to the Issuing Bank of an Account Party or Account Parties requesting Issuing Bank to issue such Letter of Credit, as amended from time to time.

"Letter of Credit Fees" shall mean the fees payable to Agent for the accounts of the Banks in connection with Letters of Credit pursuant to Section 3.4 hereof.

"Letter of Credit Maximum Amount" shall mean as of any date of determination the lesser of:

(a) Two Million Dollars ($2,000,000); or

(b) the difference between (A) the lesser of (x) the Revolving Credit Aggregate Commitment as of such date, and (y) the Borrowing Base as of such date, MINUS (B) the sum of (i)aggregate principal amount of Advances outstanding as of such date PLUS (ii) Letter of Credit Obligations as of such date.

"Letter of Credit Obligations" shall mean at any date of determination, the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, (b) the aggregate face amount of all Letters of Credit requested but not yet issued as of such date and (c) the aggregate amount of Reimbursement Obligations which have not been reimbursed by the Company as of such date.

"Letter of Credit Payment" shall mean any amount paid or required to be paid by the Issuing Bank in its capacity hereunder as issuer of a Letter of Credit as a result of a draft or other demand for payment under any Letter of Credit.

"Leverage Ratio" shall mean as of the last day of any computation period, the ratio of (a) Total Debt as of such day to (b) the sum of Total Debt plus Total Shareholders' Equity as of such day.

"Lien" shall mean any pledge, assignment, hypothecation, mortgage, security interest, deposit arrangement, option, trust receipt, conditional sale or title retaining contract, sale and leaseback transaction, financing statement or comparable notice or other filing or recording, Financing Lease, subordination or any claim or right, or any other type of lien, charge, encumbrance, preferential or priority arrangement or other claim or right, whether based on common law or statute.

"Loan Documents" shall mean, collectively, this Agreement, the Notes, the Letter of Credit Agreements, the Letters of Credit, the Security Agreement, the Guaranty(ies) and any other documents, certificates, instruments or agreements executed pursuant to or in connection with any such document or this Agreement, as such documents may be amended from time to time.

"Majority Banks" shall mean at any time Banks holding 66-2/3% of the aggregate principal amount of the Indebtedness then outstanding under the Notes (provided that, for purposes of determining Majority Banks hereunder, Indebtedness outstanding under the Swing Line Notes shall be allocated among the Banks based upon their respective Percentages), or, if no Indebtedness is then outstanding, Banks holding 66-2/3% of the Percentages.

"Margin" shall mean, as of any date of determination thereof, the applicable interest rate margin determined in accordance with the provisions of Section 5.1 hereof (based upon the Fixed Charge Coverage Ratio) by reference to the appropriate columns in the pricing matrix attached to this Agreement as Schedule 1.1.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations, property, or financial condition of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement, the Notes or any other Loan Document to which it is a party, or (c) the validity or enforceability of this Agreement, any of the Notes or any of the other Loan Documents or the rights or remedies of the Agent or the Banks hereunder or thereunder.

"Multiemployer Plan" shall mean a Pension Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Notes" shall mean the Revolving Credit Notes.

"Obligor" shall mean the Person obligated for the payment of rent and other sums under any Rental Contract; and "related Obligor" shall, when used with respect to any Rental Contract, mean the Person so obligated thereunder.

"Operating Lease" shall mean any lease other than a Financing Lease and shall include, without limitation, any store leases.

"Percentage" shall mean, with respect to any Bank, its percentage share, as set forth on Exhibit G hereto, of the Revolving Credit Aggregate Commitment and Letters of Credit, as the context indicates, as such Exhibit may be revised from time to time by Agent in accordance with provisions of Section 14.8.

"Permitted Acquisition" shall mean any acquisition by the Company or any of its Subsidiaries of assets, businesses or business interests or shares of stock or other ownership interests

of or in any Person primarily engaged in the rent-to-own business, conducted in accordance with the following requirements:

(a) in the event that the value of such proposed new acquisition, computed on the basis of total acquisition consideration paid or incurred, or to be paid or incurred, by the Company or its Subsidiaries with respect thereto, including all indebtedness which is assumed or to which such assets, businesses or business or ownership interests or shares, or any Person so acquired, is subject, shall be

(i) greater than or equal to Thirty Million Dollars ($30,000,000), determined as of the date of such acquisition, then not less than thirty (30) nor more than ninety (90) days prior to the date each such proposed acquisition is scheduled to be consummated, the Company provides written notice thereof to Agent (with drafts of all material documents pertaining to such proposed acquisition to be furnished to Agent not less than thirty (30) days prior to such date), or

(ii) less than Thirty Million Dollars ($30,000,000) but greater than or equal to Fifteen Million Dollars ($15,000,000), then not less than ten (10) Business Days prior to the date each such proposed acquisition is scheduled to be consummated, the Company provides written notice thereof to Agent (with drafts of all material documents pertaining to such proposed acquisition to be furnished to Agent not less than five (5) days prior to such date),or

(iii) less than Fifteen Million Dollars ($15,000,000), then not less than ten (10) Business Days after date each such proposed acquisition has been consummated, the Company provides written notice thereof to Agent (with certified copies of all material documents pertaining to such acquisition),

whereupon Agent shall promptly notify each of the Banks of its receipt thereof and distribute copies of all notices and other materials received from Company under this subparagraph (a) to each Bank;

(b) (i) together with the documents required by clauses (a)(i) and (a)(ii) above, the Company shall have also delivered to the Agent the Pro Forma Projected Financial Information and (ii) the Majority Banks shall have specifically approved the proposed new acquisition in writing prior to the date such proposed acquisition is scheduled to be consummated;

(c) on the date of any such acquisition, all necessary or appropriate governmental, quasi-governmental, agency, regulatory or similar approvals of applicable jurisdictions (or the respective agencies, instrumentalities or political subdivisions, as applicable, of such jurisdictions) and all necessary or appropriate non-governmental and other third-party approvals which, in each case, are material to such acquisition have been obtained and are in effect, and the Company and its Subsidiaries are in full compliance therewith, and all necessary or appropriate declarations, registrations or other filings with any court, governmental or regulatory authority, securities exchange or any other person have been made;

(d) within thirty (30) days after any such acquisition has been completed, the Company shall deliver executed copies of all material documents pertaining to such acquisition and the Company, its Subsidiaries and any of the other business entities involved in such acquisition shall execute or cause to be executed, and provide or cause to be provided to Agent, for the Banks, any Loan Documents required hereunder and such other documents and instruments (including without limitation, Joinder Agreements and the Security Agreement (as required by Section 8.21 hereof), opinions of counsel, amendments, acknowledgments, consents and evidence of approvals or filings) as reasonably requested by Agent and the Majority Banks, if any, and otherwise comply with the terms and conditions of this Agreement; and

(e) both immediately before and after any such acquisition, no Event of Default, or event, which with the giving of notice or the lapse of time or both would become an Event of Default (whether or not related to such acquisition), has occurred and is continuing.

"Permitted Guarantees" shall mean the Company's guaranty of ColorTyme's obligations under (a) the Portfolio Acquisition Agreement dated May 15, 1996 by and among STI Credit Corporation, a Nevada corporation, ColorTyme Financial Services, Inc. and Company (as in effect on the date hereof) and (b) the Franchise Financing Agreement dated September 23, 1996 by and among STI Credit Corporation, a Nevada corporation, ColorTyme and Company.

"Permitted Investments" shall mean:

(a) Governmental Obligations;

(b) Obligations of a state of the United States, the District of Columbia or any possession of the United States, or any political subdivision thereof, which are described in Section 103(a) of the Internal Revenue Code and are graded in any of the highest three (3) major grades as determined by at

least one Rating Agency; or secured, as to payments of principal and interest, by a letter of credit provided by a financial institution or insurance provided by a bond insurance company which in each case is itself or its debt is rated in one of the highest three (3) major grades as determined by at least one Rating Agency;

(c) Banker's acceptances, commercial accounts, demand deposit accounts, certificates of deposit, or depository receipts issued by or maintained with any Bank or a bank, trust company, savings and loan association, savings bank or other financial institution whose deposits are insured by the Federal Deposit Insurance Corporation and whose reported capital and surplus equal at least $250,000,000, provided that such minimum capital and surplus requirement shall not apply to demand deposit accounts maintained by the Company or any of its Subsidiaries in the ordinary course of business;

(d) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two Rating Agencies, and which matures within 270 days after the date of issue;

(e) Secured repurchase agreements against obligations itemized in paragraph (a) above, and executed by a bank or trust company or by members of the association of primary dealers or other recognized dealers in United States government securities, the market value of which must be maintained at levels at least equal to the amounts advanced; and

(f) Any fund or other pooling arrangement which exclusively purchases and holds the investments itemized in (a) through (e) above.

"Permitted Liens" shall mean:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Company in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's liens or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social

security legislation, and deposits securing liability to insurance carriers under insurance or self-insurance arrangements (which deposits are listed on Schedule 2);

(d) deposits to secure (i) the performance of bids, trade contracts (other than for borrowed money), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature in an aggregate amount not to exceed $1,000,000 at any one time or (ii) the performance of leases permitted hereunder, in each case given or incurred on terms, in amounts and otherwise in the ordinary course of business; and

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Company.

"Person" shall mean a natural person, corporation, limited liability company, partnership, limited liability partnership, trust, incorporated or unincorporated organization, joint venture, joint stock company, or a government or any agency or political subdivision thereof or other entity of any kind.

"Prime Rate" shall mean the per annum rate of interest announced by the Agent, at its main office from time to time as its "prime rate" (it being acknowledged that such announced rate may not necessarily be the lowest rate charged by the Agent, to any of its customers), which Prime Rate shall change simultaneously with any change in such announced rate.

"Prime-based Advance" shall mean an Advance which bears interest at the Prime-based Rate.

"Prime-based Rate" shall mean, for any day, that rate of interest which is equal to the greater of (i) the Prime Rate, or (ii) the Alternate Base Rate.

"Pro Forma Projected Financial Information" shall mean, as to any proposed acquisition, a statement executed by a Responsible Officer of the Company (supported by reasonable detail) setting forth the total consideration to be paid or incurred in connection with the proposed acquisition and, pro forma combined projected financial information for the Company and its consolidated Subsidiaries and the acquisition target (if applicable), consisting of projected balance sheets as of the proposed effective date of the acquisition or the closing date and as of the end of at least the next succeeding two (2) fiscal years of Company following the

acquisition and projected statements of income for each of those years, including sufficient detail to permit calculation of the amounts and the ratios described in Sections 8.9, 8.10, and 8.11 hereof, as projected as of the effective date of the acquisition and for those fiscal years and accompanied by (i) a statement setting forth a calculation of the ratios and amounts so described, (ii) a statement in reasonable detail specifying all material assumptions underlying the projections and (iii) such other information as the Majority Banks shall reasonably request.

"Purchasing Lender" shall have the meaning set forth in Section 12.8.

"Quoted Rate" shall mean the rate of interest per annum offered by the Swing Line Bank in its sole discretion with respect to a Swing Line Advance.

"Quoted Rate Advance" means any Swing Line Advance which bears interest at the Quoted Rate.

"Rating Agency" shall mean Moody's Investor Services, Standard and Poor's Ratings Group or any other nationally recognized statistical rating organization which is acceptable to the Agent.

"Reimbursement Obligation(s)" shall mean the obligation of an Account Party or Account Parties under each Letter of Credit Agreement to reimburse the Issuing Bank for each payment made by the Issuing Bank under the Letter of Credit issued pursuant to such Letter of Credit Agreement, together with all other sums, fees, charges and amounts which may be owing to the Issuing Bank under such Letter of Credit Agreement.

"Rental Contract(s)" shall mean a rental purchase contract, originated by Company or a Subsidiary of the Company and a related Obligor for the rental of goods, whether such contract is now existing or hereafter arising, and which Rental Contract provides by its terms that if the Obligor continuously renews such contract for a set period (set forth in each such contract), or if the Obligor exercises a specified early purchase option, the title to such rental goods will be transferred to the Obligor at the end of such period, or upon exercise of such purchase option.

"Rental Expense" shall mean with respect to any Person for any period, the aggregate rental obligations of such Person paid or required to be paid in respect of such period under Operating Leases (net of income from sub-leases thereof, but including taxes, insurance, maintenance and similar obligations under such leases), whether or not such obligations are reflected as liabilities or commitments on a balance sheet of such Person.

"Rental Income Value" shall mean, as of any date of determination, the value of the rental payments remaining on all

Eligible Rental Contracts, assuming such Eligible Rental Contract will be continuously renewed by the related Obligor until title to the goods rented thereunder has transferred to such Obligor.

"Request for Revolving Credit Advance" shall mean a Request for Revolving Credit Advance issued by Company under Section 2.3 of this Agreement in the form annexed hereto as Exhibit A, as amended or otherwise modified.

"Request for Swing Line Advance" shall mean a Request for Swing Line Advance issued by Company under Section 4.3 of this Agreement in the form attached hereto as Exhibit D, as amended or otherwise modified.

"Requirement of Law" shall mean as to any Person, the certificate of incorporation and bylaws, the partnership agreement or other organizational or governing documents of such Person and any law, treaty, rule or regulation or determination of an arbitration or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" shall mean the chief executive officer or the president of the Company, or any other officer having substantially the same authority and responsibility; or with respect to compliance with financial covenants, the chief financial officer or the treasurer of the Company, or any other officer having substantially the same authority and responsibility.

"Revolving Credit" shall mean the revolving credit loan to be advanced to the Company by the Revolving Credit Banks pursuant to Article 2 hereof, in an aggregate amount (subject to the terms hereof), not to exceed, at any one time outstanding, the Revolving Credit Aggregate Commitment.

"Revolving Credit Advance" shall mean a borrowing requested by Company and made by Revolving Credit Banks under Section 2.1 of this Agreement, including without limitation any readvance, refunding or conversion of such borrowing pursuant to Section 2.3 hereof and any advance in respect of a Letter of Credit under Section 3.6 hereof, and shall include, as applicable, a Eurocurrency-based Advance and/or Prime-based Advance.

"Revolving Credit Aggregate Commitment" shall mean Ninety Million Dollars ($90,000,000) subject to reduction or termination under Section 2.8 or 10.2 hereof.

"Revolving Credit Banks" shall mean Comerica Bank, and such other financial institutions from time to time parties hereto as lenders of the Revolving Credit.

"Revolving Credit Commitment Fee" shall mean the fees payable to Agent for distribution to the Revolving Credit Banks pursuant to Section 2.6 hereof.

"Revolving Credit Maturity Date" shall mean the earlier to occur of (i) November 27, 1999, as such date may be extended from time to time pursuant to Section 2.9 hereof, and (ii) the date on which the Revolving Credit Aggregate Commitment shall be terminated pursuant to Section 2.8 or Section 10.2 hereof.

"Revolving Credit Notes" shall mean the revolving credit notes described in Section 2.1 hereof, made by Company to each of the Revolving Credit Banks in the form annexed to this agreement as Exhibit B, as such notes may be amended or supplemented from time to time, and any other notes issued in substitution, replacement or renewal thereof from time to time.

"Security Agreement" shall mean the Security Agreement executed and delivered by the Company and each Guarantor in favor of the Agent substantially in the form of Exhibit L, as amended or otherwise modified from time to time.

"Subsidiary(ies)" shall mean any other corporation, association, joint stock company, business trust limited liability company or any other business entity of which more than fifty percent (50%) of the outstanding voting stock, share capital, membership or other interests, as the case may be, is owned either directly or indirectly by any Person or one or more of its Subsidiaries, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by any Person and/or its Subsidiaries. Unless otherwise specified to the contrary herein, Subsidiary(ies) shall refer to the Company's Subsidiary(ies).

"Swing Line Advance" shall mean a borrowing made by Swing Line Bank to Company pursuant to Section 4.1 hereof.

"Swing Line Credit" shall mean the revolving credit loan to be advanced to the Company by the Swing Line Bank pursuant to Article 4 hereof, in an aggregate amount (subject to the terms hereof), not to exceed, at any one time outstanding, the amount set forth in Section 4.1.

"Swing Line Bank" shall mean Comerica Bank-Texas, in its capacity as lender under Article 4 of this Agreement, and its successors and assigns.

"Swing Line Note" shall mean the swing line note described in Section 4.1 hereof, made by Company to Swing Line Bank in the form annexed hereto as Exhibit E, as such Note may be amended or supplemented from time to time, and any notes issued in substitution, replacement or renewal thereof from time to time.

"Tangible Net Worth" shall mean, as of any applicable date of determination, the difference between (i) net book value of all assets of the Company (other than patents, patent rights, trademarks, trade names, franchises, copyrights, licenses, goodwill and similar intangible assets), minus (ii) all Debt of Company, in each case as reflected on the balance sheet of the Company's most recently filed Form 10-Q or Form 10-K.

"Total Debt" shall mean, without duplication, the sum of (i) all Debt plus (ii) the amount of all Liens plus (iii) the amount of all Financing Leases, plus (iv) all Guarantee Obligations (but excluding the Permitted Guarantees), of the Company and its Subsidiaries in each case determined in accordance with GAAP.

"Total Shareholders Equity" shall mean the total of shareholders' equity (including capital stock, additional paid-in capital and retained earnings after deducting treasury stock) of the Company, as determined in accordance with GAAP.

"Uniform Commercial Code" shall mean the Uniform Commercial Code of any applicable state, and, unless specified otherwise the Uniform Commercial Code as in effect in the State of Michigan.

2. REVOLVING CREDIT

2.1 REVOLVING CREDIT COMMITMENT. Subject to the terms and conditions of this Agreement (including Section 2.3 hereof), each Revolving Credit Bank severally and for itself alone agrees to make Advances of the Revolving Credit to Company from time to time on any Business Day during the period from the Effective Date hereof until (but excluding) the Revolving Credit Maturity Date in an aggregate amount not to exceed at any one time outstanding each such Revolving Credit Bank's Percentage of the Revolving Credit Aggregate Commitment. All of such Advances hereunder shall be evidenced by the Revolving Credit Notes, under which advances, repayments and readvances may be made, subject to the terms and conditions of this Agreement.

2.2 ACCRUAL OF INTEREST AND MATURITY. (a) The Revolving Credit Notes, and all principal and interest outstanding thereunder, shall mature and become due and payable in full on the Revolving Credit Maturity Date, and each Advance evidenced by the Revolving Credit Notes from time to time outstanding hereunder shall, from and after the date of such Advance, bear interest at its Applicable Interest Rate. The amount and date of each Revolving Credit Advance, its Applicable Interest Rate, its Interest Period, and the amount and date of any repayment shall be noted on Agent's records, which records may be kept electronically and which will be conclusive evidence thereof, absent manifest error; provided, however, that any failure by the Agent to record any such information shall not relieve Company of its obligation to repay the outstanding principal amount of such Advance, all interest

accrued thereon and any amount payable with respect thereto in accordance with the terms of this Agreement and the Loan Documents.

2.3 REQUESTS FOR ADVANCES AND REQUESTS FOR REFUNDINGS AND CONVERSIONS OF REVOLVING CREDIT ADVANCES. Company may request a Revolving Credit Advance, refund any Revolving Credit Advance in the same type of Revolving Credit Advance or convert any Revolving Credit Advance to any other type of Revolving Credit Advance only after delivery to Agent of a Request for Revolving Credit Advance executed by a person authorized by the Company to make such requests on behalf of Company subject to the following and to the remaining provisions hereof:

(a) each such Request for Revolving Credit Advance shall set forth the information required on the Request for Revolving Credit Advance including without limitation:

(i) the proposed date of Revolving Credit Advance, which must be a Business Day;

(ii) whether the Revolving Credit Advance is a refunding or conversion of an outstanding Revolving Credit Advance; and

(iii) whether such Revolving Credit Advance is to be a Prime-based Advance or a Eurocurrency-based Advance, and, except in the case of a Prime-based Advance, the Interest Period applicable thereto;

(b) each such Request for Revolving Credit Advance shall be delivered to Agent by 11:00 a.m. (Detroit time) three (3) Business Days prior to the proposed date of Revolving Credit Advance, except in the case of a Prime-based Advance, for which the Request for Revolving Credit Advance must be delivered by 10 a.m. (Detroit time) on such proposed date;

(c) the principal amount of such requested Revolving Credit Advance, plus the principal amount of all other Advances then outstanding hereunder, plus the Letter of Credit Obligations, less the principal amount of any outstanding Swing Line Advance or Revolving Credit Advance to be refunded by the requested Revolving Credit Advance shall not exceed the lesser of the then applicable (i) Revolving Credit Aggregate Commitment and (ii) Borrowing Base;

(d) the principal amount of such Revolving Credit Advance, plus the amount of any other outstanding Indebtedness under this Agreement to be then combined therewith having the same Applicable Interest Rate and Interest Period, if any, shall be (i) in the case of a Prime-based Advance at least Two Million Dollars ($2,000,000) or a larger integral multiple of One Hundred Thousand Dollars ($100,000) and (ii) in the case

of a Eurocurrency-based Advance at least Two Million Dollars ($2,000,000) or a larger integral multiples of One Million Dollars ($1,000,000) and at any one time there shall not be in effect more than six (6) Interest Periods;

(e) each Request for Revolving Credit Advance shall constitute and include a certification by the Company as of the date thereof that:

(i) both before and after the Revolving Credit Advance, the obligations of the Company and the Guarantors set forth in this Agreement and the other Loan Documents, as applicable, are valid, binding and enforceable obligations of such parties;

(ii) to the best knowledge of Company all conditions to Advances of the Revolving Credit have been satisfied;

(iii) there is no Default or Event of Default in existence, and none will exist upon the making of the Advance;

(iv) the representations and warranties contained in this Agreement and the Loan Documents (except, in the case of refundings or conversions of outstanding Advances, the representations set forth in Sections 7.13 and 7.20) are true and correct in all material respects and shall be true and correct in all material respects as of and immediately after the making of the Advance; and

(v) the execution of such Revolving Credit Advance will not violate the material terms and conditions of any material contract, agreement or other borrowing of Company or any of its Subsidiaries.

Agent may, at its option, lend under this Section 2 upon the telephone request of an authorized officer of Company and, in the event Agent makes any such advance upon a telephone request, the requesting officer shall, if so requested by Agent, fax to Agent, on the same day as such telephone request, a Request for Advance. Company hereby authorizes Agent to disburse advances under this Section 2 pursuant to the telephone instructions of any person purporting to be a person identified by name on a written list of persons authorized by the Company to make Requests for Advance on behalf of the Company. Notwithstanding the foregoing, the Company acknowledges that Company shall bear all risk of loss resulting from disbursements made upon any telephone request. Each telephone request for an Advance shall constitute a certification of the matters set forth in the Request for Advance form as of the date of such requested Advance.

2.4 DISBURSEMENT OF REVOLVING CREDIT ADVANCES.

(a) Upon receiving any Request for a Revolving Credit Advance from Company under Section 2.3 hereof, Agent shall promptly notify each Revolving Credit Bank by wire, telecopy, telex or by telephone (confirmed by wire, telecopy or telex) of the amount of such Revolving Credit Advance to be made and the date such Advance is to be made by said Revolving Credit Bank pursuant to its Percentage of the Revolving Credit Advance. Unless such Revolving Credit Bank's commitment to make Revolving Credit Advances hereunder shall have been suspended or terminated in accordance with this Agreement, each Revolving Credit Bank shall send the amount of its Percentage of the Advance in same day funds in Dollars to Agent at the office of Agent located at One Detroit Center, 500 Woodward Avenue, Detroit, Michigan 48226-3289 not later than 3:00 p.m. (Detroit time) on the date of such Advance.

(b) Subject to submission of an executed Request for Revolving Credit Advance by Company without exceptions noted in the compliance certification therein and to the other terms and conditions hereof, Agent shall make available to Company the aggregate of the amounts so received by it from the Revolving Credit Banks under this Section 2.4, in like funds, not later than 4:00 p.m. (Detroit time) on the date of such Revolving Credit Advance by credit to an account of Company maintained with Agent or to such other account or third party as Company may reasonably direct.

(c) Unless Agent shall have been notified by any Revolving Credit Bank prior to the date of any proposed Revolving Credit Advance that such Revolving Credit Bank does not intend to make available to Agent such Revolving Credit Bank's Percentage of the Revolving Credit Advance, Agent may assume that such Revolving Credit Bank has made such amount available to Agent on such date, as aforesaid and may, in its sole discretion and without obligation to do so, in reliance upon such assumption, make available to Company a corresponding amount. If such amount is not in fact made available to Agent by such Revolving Credit Bank in accordance with Section 2.4(a), as aforesaid, Agent shall be entitled to recover such amount on demand from such Revolving Credit Bank. If such Revolving Credit Bank does not pay such amount forthwith upon Agent's demand therefor, the Agent shall promptly notify Company, and Company shall pay such amount to Agent. Agent shall also be entitled to recover from such Revolving Credit Bank or from Company, as the case may be but without duplication, interest on such amount in respect of each day from the date such amount was made available by Agent to Company to the date such amount is recovered by Agent, at a rate per annum equal to:

(i) in the case of such Revolving Credit Bank, the Federal Funds Effective Rate; or

(ii) in the case of Company, the rate of interest then applicable to the Revolving Credit Advance.

The obligation of any Revolving Credit Bank to make any Revolving Credit Advance hereunder shall not be affected by the failure of any other Revolving Credit Bank to make any Revolving Credit Advance hereunder, and no Bank shall have any liability to the Company, the Agent, any other Bank, or any other party for another Bank's failure to make any loan or Revolving Credit Advance hereunder.

2.5 PRIME-BASED ADVANCE IN ABSENCE OF ELECTION OR UPON DEFAULT. If, as to any outstanding Eurocurrency-based Advance, Agent has not received payment on the last day of the Interest Period applicable thereto, or does not receive a timely Request for Revolving Credit Advance meeting the requirements of Section 2.3 hereof with respect to the refunding or conversion of such Advance, or, subject to Section 5.6 hereof, if on such day a Default or Event of Default shall exist, the principal amount thereof which is not then prepaid shall be converted automatically to a Prime-based Advance and the Agent shall thereafter promptly notify Company of said action.

2.6 REVOLVING CREDIT COMMITMENT FEE. From the Effective Date to the Revolving Credit Maturity Date, the Company shall pay to the Agent on behalf of Banks a Revolving Credit Commitment Fee quarterly in arrears commencing January 1, 1997 (in respect of the prior calendar quarter or portion thereof), and on the first day of each Fiscal Quarter thereafter. The Revolving Credit Commitment Fee shall be the sum of the Applicable Commitment Fee Percentage times the daily average amount by which the Revolving Credit Aggregate Commitment then applicable under Section 2.6 hereof exceeds the sum of (i) the aggregate principal amount of Revolving Credit Advances outstanding during such period, (ii) the Letter of Credit Obligations during such period, and (iii) the aggregate principal amount of Swing Line Advances outstanding during such period, in each case determined on a daily basis. The Revolving Credit Commitment Fee shall be computed on the basis of a year of three hundred sixty (360) days and assessed for the actual number of days elapsed. Whenever any payment of the Revolving Credit Commitment Fee shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next Business Day. Upon receipt of such payment, Agent shall make prompt payment to each Bank of its share of the Revolving Credit Commitment Fee based upon its respective Percentage. It is expressly understood that the Revolving Credit Commitment Fees described in this Section are not refundable under any circumstances.

2.7 REDUCTION OF INDEBTEDNESS; REVOLVING CREDIT AGGREGATE COMMITMENT. If at any time and for any reason the aggregate principal amount of Swing Line Advances and Revolving Credit Advances hereunder to Company, plus the Letter of Credit Obligations which shall be outstanding at such time, shall exceed the lesser of the then applicable (i) Revolving Credit Aggregate Commitment or (ii) the Borrowing Base, Company shall immediately reduce any pending request for an Advance on such day by the amount of such excess and, to the extent any excess remains thereafter, immediately repay an amount of the Indebtedness equal to such excess and, to the extent such Indebtedness consists of Letter of Credit Obligations, provide cash collateral on the basis set forth in Section 10.2 hereof. Company acknowledges that, in connection with any repayment required hereunder, it shall also be responsible for the reimbursement of any prepayment or other costs required under Section 12.1 hereof; provided, however, that Company shall, in order to reduce any such prepayment costs and expenses, first prepay such portion of the Indebtedness then carried as a Primebased Advance, if any.

2.8 OPTIONAL REDUCTION OR TERMINATION OF REVOLVING CREDIT AGGREGATE COMMITMENT. The Company may, upon at least five (5) Business Days' prior written notice to Agent, permanently reduce the Revolving Credit Aggregate Commitment in whole at any time, or in part from time to time, without premium or penalty, provided that: (i) each partial reduction of the Revolving Credit Aggregate Commitment shall be in an aggregate amount equal to at least Ten Million Dollars ($10,000,000) or a larger integral multiple of One Million Dollars ($1,000,000); (ii) each reduction shall be accompanied by the payment of the Revolving Credit Commitment Fee, if any, accrued to the date of such reduction; (iii) the Company shall prepay in accordance with the terms hereof the amount, if any, by which the sum of the aggregate unpaid principal amount of Swing Line Advances and Revolving Credit Advances, plus the Letter of Credit Obligations, exceeds the lesser of (1) the then applicable Revolving Credit Aggregate Commitment, taking into account the aforesaid reductions thereof, together with accrued but unpaid interest on the principal amount of such prepaid Advances to the date of prepayment and (2) Borrowing Base; (iv) if the termination or reduction of the Revolving Credit Aggregate Commitment requires the prepayment of a Eurocurrency-based Advance or Quoted Rate Advance, the termination or reduction may be made only on the last Business Day of the then current Interest Period applicable to such Advance and (v) no reduction shall reduce the amount of the Revolving Credit Aggregate Commitment to an amount which is less than the Letter of Credit Obligations at such time. Reductions of the Revolving Credit Aggregate Commitment and any accompanying prepayments of the Revolving Credit Notes shall be distributed by Agent to each Revolving Credit Bank in accordance with such Bank's Percentage thereof, and will not be available for reinstatement by or readvance to the Company and any accompanying prepayments of the Swing Line Notes shall be distributed by Agent

to the Swing Line Bank and will not be available for reinstatement by or readvance to the Company. Any reductions of the Revolving Credit Aggregate Commitment hereunder shall reduce each Revolving Credit Bank's portion thereof proportionately (based upon the applicable Percentages), and shall be permanent and irrevocable. Any payments made pursuant to this Section shall be applied first to outstanding Prime-based Advances under the Revolving Credit, next to Swing Line Advances which bear interest at the Prime-based Rate, next to Quoted Rate Advances and then to Eurocurrency-based Advances.

2.9 EXTENSION OF REVOLVING CREDIT MATURITY DATE. (a) Provided that no Default or Event of Default has occurred and is continuing, Company may, by written notice to Agent (with sufficient copies for each Bank) (which notice shall be irrevocable and which shall not be deemed effective unless actually received by Agent) prior to May 1st, but not before April 1st, of fiscal years 1998 and/or 1999, as the case may be, request that the Banks extend the then applicable Revolving Credit Maturity Date to a date that is one year later than the Revolving Credit Maturity Date then in effect (each such request, a "Request"). Each Bank shall, not later than thirty (30) calendar days following the date of its receipt of the Request, give written notice to the Agent stating whether such Bank is willing to extend the Revolving Credit Maturity Date as requested. If Agent has received the aforesaid written approvals of such Request from each of the Banks, then, effective upon the date of Agent's receipt of all such written approvals from the Banks, as aforesaid, the Revolving Credit Maturity Date shall be so extended for an additional one year period, the term Revolving Credit Maturity Date shall mean such extended date and Agent shall promptly notify the Company that such extension has occurred. In no event however, shall the Revolving Credit Maturity Date be extended beyond November 27, 2001.

(b) If (i) any Bank gives the Agent written notice that it is unwilling to extend the Revolving Credit Maturity Date as requested or (ii) any Bank fails to provide written approval to Agent of such a Request within thirty (30) calendar days of the date of such Bank's receipt of the Request, then (w) the Banks shall be deemed to have declined to extend the Revolving Credit Maturity Date, (x) the then-current Revolving Credit Maturity Date shall remain in effect (with no further right on the part of Company to request extensions thereof under this Section 2.9), and (y) the commitments of the Banks to make Advances of the Revolving Credit hereunder shall terminate on the Revolving Credit Maturity Date then in effect, and Agent shall promptly notify Company thereof.

3. LETTERS OF CREDIT

3.1 LETTERS OF CREDIT. Subject to the terms and conditions of this Agreement, Issuing Bank shall through its Issuing Office, at

any time and from time to time from and after the date hereof until thirty (30) days prior to the Revolving Credit Maturity Date, upon the written request of an Account Party accompanied by a duly executed Letter of Credit Agreement, and such other documentation related to the requested Letter of Credit as the Issuing Bank may reasonably require, issue Letters of Credit for the account of such Account Party, in an aggregate amount for all Letters of Credit issued hereunder at any one time outstanding not to exceed the Letter of Credit Maximum Amount. Each Letter of Credit shall be in a minimum face amount of Fifty Thousand Dollars ($50,000) and shall have an expiration date not later than ten (10) Business Days prior to the Revolving Credit Maturity Date in effect on the date of issuance thereof. The submission of all applications and the issuance of each Letter of Credit hereunder shall be subject in all respects to applicable provisions of U.S. law and regulations, including without limitation, the Trading With the Enemy Act, Export Administration Act, International Emergency Economic Powers Act, and the Regulations of the Office of Foreign Assets Control of the U.S. Department of the Treasury.

3.2 CONDITIONS TO ISSUANCE. No Letter of Credit shall be issued at the request and for the account of any Account Party unless, as of the date of issuance of such Letter of Credit:

(a) the face amount of the Letter of Credit requested, plus the Letter of Credit Obligations, does not exceed the Letter of Credit Maximum Amount;

(b) the face amount of the Letter of Credit requested, plus the aggregate principal amount of all Advances hereunder, plus the Letter of Credit Obligations, does not exceed the lesser of the then applicable (i) Revolving Credit Aggregate Commitment and (ii) the Borrowing Base;

(c) the obligations of Company and the Guarantors set forth in this Agreement and the Loan Documents are valid, binding and enforceable obligations of Company and each of the Guarantors and the valid, binding and enforceable nature of this Agreement and the Loan Documents has not been disputed by Company or any of the Guarantors;

(d) both immediately before and immediately after issuance of the Letter of Credit requested, no Default or Event of Default exists;

(e) the representations and warranties contained in this Agreement and the Loan Documents are true in all material respects as if made on such date;

(f) the execution of the Letter of Credit Agreement with respect to the Letter of Credit requested will not violate the

terms and conditions of any material contract, agreement or other borrowing of Company or any Guarantor;

(g) the Account Party requesting the Letter of Credit shall have delivered to Issuing Bank at its Issuing Office (with a copy sent by Account Party to the Agent), not less than five (5) Business Days prior to the requested date for issuance (or such shorter time as the Issuing Bank, in its sole discretion, may permit), the Letter of Credit Agreement related thereto, together with such other documents and materials as may be required pursuant to the terms thereof, and the terms of the proposed Letter of Credit shall be satisfactory to Issuing Bank and its Issuing Office;

(h) no order, judgment or decree of any court, arbitrator or governmental authority shall purport by its terms to enjoin or restrain Issuing Bank from issuing the requested Letter of Credit, or any Bank from taking an assignment of its Percentage thereof pursuant to Section 3.6 hereof, and no law, rule, regulation, request or directive (whether or not having the force of law) shall prohibit or request that Issuing Bank refrain from issuing, or any Bank refrain from taking an assignment of its Percentage of, the Letter of Credit requested or letters of credit generally;

(i) there shall have been no introduction of or change in the interpretation of any law or regulation that would make it unlawful or unduly burdensome for the Issuing Bank to issue or for any Bank to take an assignment of its Percentage of the requested Letter of Credit, no declaration of a general banking moratorium by banking authorities in the United States, Michigan or the respective jurisdictions in which the Banks, the applicable Account Party and the beneficiary of the requested Letter of Credit are located (each a "Banking Authority"), and no establishment of any new material restrictions by any Banking Authority on transactions involving letters of credit or on banks materially affecting the issuance of letters of credit by banks; and

(j) Issuing Bank shall have received the issuance fee required in connection with the issuance of such Letter of Credit pursuant to Section 3.5 hereof.

Each Letter of Credit Agreement submitted to Issuing Bank pursuant hereto shall constitute the certification by the Company and the Account Party of the matters set forth in this Section 3.2 (a) through (f). The Issuing Bank shall be entitled to rely on such certification without any duty of inquiry.

3.3 NOTICE. The Issuing Bank will deliver to the Agent, concurrently or promptly following its delivery of any Letter of Credit, a true and complete copy of each Letter of Credit.

Promptly upon its receipt thereof, Agent shall give notice, substantially in the form attached as Exhibit C, to each Revolving Credit Bank of the issuance of each Letter of Credit, specifying the amount thereof and the amount of such Bank's Percentage thereof.

3.4 LETTER OF CREDIT FEES. Company shall pay to the Agent for distribution to the Issuing Bank and the Revolving Credit Banks in accordance with the Percentages, Letter of Credit Fees as follows:

(a) a per annum Letter of Credit Fee with respect to the undrawn amount of each Letter of Credit issued pursuant hereto in the amount of the Applicable L/C Fee Percentage (determined with reference to Schedule 1.1 of this Agreement), inclusive of the issuance fee of one-eighth of one percentage point (1/8%) per annum on the face amount thereof to be paid to Issuing Bank under Section 3.5 hereof.

(b) If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall either (i) impose, modify or cause to be deemed applicable any reserve, special deposit, limitation or similar requirement against letters of credit issued by or participated in, or assets held by, or deposits in or for the account of, Issuing Bank or any Bank or (ii) impose on Issuing Bank or any of the Banks any other condition regarding this Agreement or the Letters of Credit, and the result of any event referred to in clause (i) or (ii) above shall be to increase in an amount deemed material by Issuing Bank or such Bank the cost or expense to Issuing Bank or the Banks of issuing or maintaining or participating in any of the Letters of Credit (which increase in cost or expense shall be determined by the Issuing Bank's or such Bank's reasonable allocation of the aggregate of such cost increases and expense resulting from such events), then, upon demand by the Issuing Bank or such Bank, as the case may be, the Company shall, within thirty days following demand for payment, pay to Issuing Bank or such Bank, as the case may be, from time to time as specified by the Issuing Bank or such Bank, additional amounts which shall be sufficient to compensate the Issuing Bank or such Bank for such increased cost and expense, together with interest on each such amount from thirty days after the date demanded until payment in full thereof at the Prime-based Rate. A certificate as to such increased cost or expense incurred by the Issuing Bank or such Bank, as the case may be, as a result of any event mentioned in clause (i) or (ii) above, shall be promptly submitted to the Company and shall be conclusive evidence, absent manifest error, as to the amount thereof.

(c) All payments by the Company to the Agent for distribution to the Issuing Bank or the Revolving Credit Banks under this Section 3.4 shall be made in Dollars and in immediately available funds at the principal office of the Agent or such other office of the Agent as may be designated from time to time by written notice to the Company by the Agent. The fees described in clause (a) above shall be nonrefundable under all circumstances and shall be payable semi-annually in advance (or such lesser period, if applicable, for Letters of Credit issued with stated expiration dates of less than one year) upon the issuance of each such Letter of Credit, and shall be calculated on the basis of a 360 day year and assessed for the actual number of days from the date of the issuance thereof to the stated expiration thereof.

3.5 ISSUANCE FEES. In connection with the Letters of Credit, and in addition to the Letter of Credit Fees (including a letter of credit issuance fee of one eighth percentage point (1/8%) to be paid by Agent to Issuing Bank for its own account), the Company and the applicable Account Party shall pay, for the sole account of the Issuing Bank, standard documentation, administration, payment and cancellation charges assessed by Issuing Bank or its Issuing Office, at the times, in the amounts and on the terms set forth or to be set forth from time to time in the standard fee schedule of Issuing Office in effect from time to time.

3.6 DRAWS AND DEMANDS FOR PAYMENT UNDER LETTERS OF CREDIT.

(a) The Company and each applicable Account Party agree to pay to the Agent for the account of the Issuing Bank, on the day on which the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit and all reasonable expenses paid or incurred by the Issuing Bank relative thereto. Unless the Company or the applicable Account Party shall have made such payment to the Agent for the account of the Issuing Bank on such day, upon each such payment by the Issuing Bank, the Agent shall be deemed to have disbursed to the Company, and the Company shall be deemed to have elected to substitute for its Reimbursement Obligation, a Prime-based Advance from the Banks in an amount equal to the amount so paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit. Such Prime-based Advance shall be disbursed notwithstanding any failure to satisfy any conditions for disbursement of any Advance set forth in Article 2 hereof and, to the extent of the Prime-based Advance so disbursed, the Reimbursement Obligation of the Company or the applicable Account Party to the Agent under this Section 3.6 shall be deemed satisfied.

(b) If the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, the Issuing Bank shall provide notice thereof to the Company and the applicable Account Party on the date such draft or demand is honored, and to each Revolving Credit Bank on such date unless the Company or applicable Account Party shall have satisfied its Reimbursement Obligation under Section 3.6(a) by payment to the Agent on such date. The Issuing Bank shall further use reasonable efforts to provide notice to the Company or applicable Account Party prior to honoring any such draft or other demand for payment, but such notice, or the failure to provide such notice, shall not affect the rights or obligations of the Issuing Bank with respect to any Letter of Credit or the rights and obligations of the parties hereto, including without limitation the obligations of the Company or applicable Account Party under Section 3.6(a) hereof.

(c) Upon issuance by the Issuing Bank of each Letter of Credit hereunder, each Revolving Credit Bank shall automatically acquire a pro rata risk participation interest in such Letter of Credit and related Letter of Credit Payment based on its respective Percentage. Each Revolving Credit Bank, on the date a draft or demand under any Letter of Credit is honored, shall make its Percentage share of the amount paid by the Issuing Bank, and not reimbursed by the Company or applicable Account Party by payment to the Agent on such day, available in immediately available funds at the principal office of the Agent for the account of the Issuing Bank. If and to the extent such Bank shall not have made such pro rata portion available to the Agent, such Bank, the Company and the applicable Account Party severally agree to pay to the Issuing Bank forthwith on demand such amount together with interest thereon, for each day from the date such amount was paid by the Issuing Bank until such amount is so made available to the Agent for the account of the Issuing Bank at a per annum rate equal to the interest rate applicable during such period to the related Advance disbursed under Section 3.6(a) in respect of the Reimbursement Obligation of the Company and the applicable Account Party. If such Bank shall pay such amount to the Agent for the account of the Issuing Bank together with such interest, such amount so paid shall constitute a Primebased Advance by such Bank disbursed in respect of the Reimbursement Obligation of the Company or applicable Account Party under Section 3.6(a) for purposes of this Agreement, effective as of the date such amount was paid by the Issuing Bank. The failure of any Revolving Credit Bank to make its pro rata portion of any such amount paid by the Issuing Bank available to the Agent for the account of the Issuing Bank shall not relieve any other Revolving Credit Bank of its obligation to make available its pro rata portion of such amount, but no Bank shall be responsible for failure of any

other Bank to make such pro rata portion available to the Agent for the account Issuing Bank.

(d) Nothing in this Agreement shall be construed to require or authorize any Bank other than the Issuing Bank to issue any Letter of Credit, it being recognized that the Issuing Bank shall be the sole issuer of Letters of Credit under this Agreement.

3.7 OBLIGATIONS IRREVOCABLE. The obligations of Company and any Account Party to make payments to Agent for the account of the Issuing Bank or of the Revolving Credit Banks with respect to Reimbursement Obligations under Section 3.6 hereof, shall be unconditional and irrevocable and not subject to any qualification or exception whatsoever, including, without limitation:

(a) Any lack of validity or enforceability of any Letter of Credit or any documentation relating to any Letter of Credit or to any transaction related in any way to such Letter of Credit (the "Letter of Credit Documents");

(b) Any amendment, modification, waiver, consent, or any substitution, exchange or release of or failure to perfect any interest in collateral or security, with respect to any of the Letter of Credit Documents;

(c) The existence of any claim, setoff, defense or other right which the Company or any Account Party may have at any time against any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), the Agent, the Issuing Bank or any other Bank or any other person or entity, whether in connection with any of the Letter of Credit Documents, the transactions contemplated herein or therein or any unrelated transactions;

(d) Any draft or other statement or document presented under any Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;

(e) Any failure, omission, delay or lack on the part of the Agent, the Issuing Bank or any other Bank or any party to any of the Letter of Credit Documents to enforce, assert or exercise any right, power or remedy conferred upon the Agent, the Issuing Bank, any other Bank or any such party under this Agreement, any of the Loan Documents or any of the Letter of Credit Documents, or any other acts or omissions on the part of the Agent, the Issuing Bank, any other Bank or any such party; or

(f) Any other event or circumstance that would, in the absence of this Section 3.7, result in the release or discharge by operation of law or otherwise of Company or any Account Party from the performance or observance of any obligation, covenant or agreement contained in Section 3.6.

No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which Company or any Account Party has or may have against the beneficiary of any Letter of Credit shall be available hereunder to Company or any Account Party against the Agent, the Issuing Bank or any other Bank. Nothing contained in this Section 3.7 shall be deemed to prevent Company or the Account Parties, after satisfaction in full of the absolute and unconditional obligations of Company and the Account Parties hereunder, from asserting in a separate action any claim, defense, set off or other right which they (or any of them) may have against Agent, the Issuing Bank or any Bank.

3.8 RISK UNDER LETTERS OF CREDIT. (a) In the handling of Letters of Credit and any security therefor, or any documents or instruments given in connection therewith, and notwithstanding the granting of risk participation hereunder, the Issuing Bank shall have the sole right to take or refrain from taking any and all actions under or upon the Letters of Credit.

(b) Subject to other terms and conditions of this Agreement, Issuing Bank shall issue the Letters of Credit and shall hold the documents related thereto in its own name and shall make all collections thereunder and otherwise administer the Letters of Credit in accordance with Issuing Bank's regularly established practices and procedures and, Issuing Bank will have no further obligation with respect thereto. In the administration of Letters of Credit, Issuing Bank shall not be liable for any action taken or omitted on the advice of counsel, accountants, appraisers or other experts selected by Issuing Bank with due care and Issuing Bank may rely upon any notice, communication, certificate or other statement from Company, any Account Party, beneficiaries of Letters of Credit, or any other Person which Issuing Bank believes to be authentic. Issuing Bank, will, upon request, furnish the Banks with copies of Letter of Credit Agreements, Letters of Credit and documents related thereto.

(c) In connection with the issuance and administration of Letters of Credit and the assignments hereunder, Issuing Bank makes no representation and shall, subject to Section 3.7 hereof, have no responsibility with respect to (i) the obligations of Company or any Account Party or, the validity, sufficiency or enforceability of any document or instrument given in connection therewith, (ii) the financial condition of, any representations made by, or any act or omission of Company, the applicable Account Party or any other Person, or

(iii) any failure or delay in exercising any rights or powers possessed by Issuing Bank in its capacity as issuer of Letters of Credit, in the absence of its gross negligence or willful misconduct. Each of the Banks expressly acknowledge that they have made and will continue to make their own evaluations of Company's creditworthiness without reliance on any representation of Issuing Bank or Issuing Bank's officers, agents and employees.

(d) If at any time Agent or the Issuing Bank shall recover any part of any unreimbursed amount for any draw or other demand for payment under a Letter of Credit, or any interest thereon, Agent or the Issuing Bank, as the case may be, shall receive same for the PRO RATA benefit of the Banks in accordance with their respective Percentage interests therein and shall promptly deliver to each Revolving Credit Bank its share thereof, less such Bank's pro rata share of the costs of such recovery, including court costs and attorney's fees. If at any time any Revolving Credit Bank shall receive from any source whatsoever any payment on any such unreimbursed amount or interest thereon in excess of such Bank's Percentage share of such payment, such Bank will promptly pay over such excess to Agent, for redistribution in accordance with this Agreement.

3.9 INDEMNIFICATION. (a) The Company and each Account Party hereby indemnifies and agrees to hold harmless the Banks, the Issuing Bank and the Agent, and their respective officers, directors, employees and agents, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Banks, the Issuing Bank or the Agent or any such person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit, and none of the Issuing Bank, any Bank or the Agent or any of their respective officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not strictly comply with the terms of any Letter of Credit (unless such payment resulted from the gross negligence or willful misconduct of the Issuing Bank), including failure of any documents to bear any reference or adequate reference to such Letter of Credit; (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or (v) any other event or circumstance whatsoever arising in connection with any Letter of Credit; provided, however, that with respect to subparagraphs

(a)(i) through (a)(v) hereof, Company and Account Parties shall not be required to indemnify the Issuing Bank, the other Banks and the Agent and such other persons, and the Issuing Bank shall be liable to the Company and the Account Parties to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by Company and the Account Parties which were caused by the Issuing Bank's gross negligence, willful misconduct or wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit.

(b) It is understood that in making any payment under a Letter of Credit the Issuing Bank will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary. It is further acknowledged and agreed that Company or an Account Party may have rights against the beneficiary or others in connection with any Letter of Credit with respect to which the Banks are alleged to be liable and it shall be a condition of the assertion of any liability of the Banks under this Section that Company or applicable Account Party shall contemporaneously pursue all remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such Letter of Credit and any related transactions.

3.10 RIGHT OF REIMBURSEMENT. Each Revolving Credit Bank agrees to reimburse the Issuing Bank on demand (by payment to the Agent for the account of the Issuing Bank), pro rata in accordance with their Percentages, for (i) the reasonable out-of-pocket costs and expenses of the Issuing Bank to be reimbursed by Company or any Account Party pursuant to any Letter of Credit Agreement or any Letter of Credit, to the extent not reimbursed by Company or Account Party and (ii) any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, fees, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Issuing Bank (in its capacity as issuer of any Letter of Credit) in any way relating to or arising out of this Agreement, any Letter of Credit, any documentation or any transaction relating thereto, or any Letter of Credit Agreement, except to the extent that such liabilities, losses, costs or expenses were incurred by Issuing Bank as a result of Issuing Bank's gross negligence or willful misconduct or wrongful dishonor of any Letter of Credit.

4. SWING LINE CREDIT

4.1 SWING LINE ADVANCES. The Swing Line Bank shall, on the terms and subject to the conditions hereinafter set forth (including Section 4.3), make one or more advances (each such

advance being a "Swing Line Advance") to Company from time to time on any Business Day during the period from the date hereof to (but excluding) the Revolving Credit Maturity Date in an aggregate amount not to exceed Two Million Dollars ($2,000,000) at any time outstanding; provided, HOWEVER, that after giving effect to all Swing Line Advances and all Revolving Credit Advances requested to be made on such date, the sum of the aggregate principal amount of all outstanding Advances and Letter of Credit Obligations shall not exceed the lesser of the then applicable (a) Revolving Credit Aggregate Commitment and (b) Borrowing Base. All Swing Line Advances shall be evidenced by the Swing Line Note, under which advances, repayments and readvances may be made, subject to the terms and conditions of this Agreement. Each Swing Line Advance shall mature and the principal amount thereof shall be due and payable by Company on the last day of the Interest Period applicable thereto. In no event whatsoever shall any outstanding Swing Line Advance be deemed to reduce, modify or affect any Bank's commitment to make Revolving Credit Advances based upon its Percentage.

4.2 ACCRUAL OF INTEREST; MARGIN ADJUSTMENTS. Each Swing Line Advance shall, from time to time after the date of such Advance, bear interest at its Applicable Interest Rate. The amount and date of each Swing Line Advance, its Applicable Interest Rate, its Interest Period, and the amount and date of any repayment shall be noted on Agent's records, which records will be conclusive evidence thereof, absent manifest error; provided, however, that any failure by the Agent to record any such information shall not relieve Company of its obligation to repay the outstanding principal amount of such Advance, all interest accrued thereon and any amount payable with respect thereto in accordance with the terms of this Agreement and the Loan Documents.

4.3 REQUESTS FOR SWING LINE ADVANCES. Company may request a Swing Line Advance only after delivery to Swing Line Bank of a Request for Swing Line Advance executed by a person authorized by the Company to make such requests on behalf of Company, subject to the following and to the remaining provisions hereof:

(a) each such Request for Swing Line Advance shall set forth the information required on the Request for Swing Line Advance including without limitation:

(i) the proposed date of Swing Line Advance, which must be a Business Day;

(ii) whether such Swing Line Advance is to be a Prime-based Advance or Quoted Rate Advance; and

(iii) the duration of the Interest Period applicable thereto;

(b) each such Request for Swing Line Advance shall be delivered to Swing Line Bank by 12:00 p.m. (Detroit time) on the proposed date of the Swing Line Advance;

(c) the principal amount of such requested Swing Line Advance, plus the principal amount of all other Advances then outstanding hereunder, plus the Letter of Credit Obligations, shall not exceed the lesser of the then applicable (i) Revolving Credit Aggregate Commitment and (ii) Borrowing Base;

(d) the principal amount of such Swing Line Advance shall be at least Five Hundred Thousand Dollars ($500,000) or any larger amount in multiples of One Hundred Thousand Dollars ($100,000);

(e) each Request for Swing Line Advance, once delivered to Swing Line Bank, shall not be revocable by Company, and shall constitute and include a certification by the Company as of the date thereof that:

(i) both before and after the Swing Line Advance, the obligations of the Company and the Guarantors set forth in this Agreement and the Loan Documents, as applicable, are valid, binding and enforceable obligations of such parties;

(ii) to the best knowledge of Company all conditions to Advances have been satisfied;

(iii) there is no Default or Event of Default in existence, and none shall exist upon the making of the Swing Line Advance; and

(iv) the representations and warranties contained in this Agreement and the Loan Documents are true and correct in all material respects and shall be true and correct in all material respects as of and immediately after the making of the Swing Line Advance.

Swing Line Bank shall promptly deliver to Agent by telecopier a copy of any Request for Swing Line Advance received.

Swing Line Bank, may, at its option, lend under this Section 4 upon the telephone request of an authorized officer of Company and, in the event Swing Line Bank makes any such advance upon a telephone request, the requesting officer shall, if so requested by Swing Line Bank, fax to Swing Line Bank, on the same day as such telephone request, a Request for Advance. Company hereby authorizes Swing Line Bank to disburse advances under this Section 4 pursuant to the telephone instructions of any person purporting to be a person identified by name on a written list of persons authorized by the Company to make Requests for Advance on behalf of the

Company. Notwithstanding the foregoing, the Company acknowledges that Company shall bear all risk of loss resulting from disbursements made upon any telephone request. Each telephone request for an Advance shall constitute a certification of the matters set forth in the Request for Advance form as of the date of such requested Advance.

4.4 DISBURSEMENT OF SWING LINE ADVANCES. Subject to submission of an executed Request for Swing Line Advance by Company without exceptions noted in the compliance certification therein and to the other terms and conditions hereof, Swing Line Bank shall make available to Company the amount so requested, in same day funds, not later than 4:00 p.m. (Detroit time) on the date of such Swing Line Advance by credit to an account of Company maintained with Swing Line Bank or to such other account or third party as Company may reasonably direct. Swing Line Bank shall promptly notify Agent of any Swing Line Advance by telephone, telex or telecopier.

4.5 REFUNDING OF OR PARTICIPATION INTEREST IN SWING LINE ADVANCES.

(a) The Agent, at any time in its sole and absolute discretion, may (or, upon the request of the Swing Line Bank, shall) on behalf of the Company (which hereby irrevocably directs the Agent to act on its behalf) request each Revolving Credit Bank (including the Swing Line Bank in its capacity as a Revolving Credit Bank) to make a Prime-based Advance of the Revolving Credit in an amount equal to such Revolving Credit Bank's Percentage of the principal amount of the Swing Line Advances (the "Refunded Swing Line Advances") outstanding on the date such notice is given; provided that (i) at any time as there shall be a Swing Line Advance outstanding for more than thirty days, the Agent shall, on behalf of the Company (which hereby irrevocably directs the Agent to act on its behalf), promptly request each Revolving Credit Bank (including the Swing Line Bank) to make a Revolving Credit Advance in an amount equal to such Revolving Credit Bank's Percentage of the principal amount of such outstanding Swing Line Advance, (ii) Swing Line Advances may be prepaid by the Borrower in accordance with the provisions of Section 5.7 or Section 12.1 hereof and (iii) Quoted Rate Advances which are converted to Revolving Credit Advances at the request of the Agent at a time when no Default or Event of Default has occurred and is continuing shall not be subject to Section 5.7. Unless any of the events described in Section 10.1(j) shall have occurred (in which event the procedures of paragraph (b) of this Section 4.5 shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Credit Advance are then satisfied, each Revolving Credit Bank shall make the proceeds of its Revolving Credit Advance available to the Agent for the

ratable benefit of the Swing Line Bank at the office of the Agent specified in Section 2.4(a) prior to 11:00 a.m. Detroit time, in funds immediately available on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Credit Advances shall be immediately applied to repay the Refunded Swing Line Advances.

(b) If, prior to the making of a Revolving Credit Advance pursuant to paragraph (a) of this Section 4.5, one of the events described in Section 10.1(j) shall have occurred, each Revolving Credit Bank will, on the date such Revolving Credit Advance was to have been made, purchase from the Swing Line Bank an undivided participating interest in the Refunded Swing Line Advance in an amount equal to its Percentage of such Refunded Swing Line Advance. Each Bank will immediately transfer to the Agent, in immediately available funds, the amount of its participation and upon receipt thereof the Agent will deliver to such Bank a Swing Line Bank Participation Certificate in the form of Exhibit F dated the date of receipt of such funds and in such amount.

(c) Each Bank's obligation to make Revolving Credit Advances and to purchase participation interests in accordance with clauses (a) and (b) above shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Bank may have against Swing Line Bank, the Company or any other Person for any reason whatsoever; (ii) the occurrence or continuance of any Default or Event of Default; (iii) any adverse change in the condition (financial or otherwise) of the Company or any other Person; (iv) any breach of this Agreement by the Company or any other Person; (v) any inability of the Company to satisfy the conditions precedent to borrowing set forth in this Agreement on the date upon which such participating interest is to be purchased or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Bank does not make available to the Agent the amount required pursuant to clause (a) or (b) above, as the case may be, the Agent shall be entitled to recover such amount on demand from such Bank, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Effective Rate for the first two Business Days and at the Alternate Base Rate thereafter.

5. MARGIN ADJUSTMENTS; INTEREST PAYMENTS

5.1 MARGIN ADJUSTMENTS. Adjustments in the Margin applicable to Eurocurrency-based Advances, the Applicable Commitment Fee Percentage and the Applicable L/C Fee Percentage, each based upon

the Fixed Charge Coverage Ratio, shall be implemented on a quarterly basis as follows:

(a) Such adjustments shall be given prospective effect only, effective (i) as to all Prime-based Advances outstanding hereunder, the Applicable Commitment Fee Percentage and the Applicable L/C Fee Percentage, upon the required date of delivery of the financial statements under Sections 8.1(a) and 8.1(b) hereunder, in each case establishing applicability of the appropriate adjustment, and (ii) as to each Eurocurrencybased Advance outstanding hereunder, effective upon the expiration of the applicable Interest Period(s), if any, in effect on the date of the delivery of such financial statements, in each case with no retroactivity or claw-back. In the event Company fails timely to deliver the financial statements required under Section 8.1(a) or 8.1(b), then from the date delivery of such financial statements was required until such financial statements are delivered, the margins and fee percentages shall be those set forth under the Level IV Column of the pricing matrix attached to this Agreement as Schedule 1.1.

(b) With respect to Eurocurrency-based Advances outstanding hereunder, an adjustment hereunder, after becoming effective, shall remain in effect only through the end of the applicable Interest Period(s) for such Eurocurrency-based Advances if any; provided, however, that upon any change in the Margin level then in effect, as aforesaid, or the occurrence of any other event which under the terms hereof causes such adjustment no longer to be applicable, then any such subsequent adjustment or no adjustment, as the case may be, shall be effective (and said pricing shall thereby be adjusted up or down, as applicable) with the commencement of each Interest Period following such change or event, all in accordance with the preceding subparagraph.

(c) Such Margin adjustments under this Section 5.1 shall be made irrespective of, and in addition to, any other interest rate adjustments hereunder.

(d) From the date hereof until the required date of delivery under Section 8.1(b) of the Company's financial statements for the fiscal quarter ending September 30, 1996, the margins and fee percentages shall be those set forth under the Level II column of the pricing matrix attached to this Agreement as Schedule 1.1.

5.2 PRIME-BASED INTEREST PAYMENTS. Interest on the unpaid balance of all Prime-based Advances from time to time outstanding shall accrue from the date of such Advances to the Revolving Credit Maturity Date (and until paid), at a per annum interest rate equal to the Prime-based Rate, and shall be payable in immediately

available funds quarterly commencing on the first day of the calendar quarter next succeeding the calendar quarter during which the initial Advance is made and on the first day of each calendar quarter thereafter. Interest accruing at the Prime-based Rate shall be computed on the basis of a 360 day year and assessed for the actual number of days elapsed, and in such computation effect shall be given to any change in the interest rate resulting from a change in the Prime-based Rate on the date of such change in the Primebased Rate.

5.3 EUROCURRENCY-BASED INTEREST PAYMENTS. Interest on each Eurocurrency-based Advance having a related Eurocurrency-Interest Period of 3 months or less shall accrue at its Eurocurrency-based Rate and shall be payable in immediately available funds on the last day of the Interest Period applicable thereto. Interest shall be payable in immediately available funds on each Eurocurrencybased Advance outstanding from time to time having a EurocurrencyInterest Period of 6 months or longer, at intervals of 3 months after the first day of the applicable Interest Period, and shall also be payable on the last day of the Interest Period applicable thereto. Interest accruing at the Eurocurrency-based Rate shall be computed on the basis of a 360 day year and assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto to, but not including, the last day thereof.

5.4 QUOTED RATE ADVANCE INTEREST PAYMENTS. Interest on each Quoted Rate Advance shall accrue at its Quoted Rate and shall be payable in immediately available funds on the last day of the Interest Period applicable thereto. Interest accruing at the Quoted Rate shall be computed on the basis of a 360 day year and assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto to, but not including the last day thereof.

5.5 INTEREST PAYMENTS ON CONVERSIONS. Notwithstanding anything to the contrary in Sections 5.2 and 5.3, all accrued and unpaid interest on any Revolving Credit Advance refunded or converted pursuant to Section 2.3 hereof shall be due and payable in full on the date such Advance is refunded or converted.

5.6 INTEREST ON DEFAULT. Notwithstanding anything to the contrary set forth in Sections 5.2, 5.3 and 5.4, in the event and so long as any Event of Default shall exist under this Agreement, interest shall be payable daily on the principal amount of all Advances from time to time outstanding (and, to the extent delinquent, on all other monetary obligations of Company hereunder and under the other Loan Documents) at a per annum rate equal to the Applicable Interest Rate (and, with respect to Eurocurrencybased Advances calculated on the bases of the maximum Margins) in respect of each such Advance, plus, in the case of Eurocurrencybased Advances and Quoted Rate Advances, three percent (3%) per annum for the remainder of the then existing Interest Period, if

any, and at all other such times and for all Prime-based Advances, at a per annum rate equal to the Prime-based Rate, plus three percent (3%).

5.7 PREPAYMENT. Company may prepay all or part of the outstanding balance of any Prime-based Advance(s) at any time, provided that the amount of any partial prepayment shall be at least Five Hundred Thousand Dollars ($500,000) and the aggregate balance of Prime-based Advance(s) remaining outstanding, if any, under the Revolving Credit Notes shall be at least One Million Dollars ($1,000,000) and the aggregate amount outstanding under all Swing Line Advances shall be at least Five Hundred Thousand Dollars ($500,000). Company may prepay all or part of any Eurocurrencybased Advance (subject to not less than three (3) Business Days' notice to Agent) only on the last day of the Interest Period applicable thereto, provided that the amount of any such partial prepayment shall be at least Five Hundred Thousand Dollars ($500,000), and the unpaid portion of such Advance which is refunded or converted under Section 2.7 shall be at least Two Million Dollars ($2,000,000). Company may prepay Quoted Rate Advances only on the last day of the Interest Period applicable thereto. Any prepayment made in accordance with this Section shall be without premium, penalty or prejudice to the right to reborrow under the terms of this Agreement. Any other prepayment of all or any portion of the Revolving Credit, whether by acceleration, mandatory or required prepayment or otherwise, shall be subject to Section 12.1 hereof, but otherwise without premium, penalty or prejudice.

6. CONDITIONS

The obligations of Banks to make Advances pursuant to this Agreement are subject to the following conditions; provided, however that Sections 6.1 through 6.10 below shall only apply to the initial Advances or loans hereunder:

6.1 EXECUTION OF NOTES AND THIS AGREEMENT. Company shall have executed and delivered to Agent for the account of each Bank, the Revolving Credit Notes, the Swing Line Note, this Agreement and the other Loan Documents to which it is a party (including all schedules, exhibits, certificates, opinions, financial statements and other documents to be delivered pursuant hereto), and such Revolving Credit Notes, the Swing Line Note, the Loan Documents and this Agreement shall be in full force and effect.

6.2 CORPORATE AUTHORITY. Agent shall have received, with a counterpart thereof for each Bank:

(a) In connection with the Company, a certificate of Responsible Officer as to:

i) resolutions of the Board of Directors evidencing approval of the transactions contemplated by this Agreement and the Notes and authorizing the execution and delivery thereof and the borrowing of Advances and the requesting of Letters of Credit hereunder,

ii) the incumbency and signature of the officers of the Company executing any Loan Document,

iii) a certificate of good standing or continued existence (or the equivalent thereof) from the State of Delaware, and from every state or other jurisdiction listed on Schedule 6.2 hereof, and

iv) copies of Company's articles of incorporation and bylaws or other constitutional documents;

(b) in connection with each Guarantor, a certificate from an authorized officer of such Guarantor as to:

i) resolutions of such Guarantor evidencing approval of the transactions contemplated by the Loan Documents to which such Guarantor is a party and authorizing the execution and delivery thereof,

ii) the incumbency and signature of the officers of such Guarantor executing any Loan Document to which such Guarantor is a party,

iii) a certificate of good standing from the state or other jurisdiction of such Guarantor's incorporation, and from every state or other jurisdiction in which such Guarantor is qualified to do business, if issued by such jurisdiction, subject to the limitations (as to qualification and authorization to do business) contained in Section 7.1, hereof,

iv) copies of such Guarantor's constitutional documents, and

v) a certificate of incorporation or comparable certificate certified as true and complete as of a recent date by the appropriate official of the jurisdiction of incorporation of such Guarantor.

6.3 COLLATERAL DOCUMENTS AND GUARANTIES. (a) As security for all Indebtedness of Company to the Banks hereunder, (i) the Company shall have executed and delivered to the Agent the Security Agreement and (ii) each Guarantor shall have executed and delivered to the Agent the Guaranty and the Security Agreement; and

(b) Any documents (including, without limitation, financing statements, amendments to financing statements and assignments of financing statements) required to be filed in connection with the Security Agreement to create, in favor of the Agent (for and on behalf of the Banks), a perfected security interest in the Collateral thereunder shall have been delivered to the Agent in a proper form for filing in each office in each jurisdiction listed in Schedule 6.3 and with the United States Patent and Trademark Office, or other office, as the case may be.

6.4 INSURANCE. The Agent shall have received evidence satisfactory to it that the Company has obtained the insurance policies required by Section 8.5 hereof and that such insurance policies are in full force and effect.

6.5 COMPLIANCE WITH CERTAIN DOCUMENTS AND AGREEMENTS. The Company and each Guarantor (and any of their respective Subsidiaries or Affiliates) shall have each performed and complied in all material respects with all agreements and conditions contained in this Agreement, other Loan Documents, or any agreement or other document executed thereunder and required to be performed or complied with by each of them (as of the applicable date) and none of such parties shall be in material default in the performance or compliance with any of the terms or provisions hereof or thereof.

6.6 OPINION OF COUNSEL. Company and each Guarantor shall furnish Agent prior to the initial Advance under this Agreement, and with signed copies for each Bank, opinions of counsel to the Company and such Guarantor, dated the date hereof, and covering such matters as reasonably required by and otherwise reasonably satisfactory in form and substance to the Agent and each of the Banks.

6.7 COMPANY'S CERTIFICATE. The Agent shall have received, with a signed counterpart for each Bank, a certificate of a Responsible Officer of Company dated the date of the making of Advances hereunder, stating that to the best of his or her knowledge after due inquiry, (a) the conditions of paragraphs 6.1 and 6.4 hereof have been fully satisfied; (b) the representations and warranties made by Company, each Guarantor or any other party to any of the Loan Documents (excluding the Agent and Banks) in this Agreement or any of the Loan Documents, and the representations and warranties of any of the foregoing which are contained in any certificate, document or financial or other statement furnished at any time hereunder or thereunder or in connection herewith or therewith shall have been true and correct in all material respects when made and shall be true and correct in all material respects on and as of the Effective Date; and (c) no Default or Event of Default shall have occurred and be continuing, and there shall have been no material adverse change in the financial condition, properties, business, results or operations of

the Company and its Subsidiaries taken as a whole from September 30, 1996 to the date of the making of the first borrowing hereunder.

6.8 PAYMENT OF FEES. Company shall have paid to the Agent all fees, costs and expenses required hereunder to be paid to Agent upon execution of this Agreement.

6.9 ASSIGNMENT OF EXISTING CREDIT AGREEMENT. Intrust Bank, N.A. shall have executed and delivered to the Agent, for the benefit of the Banks, an Assignment of the Existing Credit Agreement, acknowledged by the Company and ColorTyme, in form and substance satisfactory to the Agent and the Banks.

6.10 OTHER DOCUMENTS AND INSTRUMENTS. The Agent shall have received, with a photocopy for each Bank, such other instruments and documents as each of the Banks may reasonably request in connection with the making of Advances or issuance of Letters of Credit hereunder, and all such instruments and documents shall be satisfactory in form and substance to Agent and each Bank.

6.11 CONTINUING CONDITIONS. The obligations of the Banks to make Advances (including the initial Advance) under this Agreement shall be subject to the continuing conditions that:

(a) the Agent shall have received, as required by Section 2.3, with a counterpart for each Bank, a Request for Revolving Credit Advance, with appropriate insertions and attachments, satisfactory in form and substance to the Agent and its counsel, executed and delivered by a Responsible Officer of the Company; and

(b) the Agent shall have received, with a counterpart for each Bank, a Borrowing Base Certificate in accordance with Section 8.2, showing the Borrowing Base as of the end of the calendar month immediately preceding the date of the requested Advance.

7. REPRESENTATIONS AND WARRANTIES

Company represents and warrants that as of the Effective Date:

7.1 CORPORATE AUTHORITY. Company is a corporation duly organized and existing in good standing under the laws of the State of Delaware; each Guarantor is a corporation or other business entity duly organized and existing in good standing under the laws of the state of its incorporation; each other Subsidiary is duly organized and existing in good standing under the laws of the state of its incorporation; and each of the Company and each of its Subsidiaries is duly qualified and authorized to do business as a foreign corporation in each jurisdiction where the character of its assets or the nature of its activities makes such qualification

necessary and where failure to be so qualified would have a material adverse effect on their respective businesses.

7.2 DUE AUTHORIZATION - COMPANY. Execution, delivery and performance of this Agreement, the other Loan Documents and any other documents and instruments required under or in connection with this Agreement or the other Loan Documents (or to be so executed and delivered), and the issuance of the Notes by Company are within its corporate powers, have been duly authorized, are not in contravention of law or the terms of the Company's organizational documents and, except as have been previously obtained or as referred to in Section 7.13, below, do not require the consent or approval, material to the transactions contemplated by this Agreement and the other Loan Documents, of any governmental body, agency or authority.

7.3 DUE AUTHORIZATION - GUARANTORS. Execution, delivery and performance of the Guaranty, and all other documents and instruments required of Guarantors under or in connection with this Agreement and the other Loan Documents (or to be so executed and delivered) are within the partnership or corporate powers of each such Guarantor, have been duly authorized, are not in contravention of law or the terms of such Guarantor's organizational documents, and, except as have been previously obtained (or as referred to in Section 7.13 below), do not require the consent or approval, material to the transactions contemplated by this Agreement and the other Loan Documents, of any governmental body, agency or authority not previously obtained.

7.4 LIENS. There are no security interests in, liens, mortgages, or other encumbrances on and no financing statements on file with respect to any of the property owned by Company or any of its Guarantors except for Liens permitted pursuant to Section 9.2.

7.5 TAXES. Company and each of its Guarantors has filed on or before their respective due dates or within the applicable grace periods, all federal, state and foreign tax returns which are required to be filed or has obtained extensions for filing such tax returns and is not delinquent in filing such returns in accordance with such extensions and has paid all taxes which have become due pursuant to those returns or pursuant to any assessments received by any such party, as the case may be, to the extent such taxes have become due, except to the extent such tax payments are being actively contested in good faith by appropriate proceedings and with respect to which adequate provision has been made on the books of Company or such Guarantor as may be required by GAAP.

7.6 NO DEFAULTS. There exists no material default under the provisions of any instrument evidencing any indebtedness for borrowed money of the Company or any of its Guarantors which is permitted hereunder or of any agreement relating thereto.

7.7 ENFORCEABILITY OF AGREEMENT AND LOAN DOCUMENTS -COMPANY. This Agreement, each of the other Loan Documents to which Company is a party, and all other certificates, agreements and documents executed and delivered by Company under or in connection herewith or therewith have each been duly executed and delivered by its duly authorized officers and constitute the valid and binding obligations of Company, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or similar laws affecting the enforcement of creditor's rights, generally and by general principles of equity (regardless of whether enforcement is considered in a proceeding in law or equity).

7.8 ENFORCEABILITY OF LOAN DOCUMENTS -- GUARANTORS. The Loan Documents to which each of the Guarantors is a party, and all certificates, documents and agreements executed in connection therewith by the Guarantors have each been duly executed and delivered by the duly authorized officers of the Guarantors and constitute the valid and binding obligations of such Guarantors, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or similar laws affecting the enforcement of creditor's rights, generally and by general principles of equity (regardless of whether enforcement is considered in a proceeding in law or equity).

7.9 COMPLIANCE WITH LAWS. Except as disclosed on Schedule 7.9, each of the Company and each of its Guarantors has complied with all applicable federal, state and local laws, ordinances, codes, rules, regulations and guidelines (including consent decrees and administrative orders) including without limitation, all Consumer Credit Laws in effect from time to time, except to the extent that failure to comply therewith would not materially interfere with the conduct of the business of Company and its Guarantors taken as a whole, or would not have a Material Adverse Effect; except for such matters as are not likely to have a Material Adverse Effect, and except as set forth in Schedule 7.9 hereof, and without limiting the generality of Section 7.12, there have been no past, and there is no pending or threatened, litigation, action, proceeding or controversy affecting the Company or any of its Guarantors, and no pending or threatened complaint, notice or inquiry to the Company or any of its Guarantors, regarding potential liability of the Company or any of its Guarantors, or any officer, director, agent or employee of the Company or any Guarantor under or arising from any Consumer Credit Law; and, to the knowledge of the Company, no facts or situation exists that could form the basis for any such litigation, action, proceeding, controversy, complaint, notice or inquiry.

7.10 NON-CONTRAVENTION -- COMPANY. The execution, delivery and performance of this Agreement and the other Loan Documents and any other documents and instruments required under or in connection with this Agreement by Company are not in contravention of the terms of any indenture, agreement or undertaking to which Company or any of its Guarantors is a party or by which its or their properties are bound or affected where such violation would reasonably be expected to have a Material Adverse Effect.

7.11 NON-CONTRAVENTION -- GUARANTORS. The execution, delivery and performance of those Loan Documents signed by the Guarantors, and any other documents and instruments required under or in connection with this Agreement by the Guarantors are not in contravention of the terms of any indenture, agreement or undertaking to which any Guarantor or Company is a party or by which it or its properties are bound or affected where such violation would reasonably be expected to have a Material Adverse Effect.

7.12 NO LITIGATION. Except for De Minimis Matters or as set forth on Schedule 7.12 hereof, there is no suit, action, proceeding, including, without limitation, any bankruptcy proceeding, or governmental investigation pending against or to the knowledge of Company, affecting Company or any Guarantor (other than any suit, action or proceeding in which Company or such Guarantor is the plaintiff and in which no counterclaim or crossclaim against Company or such Guarantor has been filed), nor has Company or any of its Guarantors or any of its or their officers or directors, as the case may be, been subject to any suit, action, proceeding or governmental investigation as a result of which any such officer or director is or may be entitled to indemnification by Company or a Guarantor, as applicable, which suits, if resolved adversely to Company or any of its Guarantors, are reasonably likely to have a Material Adverse Effect. Except as set forth on Schedule 7.12, there is not outstanding against Company or any Guarantor any judgment, decree, injunction, rule, or order of any court, government, department, commission, agency, instrumentality or arbitrator nor is Company or any Guarantor in violation of any applicable law, regulation, ordinance, order, injunction, decree or requirement of any governmental body or court where such violation would reasonably be expected to have a Material Adverse Effect.

7.13 CONSENTS, APPROVALS AND FILINGS, ETC. Except as have been previously obtained, no authorization, consent, approval, license, qualification or formal exemption from, nor any filing, declaration or registration with, any court, governmental agency or regulatory authority or any securities exchange or any other person or party (whether or not governmental) is required in connection with the execution, delivery and performance: (i) by Company of this Agreement, any of the other Loan Documents to which it is a party, or any other documents or instruments to be executed and or delivered by Company in connection therewith or herewith; (ii) by

any Guarantor, of any of the other Loan Documents to which such Guarantor is a party, or (iii) by Company or any of the Guarantors, of the liens, pledges, mortgages, security interests or other encumbrances granted, conveyed or otherwise established (or to be granted, conveyed or otherwise established) by or under this Agreement or the other Loan Documents, except for such filings to be made concurrently herewith as are required by the Security Agreement to perfect liens in favor of the Agent. All such authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations which have previously been obtained or made, as the case may be, are in full force and effect and are not the subject of any attack, or to the knowledge of Company threatened attack (in any material respect) by appeal or direct proceeding or otherwise.

7.14 AGREEMENTS AFFECTING FINANCIAL CONDITION. Neither the Company nor any of its Guarantors is party to any agreement or instrument or subject to any charter or other corporate restriction which materially adversely affects the financial condition or operations of the Company and its Guarantors (taken as a whole).

7.15 NO INVESTMENT COMPANY OR MARGIN STOCK. Neither the Company nor any of its Guarantors is an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Neither the Company nor any of its Guarantors is engaged principally, or as one of its important activities, directly or indirectly, in the business of extending credit for the purpose of purchasing or carrying margin stock. None of the proceeds of any of the Advances will be used by the Company or any of its Guarantors to purchase or carry margin stock or will be made available by the Company or any of its Guarantors in any manner to any other Person to enable or assist such Person in purchasing or carrying margin stock. Terms for which meanings are provided in Regulation U of the Board of Governors of the Federal Reserve System or any regulations substituted therefor, as from time to time in effect, are used in this paragraph with such meanings.

7.16 ERISA. Neither Company nor any of its Guarantors maintains or contributes to any Pension Plan subject to Title IV of ERISA, except as set forth on Schedule 7.16 hereto; and there is no accumulated funding deficiency within the meaning of ERISA, or any existing liability with respect to any of the Pension Plans owed to the Pension Benefit Guaranty Corporation or any successor thereto, and no "reportable event" or "prohibited transaction", as defined in ERISA, has occurred with respect to any Pension Plan, and all such Pension Plans are in material compliance with the requirements of the Internal Revenue Code and ERISA.

7.17 CONDITIONS AFFECTING BUSINESS OR PROPERTIES. Neither the respective businesses nor the properties of Company or any of its Guarantors is affected by any fire, explosion, accident, strike, lockout or other dispute, drought, storm, hail, earthquake,

embargo, Act of God or other casualty (not covered by insurance), which materially adversely affects, or if such event or condition were to continue for more than ten (10) additional days would reasonably be expected to materially adversely affect, any such businesses or properties of Company and its Guarantors (taken as a whole).

7.18 ENVIRONMENTAL AND SAFETY MATTERS. Except as set forth in Schedule 7.18 and except for such matters as are not likely to have a Material Adverse Effect:

(a) all facilities and property (including underlying groundwater) owned or leased by the Company or any of its Guarantors, have been, and continue to be, owned or leased by the Company and the Guarantors in material compliance with all Hazardous Material Laws;

(b) to the best knowledge of the Company, there have been no past, and there are no pending or threatened

(i) claims, complaints, notices or requests for information received by the Company or any of its Guarantors with respect to any alleged violation of any Hazardous Material Law, or

(ii) complaints, notices or inquiries to the Company or any of its Guarantors regarding potential liability under any Hazardous Material Law; and

(c) no conditions exist at, on or under any property now or previously owned or leased by the Company or any of its Guarantors which, with the passage of time, or the giving of notice or both, would give rise to liability under any Hazardous Material Law.

7.19 SUBSIDIARIES. The Company has no Subsidiaries, except as disclosed on Schedule 7.19 hereto.

7.20 ACCURACY OF INFORMATION. (a) Each of the Company's financial statements previously furnished to Agent and the Banks prior to the date of this Agreement, has been prepared in accordance with GAAP and is complete and correct in all material respects and fairly presents (subject to year-end adjustments in the case of interim statements) the financial condition of Company and the results of its operations for the periods covered thereby.

(b) Since September 30, 1996 through the Effective Date there has been no material adverse change in the financial condition of Company or its Guarantors taken as a whole; to the best knowledge of Company, neither Company nor any of its Guarantors has any contingent obligations (including any liability for taxes) not disclosed by or reserved against in the September

30, 1996 balance sheets, as applicable, except as set forth on Schedule 7.20 hereof, and at the present time there are no unrealized or anticipated losses from any present commitment of Company or any of its Guarantors which in the aggregate is likely to have a Material Adverse Effect.

7.21 NO CHANGE IN REQUIREMENTS OF LAWS. There has been no introduction of or change in any Consumer Credit Laws or any other applicable federal, state, or local laws, ordinances, codes, rules, regulations and guidelines (such as the enactment of any proposed regulation of rental purchase transactions as credit sales subject to interest rate limitations and other consumer lending restrictions) which would have a Material Adverse Effect.

8. AFFIRMATIVE COVENANTS

Company covenants and agrees that it will, and, as applicable, it will cause each of its Guarantors, until the Revolving Credit Maturity Date and thereafter until expiration of all Letters of Credit and final payment in full of the Indebtedness and the performance by the Company of all other obligations under this Agreement and the other Loan Documents, unless the Majority Banks shall otherwise consent in writing:

8.1 FINANCIAL STATEMENTS. Furnish to the Agent with sufficient copies for each Bank:

(a) as soon as available, but in any event within 105 days after the end of each fiscal year of the Company a copy of the audited financial statements of the Company as at the end of such year and the related audited statements of income, accumulated earnings, cash flows and cash basis income for such year, setting forth in each case in comparative form the figures for the previous year, certified by a nationally recognized certified public accountant satisfactory to the Agent and the Banks as being fairly stated in all material respects; and

(b) as soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of the Company, the unaudited financial statements of the Company as at the end of such quarter and the related unaudited statements of income, accumulated earnings, cash flows and cash basis income of the Company for the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects.

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods

reflected therein and with prior periods (except as approved by such officer and disclosed therein), provided however that the quarterly financial statements delivered hereunder will not be required to include footnotes and will be subject to year-end adjustments.

8.2 CERTIFICATES; OTHER INFORMATION. Furnish to the Issuing Bank with sufficient copies for each Bank:

(a) as soon as available, but in any event not later than fifteen (15) days after the end of each calendar month,

(i) a Borrowing Base Certificate executed by a Responsible Officer, substantially in the form attached hereto as Exhibit K; and

(ii) a "BOR Report" (reporting the total number of rental units under Rental Contract as of the end of such calendar month); and

(iii) a "Reconciliation Report" (showing the number of stores opened, closed and/or acquired during such calendar month; and for any stores which are opened or acquired during such calendar month, the address (including the county) of each such store); and

(iv) an "Idle Inventory Report" (showing the amount of inventory not under Rental Contract as of the end of such calendar month); and

(vi) a "Delinquency Report" (showing the percentage of Rental Contracts one day or more past due as of the last Saturday of such calendar month);

(b) not later than 180 days following the end of each fiscal year of the Company, a copy of the projections by the Company of the balance sheets, operating budget and cash flow budget of the Company and its Subsidiaries, covering, on a quarterly basis, the two year period following the last day of the fiscal year then ending, such projections to be accompanied by a certificate of a Responsible Officer to the effect that such projections have been prepared on the basis of sound financial planning practice and that such Officer has no reason to believe they are incorrect or misleading in any material respect;

(c) together with the financial statements to be delivered pursuant to Section 8.1, a Covenant Compliance Certificate executed by a Responsible Officer, substantially in the form attached hereto as Exhibit H;

(d) at the request of the Agent or any Bank, together with the financial statements to be delivered pursuant to Section 8.1(a), a "Same Store Sales Report" (which report compares annual sales of the Company for the fiscal year then ending with annual sales of the Company during the prior fiscal year on a store by store basis);

(e) not later than 60 days following the end of each fiscal quarter of the Company, a schedule of pending litigation of the Company in which the amount in controversy exceeds $500,000, in form satisfactory to the Agent and in reasonable detail (including the amount in controversy), certified as to accuracy by a Responsible Officer to the best of such Responsible Officer's knowledge;

(f) as soon as available, the Company's 10-Q and 10-K Reports filed with the U.S. Securities and Exchange Commission, and in any event, with respect to the 10-Q Report, within sixty (60) days of the end of each of the Company's fiscal quarters, and with respect to the 10-K Report, within one hundred five (105) days after and as of the end of each of Company's fiscal years, and, as soon as available, copies of all other documents filed by the Company with the Securities and Exchange Commission (other than any registration statement and prospectus included therein relating to an employee benefit plan and filed on Form S-8 or any successor form) and copies of any orders in any proceedings to which the Company or any Subsidiary is a party issued by any governmental agency;

(g) promptly as issued, all press releases, notices to shareholders and all other material written communications transmitted to the general public or to the trade or industry in which the Company is engaged; and

(h) promptly, such additional financial and other information, or other reports as any Bank may from time to time reasonably request.

8.3 PAYMENT OF OBLIGATIONS. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Company.

8.4 CONDUCT OF BUSINESS AND MAINTENANCE OF EXISTENCE.

(a) Continue to engage solely in the rent-to-own business (or in the franchising of such business) as now conducted by it and preserve, renew and keep in full force and effect its existence;

(b) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business except as otherwise permitted pursuant to Section 9.4; and

(c) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.5 MAINTENANCE OF PROPERTY; INSURANCE. The Company will maintain, cause to be maintained or cause each Guarantor to maintain with responsible insurance companies insurance with respect to the Collateral, its or their properties and business, against such casualties and contingencies and of such types and in such amounts as is customary in the case of similar businesses, and will furnish to the Agent prior the initial Advance, and upon request by any Bank at reasonable intervals thereafter, a certificate of a Responsible Officer, as well as independent evidence of coverage, setting forth the nature and extent of all insurance policies maintained by the Company or any Guarantor in accordance with this Section. The Company shall give immediate written notice to the Banks and to the insurers of any significant loss or damage to the Collateral or other property to be insured and shall promptly file proofs of loss with such insurers.

8.6 INSPECTION OF PROPERTY; BOOKS AND RECORDS, DISCUSSIONS.

Permit Agent and each Bank, through their authorized attorneys, accountants and representatives (a) to examine Company's and each Guarantor's books, accounts, records, ledgers and assets and properties of every kind and description (including without limitation, all promissory notes, security agreements, customer applications, vehicle title certificates, chattel paper, Uniform Commercial Code filings) wherever located at all reasonable times during normal business hours, upon oral or written request of Agent or such Bank, and (b) if an Event of Default has occurred and is continuing, then at any time and from time to time at the request of the Majority Banks, to conduct full or partial collateral audits, with all reasonable costs and expenses of such audits to be reimbursed by Company; and permit Agent and each Bank or their authorized representatives, at reasonable times and intervals, to visit all of their respective offices, discuss their respective financial matters with their respective officers and independent certified public accountants, and, by this provision, Company

authorizes such accountants to discuss the finances and affairs of Company and its Guarantors (provided that Company is given an opportunity to participate in such discussions) and examine any of its or their books and other corporate records. Notwithstanding the foregoing, all information furnished to the Agent or the Banks hereunder shall be subject to the undertaking of the banks set forth in Section 14.12 hereof.

8.7 NOTICES. Promptly give notice to the Agent of:

(a) the occurrence of any Default or Event of Default of which the Company has knowledge;

(b) any (i) default or event of default under any Contractual Obligation of the Company or any Guarantor or (ii) litigation, investigation or proceeding which may exist at any time between the Company or any Guarantor and any Governmental Authority, which in either case, if not cured or if adversely determined, as the case may be, would have a Material Adverse Effect;

(c) the following events, as soon as possible and in any event within 30 days after the Company knows or has reason to know thereof: (i) the occurrence or expected occurrence of any "reportable event" as defined in ERISA with respect to any Pension Plan, or any withdrawal from or the termination, reorganization or insolvency of any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the Pension Benefit Guaranty Corporation or the Company or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from or the terminating, reorganization or insolvency of any Pension Plan;

(d) after the effectiveness thereof, any material amendment, supplement or other modification of (i) the operations manual of the Company, or the Company's management information system which permits the daily tracking of each store's rental and collection activity, or (ii) the Company's accounting policies regarding its Rental Contracts;

(e) a material adverse change in the business, operations, property, or financial condition of the Company; and

(f) any introduction of or change in any Consumer Credit Laws or any other applicable federal, state, or local laws, ordinances, codes, rules, regulations and guidelines (such as the enactment of any proposed regulation of rental purchase transactions as credit sales subject to interest rate limitations and other consumer lending restrictions) which would have a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Company proposes to take with respect thereto.

8.8 HAZARDOUS MATERIAL LAWS.

(a) Use and operate all of its facilities and properties in material compliance with all material Hazardous Material Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all Hazardous Materials in material compliance with all applicable Hazardous Material Laws;

(b) Promptly notify Agent and provide copies upon receipt of all written claims, complaints, notices or inquiries received by the Company of a material nature relating to its facilities and properties or compliance with Hazardous Material Laws, and shall promptly cure and have dismissed with prejudice to the satisfaction of the Majority Banks any actions and proceedings relating to compliance with Hazardous Material Laws to which the Company is named as a party; and

(c) Provide such information and certifications which any Bank may reasonably request from time to time to evidence compliance with this Section 8.8.

8.9 MAINTAIN MINIMUM TANGIBLE NET WORTH. Maintain at all times a minimum Tangible Net Worth of $30,000,000.

8.10 FIXED CHARGE COVERAGE RATIO. Maintain, as of the end of each fiscal quarter, a Fixed Charge Coverage Ratio of not less than 2.50 : 1.0.

8.11 LEVERAGE RATIO. Maintain, as of the end of each fiscal quarter, a Leverage Ratio of not more than 0.50 : 1.0.

8.12 TAXES. Pay and discharge all taxes and other governmental charges, and all material contractual obligations calling for the payment of money, before the same shall become overdue, unless and to the extent only that such payment is being contested in good faith by appropriate proceedings and is reserved for, as required by GAAP on its balance sheet, or where the failure to pay any such matter could not have a Material Adverse Effect.

8.13 GOVERNMENTAL AND OTHER APPROVALS. Apply for, obtain and/or maintain in effect, as applicable, all authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations (whether with any court, governmental agency, regulatory authority, securities exchange or

otherwise) which are necessary in connection with the execution, delivery and performance: (i) by Company, of this Agreement, the Loan Documents, or any other documents or instruments to be executed and/or delivered by Company in connection therewith or herewith; and (ii) by each of the Guarantors, of the Loan Documents to which it is a party.

8.14 COMPLIANCE WITH ERISA. Comply in all material respects with all requirements imposed by ERISA as presently in effect or hereafter promulgated or the Internal Revenue Code, including, but not limited to, the minimum funding requirements of any Pension Plan.

8.15 ERISA NOTICES. Promptly notify Agent upon the occurrence of any of the following events:

(a) the termination of any Pension Plan subject to Subtitle C of Title IV of ERISA;

(b) the appointment of a trustee by a United States District Court to administer any Pension Plan subject to Title IV of ERISA;

(c) the commencement by the Pension Benefit Guaranty Corporation, or any successor thereto, of any proceeding to terminate any Pension Plan subject to Title IV of ERISA;

(d) the failure of the Company or any Subsidiary to make any payment in respect of any Pension Plan required under Section 412 of the Internal Revenue Code;

(e) the withdrawal of the Company or any Subsidiary from any multiemployer plan (as defined in Section 3(37) of ERISA; or

(f) the occurrence of a "reportable event" which is required to be reported by the Company under Section 4043 of ERISA or a "prohibited transaction" as defined in Section 406 of ERISA or Section 4975 of the Internal Revenue Code which is likely to have a Material Adverse Effect.

8.16 OFFICES; FTC. The Company agrees that it will and will cause each of the Guarantors to operate each of its offices as a licensed location in the jurisdiction requiring such license in conformity with all such licensing and other laws applicable to the origination of Rental Contracts, Sales Finance Agency Acts, or any other law regulating the rent-to-own industry if failure to do so would reasonably be expected to have a Material Adverse Effect. To the extent the Company does not have a license for each location, it will immediately procure a license or advise the Agent of the reason that it is exempt from such licensing requirement or that no

such licensing requirement exists in the jurisdiction of such location.

8.17 SECURITY. The Company hereby agrees to take such actions as the Majority Banks may from time to time reasonably request to establish and maintain first perfected security interests in and Liens on all of its Collateral.

8.18 PERFORMANCE OF CONTRACT DUTIES, DEFENSE OF COLLATERAL. The Company warrants that it has performed, and covenants and agrees that it will continue to perform, in all material respects its duties and obligations under each Rental Contract. The Company covenants to defend the Collateral from any Liens other than Liens permitted by Section 9.2.

8.19 POSSESSORY PERFECTION IN CONTRACT COLLATERAL. The Company covenants that it will, beginning no later than the date 60 days after the Effective Date, prominently stamp or mark (or cause to be so stamped or marked) each original Rental Contract originated on or after such date with the legend set forth below:

"Renters Choice, Inc. has collaterally assigned its rights in this Rental Contract to Comerica Bank as agent for itself and certain other Banks.

8.20 USE OF PROCEEDS. The initial Advances made to the Company shall be used by Company (i) to pay the costs and expenses of the transactions contemplated by this Agreement which are due and payable on the closing date, and (ii) for the payment of any monies due in connection with the assignment of the Existing Credit Agreement; and the proceeds of any subsequent Advances made hereunder shall be used by Company solely for the general business purposes including without limitation working capital and to finance Permitted Acquisitions. Company shall not use any portion of the proceeds of any such advances for the purpose of purchasing or carrying any "margin stock" (as defined in Regulation G of the Board of Governors of the Federal Reserve System) in any manner which violates the provisions of Regulation G, T, U or X of said Board of Governors or for any other purpose in violation of (x) any applicable statute or regulation or (y) the terms and conditions of this Agreement.

8.21 SUBSIDIARIES; GUARANTIES.

(a) Cause ColorTyme Financial Services, Inc., a Texas corporation and a wholly-owned Subsidiary of ColorTyme to be merged into ColorTyme within forty-five (45) days after the Effective Date.

(b) Not permit ColorTyme Life Insurance Company, an Arizona corporation and a wholly-owned Subsidiary of ColorTyme, to actively conduct any business other than the

holding of reserves (as required by Arizona state law) for the payment of its obligations under certain life insurance policies issued by it prior to the date hereof.

(c) With respect to each Person which becomes a Subsidiary of the Company subsequent to the Effective Date, within thirty days of the date such new Subsidiary is created or acquired (but in any event before any payments under the Rental Contracts owned by such Subsidiary shall be included in the Borrowing Base), cause such Subsidiary to execute and deliver to Agent, for and on behalf of each of the Banks, (a) a Joinder Agreement whereby such Subsidiary becomes obligated as a Guarantor under the Guaranty and (b) a Security Agreement, together with such financing statements and other supporting documentation, including without limitation corporate authority items, certificates and opinions of counsel, as reasonably required by Agent and the Majority Banks.

8.22 FURTHER ASSURANCES. Execute and deliver or cause to be executed and delivered to Agent within a reasonable time following Agent's request, and at the Company's expense, such other documents or instruments as Agent may reasonably require to effectuate more fully the purposes of this Agreement or the other Loan Documents.

9. NEGATIVE COVENANTS

Company covenants and agrees that, until the Revolving Credit Maturity Date and thereafter until expiration of all Letters of Credit and final payment in full of the Indebtedness and the performance by Company and the Guarantors of all other obligations under this Agreement and the other Loan Documents, without the prior written consent of the Majority Banks it will not, and will not permit any of the Guarantors, to:

9.1 LIMITATION ON DEBT. Create, incur, assume or suffer to exist any Debt, except:

(a) Indebtedness in respect of the Notes, the Letters of Credit and other obligations of the Company or any Guarantor under this Agreement and the other Loan Documents to which it is a party;

(b) any Debt set forth in Schedule 9.1 attached hereto and any renewals or refinancing of such Debt in amounts not exceeding the scheduled amounts (less any required amortization according to the terms thereof), on substantially the same terms and otherwise in compliance with this Agreement;

(c) Debt of the Company or a Guarantor incurred to finance the acquisition of motor vehicles (whether pursuant to

a loan or a Financing Lease) in an aggregate principal amount not exceeding $5,000,000 at any time outstanding and other Debt of the Company or a Guarantor incurred to finance the acquisition of fixed or capital assets other than motor vehicles (whether pursuant to a loan or a Financing Lease) in an aggregate amount not exceeding $1,000,000 at any time outstanding, and any renewals or refinancing of such Debt in amounts not exceeding the scheduled amounts (less any required amortization according to the terms thereof), on substantially the same terms and otherwise in compliance with this Agreement;

(d) Debt of the Company or a Guarantor arising in connection with non-competition agreements entered into by the Company or such Guarantor in connection with Permitted Acquisitions, in an aggregate amount not exceeding $5,000,000 at any one time;

(e) Debt in respect of taxes, assessments or governmental charges to the extent that payment thereof shall not at the time be required to be made in accordance with Section 8.12;

(f) current unsecured trade, utility or nonextraordinary accounts payable arising in the ordinary course of Company's or such Guarantor's businesses; and

(g) additional Debt not exceeding $2,000,000 in aggregate principal amount at any one time outstanding, provided that only the principal component of obligations shall be considered in calculating such $2,000,000 amount.

9.2 LIMITATION ON LIENS. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Permitted Liens;

(b) Liens securing Debt permitted by Section 9.1(b) incurred to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Debt, (iii) the amount of Debt secured thereby is not increased and (iv) the principal amount of Debt secured by any such Lien shall at no time exceed 100% of the original purchase price of such property;

(c) any Lien securing indebtedness assumed pursuant to a Permitted Acquisition, provided that such Lien is limited to

the property so acquired, and was not entered into, extended or renewed in contemplation of such acquisition;

(d) Liens in favor of Agent, as security for the Indebtedness; and

(e) other Liens, existing on the Effective Date, set forth on Schedule 9.2.

9.3 LIMITATION ON GUARANTEE OBLIGATIONS. Create, incur, assume or suffer to exist any Guarantee Obligation except the Guaranties or the Permitted Guarantees.

9.4 ACQUISITIONS. Other than Permitted Acquisitions, purchase or otherwise acquire or become obligated for the purchase of all or substantially all or any material portion of the assets or business interests of any Person, firm or corporation, or any shares of stock (or other ownership interests) of any corporation, trusteeship or association, or any business or going concern, or in any other manner effectuate or attempt to effectuate an expansion of present business by acquisition.

9.5 LIMITATION ON MERGERS, OR SALE OF ASSETS. Except as permitted under Sections 8.21 and 9.4 hereof, enter into any merger or consolidation or convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, except:

(a) inventory leased or sold pursuant to Rental Contracts in the ordinary course of business;

(b) obsolete or worn out property, property no longer useful in the conduct of Company's business or property from closed offices, in each case disposed of in the ordinary course of business; and

(c) other property (except any property subject to a Lien pursuant to the Security Agreement) in an amount not to exceed $400,000 disposed of during any fiscal year of the Company.

9.6 DIVIDENDS. Declare or pay any dividend or make any distribution on its capital stock or to its stockholders, or purchase, redeem or otherwise acquire or retire for value their capital stock, except for dividends and other distributions by Subsidiaries of the Company or any Guarantor to the Company or such Guarantor, as the case may be, provided that no Default or Event of Default has occurred and is continuing at the time such dividends or other distributions are declared and at the time such dividends or other distributions are paid.

9.7 LIMITATION ON CAPITAL EXPENDITURES. Make or commit to make (by way of the acquisition of securities of a Person or otherwise) any expenditure in respect of the purchase or other acquisition of fixed or capital assets (excluding any such asset acquired in connection with normal replacement and maintenance programs properly charged to current operations) except for:

(a) Permitted Acquisitions permitted by Section 9.4, to the extent assets are acquired which constitute Capital Expenditures; and

(b) expenditures in the ordinary course of business not exceeding, in the aggregate for the Company during any fiscal year of the Company, $5,000,000.

9.8 LIMITATION ON INVESTMENTS, LOANS AND ADVANCES. Make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities, of or any assets constituting a business unit of, or make any other investment in, any Person, except:

(a) Permitted Investments;

(b) extensions of trade credit in the ordinary course of business;

(c) loans and advances to officers and employees of the Company for travel and entertainment in the ordinary course of business in an aggregate amount, not to exceed $200,000 at any one time outstanding;

(d) investments in the Guarantors in an aggregate amount not to exceed 25% of the consolidated net worth of the Company, determined in accordance with GAAP, at any one time outstanding; and

(e) Permitted Acquisitions permitted pursuant to Section 9.4.

In valuing any Investments for the purpose of applying the limitations set forth in this Section 9.9 (except as otherwise expressly provided herein), such Investment shall be taken at the original cost thereof, without allowance for any subsequent write-offs or appreciation or depreciation, but less any amount repaid or recovered on account of capital or principal.

9.9 TRANSACTIONS WITH AFFILIATES. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate of the Company unless such transaction is otherwise permitted under this Agreement, is in the ordinary course of the Company's or such Guarantor's business and is upon fair and

reasonable terms no less favorable to the Company or such Guarantor than it would obtain in a comparable arms length transaction with a Person not a Guarantor.

9.10 SALE AND LEASEBACK. Except as permitted by Section 9.1(b), enter into any arrangement with any Person providing for the leasing by the Company or any Guarantor of real or personal property which has been or is to be sold or transferred by the Company or such Guarantor to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Company or such Guarantor, as the case may be.

9.11 LIMITATION ON NEGATIVE PLEDGE CLAUSES. Except for Permitted Liens and any other agreements, documents or instruments pursuant to which Liens not prohibited by the terms of this Agreement are created, entered into, or allow to exist, any agreement, document or instrument which would restrict or prevent Company and its Guarantors from granting Agent on behalf of Banks liens upon, security interests in and pledges of their respective assets which are senior in priority to all other Liens.

9.12 PREPAYMENT OF DEBTS. Prepay, purchase, redeem or defease any Debt for money borrowed or any capital leases excluding, subject to the terms hereof, the Indebtedness, and excluding paydowns from time to time of permitted working capital facilities or other revolving debt and mandatory payments, prepayments or redemptions for which Company or any Guarantor is obligated as of the date hereof.

10. DEFAULTS

10.1 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) non-payment when due of (i) the principal or interest under any of the Notes issued hereunder in accordance with the terms thereof, (ii) any Reimbursement Obligation, or (iii) any Fees, and in the case of interest payments and Fees, continuance thereof for three (3) Business Days;

(b) non-payment of any money by Company under this Agreement or by Company or any Guarantor under any of the Loan Documents, other than as set forth in subsection (a), above within five Business Days after notice from Agent that the same is due and payable;

(c) default in the observance or performance of any of the conditions, covenants or agreements of Company set forth in Sections 2.7, 3.6, 8.1, 8.2, 8.4(a), 8.6, 8.7, 8.9 through 8.11, 8.20, or 9 (in its entirety);

(d) default in the observance or performance of any of the other conditions, covenants or agreements set forth in this Agreement by Company and continuance thereof for a period of thirty (30) consecutive days;

(e) any representation or warranty made by Company or any Guarantor herein or in any instrument submitted pursuant hereto or by any other party to the Loan Documents proves untrue or misleading in any material adverse respect when made;

(f) default in the observance or performance of or failure to comply with any of the conditions, covenants or agreements of Company or any Guarantor set forth in any of the other Loan Documents, and the continuance thereof beyond any period of grace or cure specified in any such document;

(g) default (i) in the payment of any indebtedness for borrowed money (other than Indebtedness hereunder) of Company or any Guarantor in excess of Five Hundred Thousand Dollars ($500,000) in the aggregate when due (whether by acceleration or otherwise) and continuance thereof beyond any applicable period of cure or (ii) failure to comply with the terms of any other obligation of Company or any Guarantor with respect to any indebtedness for borrowed money (other than Indebtedness hereunder) in excess of Five Hundred Thousand Dollars ($500,000) in the aggregate, which with the giving of notice or passage of time or both would permit the holder or holders thereto to accelerate such other indebtedness for borrowed money or terminate its commitment thereunder, as applicable;

(h) the rendering of any judgment(s) for the payment of money in excess of the sum of One Million Dollars ($1,000,000) individually or in the aggregate against Company or any Guarantor, and such judgments shall remain unpaid, unvacated, unbonded or unstayed by appeal or otherwise for a period of forty five (45) consecutive days, except as covered by adequate insurance with a reputable carrier and an action is pending in which an active defense is being made with respect thereto;

(i) the occurrence of a "reportable event", as defined in ERISA, which is determined to constitute grounds for termination by the Pension Benefit Guaranty Corporation of any Pension Plan subject to Title IV of ERISA maintained or contributed to by or on behalf of the Company or any of its Guarantors for the benefit of any of its employees or for the appointment by the appropriate United States District Court of a trustee to administer such Pension Plan and such reportable event is not corrected and such determination is not revoked within sixty (60) days after notice thereof has been given to the plan administrator of such Pension Plan (without limiting

any of Agent's or any Bank's other rights or remedies hereunder), or the institution of proceedings by the Pension Benefit Guaranty Corporation to terminate any such Pension Plan or to appoint a trustee by the appropriate United States District Court to administer any such Pension Plan, which in either case could reasonably be expected to have a Material Adverse Effect;

(j) the Company or any Guarantor shall be dissolved or liquidated (or any judgment, order or decree therefor shall be entered) or; if a creditors' committee shall have been appointed for the business of Company or any Guarantor; or if Company or any Guarantor shall have made a general assignment for the benefit of creditors or shall have been adjudicated bankrupt, or shall have filed a voluntary petition in bankruptcy or for reorganization or to effect a plan or arrangement with creditors or shall fail to pay its debts generally as such debts become due in the ordinary course of business (except as contested in good faith and for which adequate reserves are made in such party's financial statements); or shall file an answer to a creditor's petition or other petition filed against it, admitting the material allegations thereof for an adjudication in bankruptcy or for reorganization; or shall have applied for or permitted the appointment of a receiver or trustee or custodian for any of its property or assets; or such receiver, trustee or custodian shall have been appointed for any of its property or assets (otherwise than upon application or consent of Company or any of its Guarantors); or if an order shall be entered approving any petition for reorganization of Company or any Guarantor; or the Company or any Guarantor shall take any action (corporate or other) authorizing or in furtherance any of the actions described above in this subsection;

(k) J.E. Talley, or trust(s) established for his benefit or the benefit of Mary Ann Talley and their children, and Mark E. Speese, or trust(s) established for his benefit or the benefit of his spouse and their children, collectively cease to own legal or beneficial title to twenty percent (20%) or more of the voting stock of Company, or either J.E. Talley or Mark E. Speese ceases to exercise substantially the same or greater duties and responsibilities as such individual presently exercises in connection with the management and operation of the Company and its Subsidiaries; or

(l) any provision of any Guaranty or the Security Agreement shall at any time for any reason cease to be valid and binding and enforceable against the Company or any of the Guarantors, as applicable, or the validity, binding effect or enforceability thereof shall be contested by any Person, or the Company or any of the Guarantors shall deny that it has any or further liability or obligation under the Guaranty or

the Security Agreement, as the case may be, or the Guaranty or the Security Agreement, as the case may be, shall be terminated, invalidated, revoked or set aside or in any way cease to give or provide to the Banks and the Agent the benefits purported to be created thereby.

10.2 EXERCISE OF REMEDIES. If an Event of Default has occurred and is continuing hereunder: (a) the Agent shall, upon being directed to do so by the Majority Banks, declare the Revolving Credit Aggregate Commitment terminated; (b) the Agent shall, upon being directed to do so by the Majority Banks, declare the entire unpaid principal Indebtedness, including the Notes, immediately due and payable, without presentment, notice or demand, all of which are hereby expressly waived by Company; (c) upon the occurrence of any Event of Default specified in subsection 10.1(j), above, and notwithstanding the lack of any declaration by Agent under preceding clause (b), the entire unpaid principal Indebtedness, including the Notes, shall become automatically and immediately due and payable, and the Revolving Credit Aggregate Commitment shall be automatically and immediately terminated; (d) the Agent shall, upon being directed to do so by the Majority Banks, demand immediate delivery of cash collateral, and the Company and each Account Party agrees to deliver such cash collateral upon demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit, and (e) the Agent shall, if directed to do so by the Majority Banks or the Banks, as applicable (subject to the terms hereof), exercise any remedy permitted by this Agreement, the Loan Documents or law.

10.3 RIGHTS CUMULATIVE. No delay or failure of Agent and/or Banks in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof, or the exercise of any other power, right or privilege. The rights of Agent and Banks under this Agreement are cumulative and not exclusive of any right or remedies which Banks would otherwise have.

10.4 WAIVER BY COMPANY OF CERTAIN LAWS. To the extent permitted by applicable law, Company hereby agrees to waive, and does hereby absolutely and irrevocably waive and relinquish the benefit and advantage of any valuation, stay, appraisement, extension or redemption laws now existing or which may hereafter exist, which, but for this provision, might be applicable to any sale made under the judgment, order or decree of any court, on any claim for interest on the Notes, or any security interest or mortgage contemplated by or granted under or in connection with this Agreement. These waivers have been voluntarily given, with full knowledge of the consequences thereof.

10.5 WAIVER OF DEFAULTS. No Event of Default shall be waived by the Banks except in a writing signed by an officer of the Agent in accordance with Section 14.11 hereof. No single or partial exercise of any right, power or privilege hereunder, nor any delay in the exercise thereof, shall preclude other or further exercise of their rights by Agent or the Banks. No waiver of any Event of Default shall extend to any other or further Event of Default. No forbearance on the part of the Agent or the Banks in enforcing any of their rights shall constitute a waiver of any of their rights. Company expressly agrees that this Section may not be waived or modified by the Banks or Agent by course of performance, estoppel or otherwise.

10.6 SET OFF.

Upon the occurrence and during the continuance of any Event of Default, each Bank may at any time and from time to time, without notice to the Company but subject to the provisions of Section 11.3 hereof, (any requirement for such notice being expressly waived by the Company) set off and apply against any and all of the obligations of the Company now or hereafter existing under this Agreement, whether owing to such Bank or any other Bank or the Agent, any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Company and any property of the Company from time to time in possession of such Bank, irrespective of whether or not such deposits held or indebtedness owing by such Bank may be contingent and unmatured and regardless of whether any Collateral then held by Agent or any Bank is adequate to cover the Indebtedness. Promptly following any such setoff, such Bank shall give written notice to Agent and to Company of the occurrence thereof. The Company hereby grants to the Banks and the Agent a lien on and security interest in all such deposits, indebtedness and property as collateral security for the payment and performance of all of the obligations of the Company under this Agreement. The rights of each Bank under this Section 10.6 are in addition to the other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

11. PAYMENTS, RECOVERIES AND COLLECTIONS

11.1 PAYMENT PROCEDURE.

(a) All payments by Company of principal of, or interest on, the Notes, or of Fees, shall be made without setoff or counterclaim on the date specified for payment under this Agreement not later than 12:00 noon (Detroit time) in immediately available funds to Agent, for the ratable account of the Banks, at Agent's office located at One Detroit Center, Detroit, Michigan 48226-3289, (care of Agent's Eurocurrency Lending Office, for Eurocurrency-based Advances). Upon receipt

by the Agent of each such payment, the Agent shall make prompt payment in like funds received to each Bank as appropriate, or, in respect of Eurocurrency-based Advances, to such Bank's Eurocurrency Lending Office.

(b) Unless the Agent shall have been notified by Company prior to the date on which any payment to be made by Company is due that Company does not intend to remit such payment, the Agent may, in its sole discretion and without obligation to do so, assume that the Company has remitted such payment when so due and the Agent may, in reliance upon such assumption, make available to each Bank on such payment date an amount equal to such Bank's share of such assumed payment. If Company has not in fact remitted such payment to the Agent each Bank shall forthwith on demand repay to the Agent the amount of such assumed payment made available or transferred to such Bank, together with the interest thereon, in respect of each day from and including the date such amount was made available by the Agent to such Bank to the date such amount is repaid to the Agent at a rate per annum equal to (i) for Prime-based Advances, the Federal Funds Effective Rate (daily average), as the same may vary from time to time, and (ii) with respect to Eurocurrency-based Advances, Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by Agent) of carrying such amount.

(c) Subject to the definition of Interest Period, whenever any payment to be made hereunder shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest, if any, in connection with such payment.

(d) All payments to be made by the Company under this Agreement or any of the Notes (including without limitation payments under the Swing Line Note) shall be made without set-off or counterclaim, as aforesaid, and without deduction for or on account of any present or future withholding or other taxes of any nature imposed by any governmental authority or of any political subdivision thereof or any federation or organization of which such governmental authority may at the time of payment be a member, unless Company is compelled by law to make payment subject to such tax. In such event, Company shall:

(i) pay to the Agent for Agent's own account and/or, as the case may be, for the account of the Banks (and, in the case of Advances of the Swing Line, pay to the Swing Line Bank which funded such Advances) such additional amounts

as may be necessary to ensure that the Agent and/or such Bank or Banks receive a net amount equal to the full amount which would have been receivable had payment not been made subject to such tax; and

(ii) remit such tax to the relevant taxing authorities according to applicable law, and send to the Agent or the applicable Bank (including the Swing Line Bank) or Banks, as the case may be, such certificates or certified copy receipts as the Agent or such Bank or Banks shall reasonably require as proof of the payment by the Company, of any such taxes payable by the Company.

As used herein, the terms "tax", "taxes" and "taxation" include all existing taxes, levies, imposts, duties, charges, fees, deductions and withholdings and any restrictions or conditions resulting in a charge together with interest thereon and fines and penalties with respect thereto which may be imposed by reason of any violation or default with respect to the law regarding such tax, assessed as a result of or in connection with the transactions hereunder, or the payment and or receipt of funds hereunder, or the payment or delivery of funds into or out of any jurisdiction other than the United States (whether assessed against Company, Agent or any of the Banks).

11.2 APPLICATION OF PROCEEDS OF COLLATERAL. Notwithstanding anything to the contrary in this Agreement, after an Event of Default, the proceeds of any Collateral, together with any offsets, voluntary payments by Company or any Guarantor or others and any other sums received or collected in respect of the Indebtedness, shall be applied, first, to the Notes on a pro rata basis (or in such order and manner as determined by the Majority Banks; subject, however, to the applicable Percentages of the loans held by each of the Banks), next, to any other Indebtedness on a PRO RATA basis, and then, if there is any excess, to Company or the applicable Guarantor, as the case may be. The application of such proceeds and other sums to the Revolving Credit Notes shall be based on each Bank's Percentage of the aggregate of the loans.

11.3 PRO-RATA RECOVERY. If any Bank shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise) on account of principal of, or interest on, any of the Indebtedness in excess of its pro rata share of payments then or thereafter obtained by all Banks upon principal of and interest on all Indebtedness, such Bank shall purchase from the other Banks such participations in the Revolving Credit Notes and/or Reimbursement Obligation held by them as shall be necessary to cause such purchasing Bank to share the excess payment or other recovery ratably in accordance with the Percentage with each of

them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing holder, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

12. CHANGES IN LAW OR CIRCUMSTANCES; INCREASED COSTS

12.1 REIMBURSEMENT OF PREPAYMENT COSTS. If Company makes any payment of principal with respect to any Eurocurrency-based Advance or Quoted Rate Advance on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, or otherwise), or if Company fails to borrow any Eurocurrency-based Advance or Quoted Rate Advance after notice has been given by Company to Agent in accordance with the terms hereof requesting such Advance, or if Company fails to make any payment of principal or interest in respect of a Eurocurrency-based Advance or Quoted Rate Advance when due, Company shall reimburse Agent and Banks, as the case may be on demand for any resulting loss, cost or expense incurred by Agent and Banks, as the case may be as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties, whether or not Agent and Banks, as the case may be shall have funded or committed to fund such Advance. Such amount payable by Company to Agent and Banks, as the case may be may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, refunded or converted, for the period from the date of such prepayment or of such failure to borrow, refund or convert, through the last day of the relevant Interest Period, at the applicable rate of interest for said Advance(s) provided under this Agreement, over (b) the amount of interest (as reasonably determined by Agent and Banks, as the case may be) which would have accrued to Agent and Banks, as the case may be on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. Calculation of any amounts payable to any Bank under this paragraph shall be made as though such Bank shall have actually funded or committed to fund the relevant Advance through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that any Bank may fund any Eurocurrency-based Advance or Quoted Rate Advance, as the case may be in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of Company, Agent and Banks shall deliver to Company a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error.

12.2 AGENT'S EUROCURRENCY LENDING OFFICE. For any Advance to which the Eurocurrency-based Rate is applicable, if Agent shall designate a Eurocurrency Lending Office which maintains books separate from those of the rest of Agent, Agent shall have the option of maintaining and carrying the relevant Advance on the books of such Eurocurrency Lending Office.

12.3 CIRCUMSTANCES AFFECTING EUROCURRENCY-BASED RATE AVAILABILITY. If with respect to any Interest Period, Agent or the Banks (after consultation with Agent) shall determine that, by reason of circumstances affecting the interbank markets generally, deposits in eurodollars in the applicable amounts are not being offered to the Agent for such Interest Period, then Agent shall forthwith give notice thereof to the Company. Thereafter, until Agent notifies Company that such circumstances no longer exist, the obligation of Banks to make Eurocurrency-based Advances, and the right of Company to convert an Advance to or refund an Advance as a Eurocurrency-based Advance shall be suspended, and the Company shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such Eurocurrency-based Advance covered hereby together with accrued interest thereon, any amounts payable (but not yet paid) under Section 12.1, hereof, and all other amounts payable hereunder on the last day of the then current Interest Period applicable to such Advance. Upon the date for repayment as aforesaid and unless Company notifies Agent to the contrary within two (2) Business Days after receiving a notice from Agent pursuant to this Section, such outstanding principal amount shall be converted to a Prime-based Advance as of the last day of such Interest Period.

12.4 LAWS AFFECTING EUROCURRENCY-BASED ADVANCE AVAILABILITY. In the event that any applicable law, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not currently applicable to any Bank or the Agent or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by the Agent or any of the Banks (or any of their respective Eurocurrency Lending Offices) with any request or directive (whether or not having the force of law) of any such authority, shall make it unlawful or impossible for any of the Banks (or any of their respective Eurocurrency Lending Offices) to honor its obligations hereunder to make or maintain any Advance with interest at the Eurocurrency-based Rate, such Bank or the Agent shall forthwith give notice thereof to Company and the Agent. Thereafter the Agent shall so notify Company and the right of Company to convert an Advance or refund an Advance as a Eurocurrency-based Advance, shall be suspended and thereafter Company may select as Applicable Interest Rates only those which remain available and which are permitted to be selected hereunder, and if any of the Banks may not lawfully continue to maintain an Advance to the end of the then current Interest Period applicable thereto as a Eurocurrency-based Advance, Company shall immediately prepay such

Advance, together with interest to the date of payment, and any amounts payable under Sections 12.1 or 12.6 with respect to such prepayment and the applicable Advance shall immediately be converted to a Prime-based Advance and the Prime-based Rate shall be applicable thereto.

12.5 INCREASED COST OF EUROCURRENCY-BASED ADVANCES. In the event that any change in applicable law, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not currently applicable to any Bank or the Agent or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Agent or any of the Banks (or any of their respective Eurocurrency Lending Offices) with any request or directive (whether or not having the force of law) made by any such authority, central bank or comparable agency after the date hereof:

(a) shall subject the Agent or any of the Banks (or any of their respective Eurocurrency Lending Offices) to any tax, duty or other charge with respect to any Advance or any Note or shall change the basis of taxation of payments to the Agent or any of the Banks (or any of their respective Eurocurrency Lending Offices) of the principal of or interest on any Advance or any Note or any other amounts due under this Agreement in respect thereof (except for changes in the rate of tax on the overall net income or revenues of the Agent or of any of the Banks (or any of their respective Eurocurrency Lending Offices) imposed by the United States of America or the jurisdiction in which such Bank's principal executive office is located); or

(b) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by the Agent or any of the Banks (or any of their respective Eurocurrency Lending Offices) or shall impose on the Agent or any of the Banks (or any of their respective Eurocurrency Lending Offices) or the interbank markets any other condition affecting any Advance or any of the Notes;

and the result of any of the foregoing is to increase the costs to the Agent or any of the Banks of making, funding or maintaining any part of the Indebtedness hereunder as a Eurocurrency-based Advance or to reduce the amount of any sum received or receivable by the Agent or any of the Banks under this Agreement or under the Notes in respect of a Eurocurrency-based Advance then Agent or Bank, as the case may be, shall promptly notify the Company of such fact and demand compensation therefor and, within fifteen (15) days after such notice, Company agrees to pay to Agent or such Bank such

additional amount or amounts as will compensate Agent or such Bank or Banks for such increased cost or reduction. A certificate of Agent or such Bank setting forth the basis for determining such additional amount or amounts necessary to compensate such Bank or Banks shall be conclusively presumed to be correct save for manifest error.

For purposes of this Section, a change in law, rule, regulation, interpretation, administration, request or directive shall include, without limitation, any change made or which becomes effective on the basis of a law, rule, regulation, interpretation, administration, request or directive presently in force, the effective date of which change is delayed by the terms of such law, rule, regulation, interpretation, administration, request or directive.

12.6 INDEMNITY. The Company will indemnify Agent and each of the Banks against any loss or expense which may arise or be attributable to the Agent's and each Bank's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain the Advances (a) as a consequence of any failure by the Company to make any payment when due of any amount due hereunder in connection with a Eurocurrency-based Advance, (b) due to any failure of the Company to borrow on a date specified therefor in a Request for Revolving Credit Advance or (c) due to any payment or prepayment of any Eurocurrency-based Advance on a date other than the last day of the Interest Period for such Revolving Credit Advance, whether required by another provision of this Agreement or otherwise. The Agent's and each Bank's (as applicable) calculations of any such loss or expense shall be furnished to the Company and shall be conclusively presumed correct, absent manifest error.

12.7 OTHER INCREASED COSTS. In the event that after the date hereof the adoption of or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank or Agent, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank or Agent with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk based capital guidelines, affects or would affect the amount of capital required or expected to be maintained by such Bank or Agent (or any corporation controlling such Bank or Agent) and such Bank or Agent, as the case may be, determines that the amount of such capital is increased by or based upon the existence of such Bank's or Agent's obligations or Advances hereunder and such increase has the effect of reducing the rate of return on such Bank's or Agent's (or such controlling corporation's) capital as a consequence of such obligations or Advances hereunder to a level below that which such Bank or Agent (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies

with respect to capital adequacy) by an amount deemed by such Bank or Agent to be material (collectively, "Increased Costs"), then Agent or such Bank shall notify the Company, and thereafter the Company shall pay to such Bank or Agent, as the case may be, from time to time, upon request by such Bank or Agent, additional amounts sufficient to compensate such Bank or Agent (or such controlling corporation) for any increase in the amount of capital and reduced rate of return which such Bank or Agent reasonably determines to be allocable to the existence of such Bank's or Agent's obligations or Advances hereunder; provided, however that the Company shall not be obligated to reimburse any Bank for any Increased Costs pursuant to this Section 12.7 unless such Bank notifies Company and the Agent within 180 days after such affected Bank has obtained actual knowledge of such Increased Costs (but in any event within 365 days after such affected Bank is required to comply with the applicable change in law). A statement as to the amount of such compensation, prepared in good faith and in reasonable detail by such Bank or Agent, as the case may be, shall be submitted by such Bank or by Agent to the Company, reasonably promptly after becoming aware of any event described in this Section 12.7 and shall be conclusive, absent manifest error in computation.

12.8 SUBSTITUTION OF BANKS. If (i) the obligation of any Bank to make Eurocurrency-based Advances has been suspended pursuant to Section 12.3 or Section 12.4 or (ii) any Bank has demanded compensation under Section 12.5 (in each case, an "Affected Lender"), Company shall have the right, with the assistance of the Agent, to seek a substitute lender or lenders (which may be one or more of the Banks (the "Purchasing Lender" or "Purchasing Lenders") to purchase the Revolving Credit Note and assume the commitment (including without limitation its participations in Swing Line Advances and Letters of Credit) under this Agreement of such Affected Lender. The Affected Lender shall be obligated to sell its Revolving Credit Note and assign its commitment to such Purchasing Lender or Purchasing Lenders within fifteen days after receiving notice from Company requiring it to do so, at an aggregate price equal to the outstanding principal amount thereof plus unpaid interest accrued thereon up to but excluding the date of the sale. In connection with any such sale, and as a condition thereof, Company shall pay to the Affected Lender all fees accrued for its account hereunder to but excluding the date of such sale, plus, if demanded by the Affected Lender at least two Business Days prior to such sale, (i) the amount of any compensation which would be due to the Affected Lender under Section 12.1 if Company has prepaid the outstanding Eurocurrency-based Advances of the Affected Lender on the date of such sale and (ii) any additional compensation accrued for its account under Section 12.5 to but excluding said date. Upon such sale, the Purchasing Lender or Purchasing Lenders shall assume the Affected Lender's commitment and the Affected Lender shall be released from its obligations hereunder to a corresponding extent. If any Purchasing Lender is not already one of the Banks, the

Affected Lender, as assignor, such Purchasing Lender, as assignee, Company and the Agent, with the subscribed consent of the Swing Line Bank shall enter into an Assignment Agreement pursuant to Section 14.8 hereof, whereupon such Purchasing Lender shall be a Bank party to this Agreement, shall be deemed to be an assignee hereunder and shall have all the rights and obligations of a Bank with a Percentage equal to its ratable share of the Revolving Credit Aggregate Commitment of the Affected Lender. In connection with any assignment pursuant to this Section 12.8, Company or the Purchasing Lender shall pay to the Agent the administrative fee for processing such assignment referred to in Section 14.8. Upon the consummation of any sale pursuant to this Section 12.8, the Affected Lender, the Agent and Company shall make appropriate arrangements so that, if required, each Purchasing Lender receives a new Revolving Credit Note.

13. AGENT

13.1 APPOINTMENT OF AGENT. Each Bank and the holder of each Note irrevocably appoints and authorizes the Agent to act on behalf of such Bank or holder under this Agreement and the other Loan Documents and to exercise such powers hereunder and thereunder as are specifically delegated to Agent by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto, including without limitation the power to execute or authorize the execution of financing or similar statements or notices, and other documents. In performing its functions and duties under this Agreement, the Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Company. Each Bank agrees (which agreement shall survive any termination of this Agreement) to reimburse Agent for all reasonable out-of-pocket expenses (including house and outside attorneys' fees and disbursements) incurred by Agent hereunder or in connection herewith or with an Event of Default or in enforcing the obligations of Company under this Agreement or the other Loan Documents or any other instrument executed pursuant hereto, and for which Agent is not reimbursed by Company, pro rata according to such Bank's Percentage, but excluding any such expense resulting from Agent's gross negligence or wilful misconduct. Agent shall not be required to take any action under the Loan Documents, or to prosecute or defend any suit in respect of the Loan Documents, unless indemnified to its satisfaction by the Banks against loss, costs, liability and expense (excluding liability resulting from its gross negligence or wilful misconduct). If any indemnity furnished to Agent shall become impaired, it may call for additional indemnity and cease to do the acts indemnified against until such additional indemnity is given.

13.2 DEPOSIT ACCOUNT WITH AGENT. Company hereby authorizes Agent, in Agent's sole discretion, to charge its general deposit account(s), if any, maintained with Agent for the amount of any

principal, interest, or other amounts or costs due under this Agreement when the same become due and payable under the terms of this Agreement or the Notes.

13.3 SCOPE OF AGENT'S DUTIES. The Agent shall have no duties or responsibilities except those expressly set forth herein, and shall not, by reason of this Agreement or otherwise, have a fiduciary relationship with any Bank (and no implied covenants or other obligations shall be read into this Agreement against the Agent). None of Agent, its Affiliates nor any of their respective directors, officers, employees or agents shall be liable to any Bank for any action taken or omitted to be taken by it or them under this Agreement or any document executed pursuant hereto, or in connection herewith or therewith with the consent or at the request of the Majority Banks (or all of the Banks for those acts requiring consent of all of the Banks) (except for its or their own wilful misconduct or gross negligence), nor be responsible for or have any duties to ascertain, inquire into or verify (a) any recitals or warranties made by the Company, or any Subsidiary or Affiliate of the Company, or any officer thereof contained herein or therein, (b) the effectiveness, enforceability, validity or due execution of this Agreement or any document executed pursuant hereto or any security thereunder, (c) the performance by Company of its obligations hereunder or thereunder, or (d) the satisfaction of any condition hereunder or thereunder, including without limitation the making of any Advance or the issuance of any Letter of Credit. Agent and its Affiliates shall be entitled to rely upon any certificate, notice, document or other communication (including any cable, telegraph, telex, facsimile transmission or oral communication) believed by it to be genuine and correct and to have been sent or given by or on behalf of a proper person. Agent may treat the payee of any Note as the holder thereof. Agent may employ agents and may consult with legal counsel (who may be counsel for Company), independent public accountants and other experts selected by it and shall not be liable to the Banks (except as to money or property received by them or their authorized agents), for the negligence or misconduct of any such agent selected by it with reasonable care or for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

13.4 SUCCESSOR AGENT. Agent may resign as such at any time upon at least 30 days prior notice to Company and all Banks. Additionally, Agent may be removed at any time by the Majority Banks upon the gross negligence or willful misconduct of Agent, or upon the failure by Agent to comply with the terms and conditions of this Agreement (but not otherwise). If Agent at any time shall resign or if the office of Agent shall become vacant for any other reason, Majority Banks shall, by written instrument, appoint successor agent(s) satisfactory to such Majority Banks, and, so long as no Default or Event of Default has occurred and is continuing, to Company. Such successor agent shall thereupon become

the Agent hereunder, as applicable, and shall be entitled to receive from the prior Agent such documents of transfer and assignment as such successor Agent may reasonably request. Any such successor Agent shall be a commercial bank organized under the laws of the United States or any state thereof and shall have a combined capital and surplus of at least $500,000,000. If a successor is not so appointed or does not accept such appointment before the resigning Agent's resignation becomes effective, the resigning Agent may appoint a temporary successor to act until such appointment by the Majority Banks is made and accepted or if no such temporary successor is appointed as provided above by the resigning Agent, the Majority Banks shall thereafter perform all of the duties of the resigning Agent hereunder until such appointment by the Majority Banks is made and accepted. Such successor Agent shall succeed to all of the rights and obligations of the resigning Agent as if originally named. The resigning Agent shall duly assign, transfer and deliver to such successor Agent all moneys at the time held by the resigning Agent hereunder after deducting therefrom its expenses for which it is entitled to be reimbursed. Upon such succession of any such successor Agent, the resigning agent shall be discharged from its duties and obligations hereunder, except for its gross negligence or wilful misconduct arising prior to its resignation hereunder, and the provisions of this Article 13 shall continue in effect for the benefit of the resigning Agent in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

13.5 AGENT IN ITS INDIVIDUAL CAPACITY. Comerica Bank, its Affiliates and their respective successors and assigns, shall have the same rights and powers hereunder as any other Bank and may exercise or refrain from exercising the same as though Comerica Bank were not the Agent. Comerica Bank and its Affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with Company (or its Subsidiaries) as if Comerica Bank were not acting as Agent hereunder, and may accept fees and other consideration therefor without having to account for the same to the Banks.

13.6 CREDIT DECISIONS. Each Bank acknowledges that it has, independently of Agent and each other Bank and based on the financial statements of Company and such other documents, information and investigations as it has deemed appropriate, made its own credit decision to extend credit hereunder from time to time. Each Bank also acknowledges that it will, independently of Agent and each other Bank and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any document executed pursuant hereto.

13.7 AGENT'S FEES. Company shall pay to Agent the annual agency fee and such other fees and charges in the amounts and at the times set forth in the letter agreement between Company and Agent dated September 9, 1996, as such letter may be amended or restated from time to time. The Agent's Fees described in this Section 13.7 shall not be refundable under any circumstances.

13.8 AUTHORITY OF AGENT TO ENFORCE NOTES AND THIS AGREEMENT. Each Bank, subject to the terms and conditions of this Agreement, authorizes the Agent with full power and authority as attorney-in-fact to institute and maintain actions, suits or proceedings for the collection and enforcement of the Notes and to file such proofs of debt or other documents as may be necessary to have the claims of the Banks allowed in any proceeding relative to Company, or any of its Subsidiaries, or their respective creditors or affecting their respective properties, and to take such other actions which Agent considers to be necessary or desirable for the protection, collection and enforcement of the Notes, this Agreement or the other Loan Documents.

13.9 INDEMNIFICATION. The Banks agree to indemnify the Agent and its Affiliates (to the extent not reimbursed by Company, but without limiting any obligation of Company to make such reimbursement), ratably according to their respective Percentages, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against the Agent and its Affiliates in any way relating to or arising out of this Agreement, any of the other Loan Documents or the transactions contemplated hereby or any action taken or omitted by the Agent and its Affiliates under this Agreement or any of the Loan Documents; provided, however, that no Bank shall be liable for any portion of such claims, damages, losses, liabilities, costs or expenses resulting from the Agent's or its Affiliates's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent and its Affiliates promptly upon demand for its ratable share of any out-of-pocket expenses (including, without limitation, fees and expenses of counsel) incurred by the Agent and its Affiliates in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any of the other Loan Documents, to the extent that the Agent and its Affiliates is not reimbursed for such expenses by Company, but without limiting the obligation of Company to make such reimbursement. Each Bank agrees to reimburse the Agent and its Affiliates promptly upon demand for its ratable share of any amounts owing to the Agent and its Affiliates by the Banks pursuant to this Section, provided that, if the Agent or its Affiliates is subsequently reimbursed by the Company for such amounts, it shall refund to the Banks on a pro

rata basis the amount of any excess reimbursement. If the indemnity furnished to the Agent and its Affiliates under this Section shall, in the judgment of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity from the Banks and cease, or not commence, to take any action until such additional indemnity is furnished.

13.10 KNOWLEDGE OF DEFAULT. It is expressly understood and agreed that the Agent shall be entitled to assume that no Event of Default has occurred and is continuing, unless the officers of the Agent immediately responsible for matters concerning this Agreement shall have been notified in a writing specifying such Event of Default and stating that such notice is a "notice of default" by a Bank or by Company. Upon receiving such a notice, the Agent shall promptly notify each Bank of such Event of Default and provide each Bank with a copy of such notice and, shall endeavor to provide such notice to the Banks within three (3) Business Days (but without any liability whatsoever in the event of its failure to do so). Agent shall also furnish the Banks, promptly upon receipt, with copies of all other notices or other information required to be provided by Company hereunder.

13.11 AGENT'S AUTHORIZATION; ACTION BY BANKS. Except as otherwise expressly provided herein, whenever the Agent is authorized and empowered hereunder on behalf of the Banks to give any approval or consent, or to make any request, or to take any other action on behalf of the Banks (including without limitation the exercise of any right or remedy hereunder or under the other Loan Documents), the Agent shall be required to give such approval or consent, or to make such request or to take such other action only when so requested in writing by the Majority Banks or the Banks, as applicable hereunder. Action that may be taken by Majority Banks or all of the Banks, as the case may be (as provided for hereunder) may be taken (i) pursuant to a vote at a meeting (which may be held by telephone conference call) as to which all of the Banks have been given reasonable advance notice, or (ii) pursuant to the written consent of the requisite Percentages of the Banks as required hereunder, provided that all of the Banks are given reasonable advance notice of the requests for such consent.

13.12 ENFORCEMENT ACTIONS BY THE AGENT. Except as otherwise expressly provided under this Agreement or in any of the other Loan Documents and subject to the terms hereof, Agent will take such action, assert such rights and pursue such remedies under this Agreement and the other Loan Documents as the Majority Banks or all of the Banks, as the case may be (as provided for hereunder), shall direct; provided, however, that the Agent shall not be required to act or omit to act if, in the judgment of the Agent, such action or omission may expose the Agent to personal liability or is contrary to this Agreement, any of the Loan Documents or applicable law. Except as expressly provided above or elsewhere in this Agreement or the other Loan Documents, no Bank (other than the Agent, acting

in its capacity as agent) shall be entitled to take any enforcement action of any kind under any of the Loan Documents.

14. MISCELLANEOUS

14.1 ACCOUNTING PRINCIPLES. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done, unless otherwise specified herein, in accordance with GAAP. Furthermore, all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP.

14.2 CONSENT TO JURISDICTION. Company, Agent and Banks hereby irrevocably submit to the non-exclusive jurisdiction of any United States Federal Court or Michigan state court sitting in Detroit, Michigan or Texas state court sitting in Dallas County, Texas in any action or proceeding arising out of or relating to this Agreement or any of the Loan Documents and Company, Agent and Banks hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in any such United States Federal Court or Michigan state court or Texas state court. Company irrevocably consents to the service of any and all process in any such action or proceeding brought in any court in or of the State of Michigan or the State of Texas by the delivery of copies of such process to Company at its address specified on the signature page hereto or by certified mail directed to such address or such other address as may be designated by Company in a notice to the other parties that complies as to delivery with the terms of Section 14.6. Nothing in this Section shall affect the right of the Banks and the Agent to serve process in any other manner permitted by law or limit the right of the Banks or the Agent (or any of them) to bring any such action or proceeding against Company or any Guarantor or any of its or their property in the courts with subject matter jurisdiction of any other jurisdiction. Company hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts.

14.3 LAW OF MICHIGAN. This Agreement and the Notes have been delivered at Detroit, Michigan, and shall be governed by and construed and enforced in accordance with the laws of the State of Michigan (without regard to its conflict of laws provisions). Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

14.4 INTEREST. In the event the obligation of Company to pay interest on the principal balance of the Notes is or becomes in

excess of the maximum interest rate which Company is permitted by law to contract or agree to pay, giving due consideration to the execution date of this Agreement, then, in that event, the rate of interest applicable with respect to such Bank's Percentage shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not of interest.

14.5 CLOSING COSTS AND OTHER COSTS; INDEMNIFICATION. (a) Company agrees to pay, or reimburse the Agent for payment of, on demand (i) all reasonable closing costs and expenses, including, by way of description and not limitation, house and outside attorney fees (but without duplication of fees and expenses for the same services provided to the same party) and advances, appraisal and accounting fees, and lien search fees incurred by Agent in connection with the commitment, consummation and closing of the loans contemplated hereby or in connection with the administration of this Agreement or any amendment, refinancing or restructuring of the credit arrangements provided under this Agreement, (ii) all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, recording or amendment of this Agreement and the Loan Documents and the consummation of the transactions contemplated hereby, and any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes or fees, (iii) in connection with any Default or Event of Default, all reasonable costs and expenses of the Agent or any of the Banks (including reasonable fees and expenses of house and outside counsel (but without duplication of fees and expenses for the same services) and whether incurred through negotiations, legal proceedings or otherwise) in connection with the amendment, waiver or enforcement of this Agreement, or the Loan Documents or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement and (iv) all reasonable costs and expenses of the Agent or any of the Banks (including reasonable fees and expenses of house and outside counsel (but without duplication of fees and expenses for the same services) in connection with any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Agent or any of the Banks from paying any amount under, or otherwise relating in any way to, any Letter of Credit and any and all costs and expenses which any of them may incur relative to any payment under any Letter of Credit. At Agent's option, all of said amounts required to be paid by Company, if not paid when due, may be charged by Agent as a Prime-based Advance against the Indebtedness.

(b) Company agrees to indemnify and save Agent and each of the Banks harmless from all loss, cost, damage, liability or expenses, including reasonable house and outside attorneys' fees and disbursements (but without duplication of fees and expenses for the same services), incurred by Agent and the Banks by reason of an Event of Default, or enforcing the obligations of Company or any

Guarantor under this Agreement or any of the other Loan Documents or in the prosecution or defense of any action or proceeding concerning any matter growing out of or connected with this Agreement or any of the Loan Documents, excluding, however, any loss, cost, damage, liability or expenses arising solely as a result of the gross negligence or willful misconduct of the party seeking to be indemnified under this Section 14.5(b).

(c) Company agrees to defend, indemnify and hold harmless Agent and each of the Banks, and their respective employees, agents, officers and directors from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature arising out of or related to (i) the presence, disposal, release or threatened release of any Hazardous Materials on, from or affecting any premises owned or occupied by Company or any of its Subsidiaries, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit or other proceeding brought or threatened, settlement reached or governmental order or decree relating to such Hazardous Materials, (iv) the cost of removal of all Hazardous Materials from all or any portion of any premises owned by Company or its Subsidiaries, (v) the taking of necessary precautions to protect against the release of Hazardous Materials on or affecting any premises owned by Company or any of its Subsidiaries, (vi) complying with all Hazardous Material Laws and/or (vii) any violation of Hazardous Material Laws, including without limitation, reasonable attorneys and consultants fees, investigation and laboratory fees, environmental studies required by Agent or any Bank in connection with the violation of Hazardous Material Laws (whether before or after the occurrence of any Default or Event of Default hereunder), court costs and litigation expenses, excluding however, those arising as a result of its or their gross negligence or willful misconduct. The obligations of Company under this Section 14.5(c) shall be in addition to any and all other obligations and liabilities the Company may have to Agent or any of the Banks at common law or pursuant to any other agreement.

14.6 NOTICES. Except as expressly provided otherwise in this Agreement, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing and shall be given by personal delivery, by mail, by reputable overnight courier, by telex or by facsimile and addressed or delivered to it at its address set forth on the signature pages hereof or at such other address as may be designated by such party in a notice to the other parties that complies as to delivery with the terms of this Section 14.6. Any notice, if personally delivered or if mailed and properly addressed with postage prepaid and sent by registered or certified mail, shall be deemed given when received or when delivery is refused; any notice, if given to a reputable overnight courier and properly addressed, shall be deemed given 2 Business Days after the date on which it was sent, unless

it is actually received sooner by the named addressee; and any notice, if transmitted by telex or facsimile, shall be deemed given when received (answer back confirmed in the case of telexes and receipt confirmed in the case of telecopies). Agent may, but, except as specifically provided herein, shall not be required to, take any action on the basis of any notice given to it by telephone, but the giver of any such notice shall promptly confirm such notice in writing or by telex or facsimile, and such notice will not be deemed to have been received until such confirmation is deemed received in accordance with the provisions of this Section set forth above. If such telephonic notice conflicts with any such confirmation, the terms of such telephonic notice shall control.

14.7 FURTHER ACTION. Company, from time to time, upon written request of Agent will make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered, all such further and additional instruments, and take all such further action as may reasonably be required to carry out the intent and purpose of this Agreement or the Loan Documents, and to provide for Advances under and payment of the Notes, according to the intent and purpose herein and therein expressed.

14.8 SUCCESSORS AND ASSIGNS; PARTICIPATIONS; ASSIGNMENTS.

(a) This Agreement shall be binding upon and shall inure to the benefit of Company and the Banks and their respective successors and assigns.

(b) The foregoing shall not authorize any assignment by Company, of its rights or duties hereunder, and no such assignment shall be made (or effective) without the prior written approval of the Banks.

(c) The Company and Agent acknowledge that each of the Banks may at any time and from time to time, subject to the terms and conditions hereof, assign or grant participations in such Bank's rights and obligations hereunder and under the other Loan Documents to any commercial bank, savings and loan association, insurance company, pension fund, mutual fund, commercial finance company or other similar financial institution, the identity of which institution is approved by Company and Agent, such approval not to be unreasonably withheld or delayed; provided, however, that (i) the approval of Company shall not be required upon the occurrence and during the continuance of a Default or Event of Default, and (ii) the approval of Company and Agent shall not be required for any such sale, transfer, assignment or participation to the Affiliate of an assigning Bank, any other Bank or any Federal Reserve Bank. The Company authorizes each Bank to disclose to any prospective assignee or participant, once approved by Company and Agent, any and all financial information in such Bank's possession concerning the Company which has been delivered to such Bank pursuant to this Agreement; provided that each such prospective

participant shall execute a confidentiality agreement consistent with the terms of Section 14.13 hereof.

(d) Each assignment by a Bank of any portion of its rights and obligations hereunder and under the other Loan Documents shall be made pursuant to an Assignment Agreement substantially (as determined by Agent) in the form attached hereto as Exhibit I (with appropriate insertions acceptable to Agent) and shall be subject to the terms and conditions hereof, and to the following restrictions:

(i) each assignment shall cover all of the Notes issued by Company hereunder to the assigning Bank (and not any particular note or notes), and shall be for a fixed and not varying percentage thereof, with the same percentage applicable to each such Note;

(ii) each assignment shall be in a minimum amount of Ten Million Dollars ($10,000,000);

(iii) no assignment shall violate any "blue sky" or other securities law of any jurisdiction or shall require the Company, or any other Person to file a registration statement or similar application with the United States Securities and Exchange Commission (or similar state regulatory body) or to qualify under the "blue sky" or other securities laws of any jurisdiction; and

(iv) no assignment shall be effective unless Agent has received from the assignee (or from the assigning Bank) an assignment fee of $3,500 for each such assignment.

In connection with any assignment, Company and Agent shall be entitled to continue to deal solely and directly with the assigning Bank in connection with the interest so assigned until (x) the Agent shall have received a notice of assignment duly executed by the assigning Bank and an Assignment Agreement (with respect thereto) duly executed by the assigning Bank and each assignee; and (y) the assigning Bank shall have delivered to the Agent the original of each Note held by the assigning Bank under this Agreement. From and after the date on which the Agent shall notify Company and the assigning Bank that the foregoing conditions shall have been satisfied and all consents (if any) required shall have been given, the assignee thereunder shall be deemed to be a party to this Agreement. To the extent that rights and obligations hereunder shall have been assigned to such assignee as provided in such notice of assignment (and Assignment Agreement), such assignee shall have the rights and obligations of a Bank under this Agreement and the other Loan Documents (including without limitation the right to receive fees payable hereunder in respect of the period following such assignment). In addition, the

assigning Bank, to the extent that rights and obligations hereunder shall have been assigned by it as provided in such notice of assignment (and Assignment Agreement), but not otherwise, shall relinquish its rights and be released from its obligations under this Agreement and the other Loan Documents.

Within five (5) Business Days following Company's receipt of notice from the Agent that Agent has accepted and executed a notice of assignment and the duly executed Assignment Agreement, Company shall, to the extent applicable, execute and deliver to the Agent in exchange for any surrendered Note, new Note(s) payable to the order of the assignee in an amount equal to the amount assigned to it pursuant to such notice of assignment (and Assignment Agreement), and with respect to the portion of the Indebtedness retained by the assigning Bank, to the extent applicable, new Note(s) payable to the order of the assigning Bank in an amount equal to the amount retained by such Bank hereunder shall be executed and delivered by the Company. Agent, the Banks and the Company acknowledge and agree that any such new Note(s) shall be given in renewal and replacement of the surrendered Notes and shall not effect or constitute a novation or discharge of the Indebtedness evidenced by any surrendered Note, and each such new Note may contain a provision confirming such agreement. In addition, promptly following receipt of such Notes, Agent shall prepare and distribute to Company and each of the Banks a revised Exhibit G to this Agreement setting forth the applicable new Percentages of the Banks (including the assignee Bank), taking into account such assignment.

(e) Each Bank agrees that any participation agreement permitted hereunder shall comply with all applicable laws and shall be subject to the following restrictions (which shall be set forth in the applicable Participation Agreement):

(i) such Bank shall remain the holder of its Notes hereunder, notwithstanding any such participation;

(ii) except as expressly set forth in this Section 14.8(e) with respect to rights of setoff and the benefits of Section 12 hereof, a participant shall have no direct rights or remedies hereunder;

(iii) a participant shall not reassign or transfer, or grant any sub-participations in its participation interest hereunder or any part thereof; and

(iv) such Bank shall retain the sole right and responsibility to enforce the obligations of the Company relating to the Notes and the other Loan Documents, including, without limitation, the right to proceed against any Guaranties, or cause Agent to do so (subject to the terms and conditions

hereof), and the right to approve any amendment, modification or waiver of any provision of this Agreement without the consent of the participant, except for those matters covered by Section 14.11(a) through (e) and (h) hereof (provided that a participant may exercise approval rights over such matters only on an indirect basis, acting through such Bank, and Company, Agent and the other Banks may continue to deal directly with such Bank in connection with such Bank's rights and duties hereunder).

Company agrees that each participant shall be deemed to have the right of setoff under Section 10.6 hereof in respect of its participation interest in amounts owing under this Agreement and the other Loan Documents to the same extent as if the Indebtedness were owing directly to it as a Bank under this Agreement, shall be subject to the pro rata recovery provisions of Section 11.3 hereof and shall be entitled to the benefits of Section 12 hereof. The amount, terms and conditions of any participation shall be as set forth in the participation agreement between the issuing Bank and the Person purchasing such participation, and none of the Company, the Agent and the other Banks shall have any responsibility or obligation with respect thereto, or to any Person to whom any such participation may be issued. No such participation shall relieve any issuing Bank of any of its obligations under this Agreement or any of the other Loan Documents, and all actions hereunder shall be conducted as if no such participation had been granted.

(f) Nothing in this Agreement, the Notes or the other Loan Documents, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees and participants permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement, the Notes or the other Loan Documents.

14.9 INDULGENCE. No delay or failure of Agent and the Banks in exercising any right, power or privilege hereunder shall affect such right, power or privilege nor shall any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege. The rights of Agent and the Banks hereunder are cumulative and are not exclusive of any rights or remedies which Agent and the Banks would otherwise have.

14.10 COUNTERPARTS. This Agreement may be executed in several counterparts, and each executed copy shall constitute an original instrument, but such counterparts shall together constitute but one and the same instrument.

14.11 AMENDMENT AND WAIVER. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by Company therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks (or by the Agent at the written request of the Majority Banks) or, if this Agreement expressly so requires with respect to the subject matter thereof, by all Banks (and, with respect to any amendments to this Agreement or the other Loan Documents, by Company or the Guarantors which are signatories thereto), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) increase any Bank's commitments hereunder, (b) reduce the principal of, or interest on, the Notes or any Fees or other amounts payable hereunder, (c) postpone any date fixed for any payment of principal of, or interest on, the Notes or any Fees or other amounts payable hereunder, (d) waive any Event of Default specified in Sections 10.1(a) or (b) hereof, (e) except as expressly permitted hereunder, or under the Security Agreement, release or defer the granting or perfecting of a lien or security interest in any Collateral or release any guaranty or similar undertaking provided by any Person (f) terminate or modify any indemnity provided to the Banks hereunder or under the other Loan Documents, except as shall be otherwise expressly provided in this Agreement or any other Loan Document, (g) take any action which requires the signing of all Banks pursuant to the terms of this Agreement or any other Loan Document, (h) change the aggregate unpaid principal amount of the Notes which shall be required for the Banks or any of them to take any action under this Agreement or any Loan Document or (i) change the definition of "Majority Banks" or this Section 14.11; provided further, that no amendment, waiver or consent shall, unless in writing signed by the Swing Line Bank do any of the following: (x) reduce the principal of, or interest on, the Swing Line Note or (y) postpone any date fixed for any payment of principal of, or interest on, the Swing Line Note; and provided further, however, that no amendment, waiver, or consent shall, unless in writing and signed by the Agent in addition to all the Banks, affect the rights or duties of the Agent under this Agreement or any other Loan Document. All references in this Agreement to "Banks" or "the Banks" shall refer to all Banks, unless expressly stated to refer to Majority Banks.

14.12 CONFIDENTIALITY. Each Bank agrees that it will not disclose without the prior consent of Company (other than to its employees, its Guarantors, another Bank or to its auditors or counsel) any information with respect to Company, which is furnished pursuant to this Agreement or any of the other Loan Documents; provided that any Bank may disclose any such information (a) as has become generally available to the public or has been lawfully obtained by such Bank from any third party under no duty of confidentiality to Company, (b) as may be required or

appropriate in any report, statement or testimony submitted to, or in respect to any inquiry, by, any municipal, state or federal regulatory body having or claiming to have jurisdiction over such Bank, including the Board of Governors of the Federal Reserve System of the United States, the Office of the Comptroller of the Currency or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in respect to any summons or subpoena or in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Bank, and (e) to any permitted transferee or assignee or to any approved participant of, or with respect to, the Notes, as aforesaid.

14.13 WITHHOLDING TAXES. If any Bank is not incorporated under the laws of the United States or a state thereof, such Bank shall promptly deliver to the Agent two executed copies of (i) Internal Revenue Service Form 1001 specifying the applicable tax treaty between the United States and the jurisdiction of such Bank's domicile which provides for the exemption from withholding on interest payments to such Bank, (ii) Internal Revenue Service Form 4224 evidencing that the income to be received by such Bank hereunder is effectively connected with the conduct of a trade or business in the United States or (iii) other evidence satisfactory to the Agent and Company that such Bank is exempt from United States income tax withholding with respect to such income. Such Bank shall amend or supplement any such form or evidence as required to insure that it is accurate, complete and non-misleading at all times. Promptly upon notice from the Agent of any determination by the Internal Revenue Service that any payments previously made to such Bank hereunder were subject to United States income tax withholding when made, such Bank shall pay to the Agent the excess of the aggregate amount required to be withheld from such payments over the aggregate amount actually withheld by the Agent.

14.14 TAXES AND FEES. Should any tax (other than as a result of a Bank's failure to comply with Section 14.13 or a tax based upon the net income or capitalization of any Bank or the Agent by any jurisdiction where a Bank or Agent is located), recording or filing fee become payable in respect of this Agreement or any of the other Loan Documents or any amendment, modification or supplement hereof or thereof, the Company agrees to pay the same, together with any interest or penalties thereon arising from the Company's act or omission, and agrees to hold the Agent and the Banks harmless with respect thereto. Notwithstanding the foregoing, nothing contained in this Section 14.14 shall affect or reduce the rights of any Bank or the Agent under Section 12.7 hereof.

14.15 WAIVER OF JURY TRIAL. THE BANKS, THE AGENT AND THE COMPANY AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY

RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY RELATED INSTRUMENT OR AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTION OF ANY OF THEM. NEITHER THE BANKS, THE AGENT, NOR COMPANY SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY THE BANKS AND THE AGENT OR COMPANY EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

14.16 INTEREST. It is the intention of the parties hereto that each Bank and the Agent shall conform to usury laws applicable to them, if any. Accordingly, if the transactions with any Bank or Agent contemplated hereby would be usurious under such applicable laws, then, notwithstanding anything to the contrary in the Notes or Loan Documents payable to such Bank, this Agreement or any other agreement entered into in connection with or as security for or guaranteeing this Agreement or the Indebtedness, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under the Notes payable to such Bank, this Agreement, the Loan Documents or under any other agreement entered into in connection with or as security for or guaranteeing this Agreement or such Notes or Loan Documents shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited automatically, if theretofore paid, on the principal amount of the Indebtedness owed to such Bank or, if no Indebtedness to such Bank is outstanding, shall be refunded to Company by such Bank, and (ii) in the event that the maturity of any such Note or other Indebtedness is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank shall be cancelled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Bank on the principal amount of the Indebtedness owed to such Bank by the Company or, if no Indebtedness to such Bank is then outstanding, shall be refunded by such Bank to the Company. Without limiting any provision of the Notes or Loan Documents, if for any reason Texas law is applicable to this Agreement or any Note, it is expressly agreed that Tex. Rev. Civ. Stat. Ann. art. 5069, Ch. 15 (which regulates certain revolving credit loan accounts and revolving triparty accounts) shall not apply to this Agreement, such Note, such Loan Documents, the Loans or any transaction contemplated hereby, and unless changed in accordance with law, the rate ceiling applicable to any Indebtedness to which Texas law is applicable under Texas law shall

be the indicated (weekly) rate ceiling from time to time in effect as provided in Tex. Rev. Civ. Stat. Ann. 5069-1.04, as amended.

14.17 COMPLETE AGREEMENT; CONFLICTS. This Agreement, the Notes, any Requests for Revolving Credit Advance and Requests for Swing Line Advance hereunder, and the Loan Documents contain the entire agreement of the parties hereto, superseding all prior agreements, discussions and understandings relating to the subject matter hereof, and none of the parties shall be bound by anything not expressed in writing. In the event of any conflict between the terms of this Agreement and the other Loan Documents, this Agreement shall govern.

14.18 SEVERABILITY. In case any one or more of the obligations of Company under this Agreement, the Notes or any of the other Loan Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of Company shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of Company under this Agreement, the Notes or any of the other Loan Documents in any other jurisdiction.

14.19 TABLE OF CONTENTS AND HEADINGS. The table of contents and the headings of the various subdivisions hereof are for convenience of reference only and shall in no way modify or affect any of the terms or provisions hereof.

14.20 CONSTRUCTION OF CERTAIN PROVISIONS. If any provision of this Agreement or any of the Loan Documents refers to any 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, whether or not expressly specified in such provision.

14.21 INDEPENDENCE OF COVENANTS. Each covenant hereunder shall be given independent effect (subject to any exceptions stated in such covenant) so that if a particular action or condition is not permitted by any such covenant (taking into account any such stated exception), the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default.

14.22 RELIANCE ON AND SURVIVAL OF VARIOUS PROVISIONS. All terms, covenants, agreements, representations and warranties of Company or any party to any of the Loan Documents made herein or in any of the Loan Documents or in any certificate, report, financial statement or other document furnished by or on behalf of Company or any Guarantor in connection with this Agreement or any of the Loan Documents shall be deemed to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by

any Bank or on such Bank's behalf, and those covenants and agreements of Company set forth in Section 12.6 hereof (together with any other indemnities of Company or any Guarantor contained elsewhere in this Agreement or in any of the other Loan Documents) and of Banks set forth in Section 13.9 hereof shall survive the repayment in full of the Indebtedness and the termination of the Revolving Credit Aggregate Commitment.

WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK,
as Agent

By: Unreadable Signature

Its: Vice President
One Detroit Center
500 Woodward Avenue
9th Floor MC 3280
Detroit, Michigan 48226
Attention: Penny Wulfekuhle
Telephone: (313) 222-3516
Facsimile No. (313) 222-9434

RENTERS CHOICE, INC.

By: Unreadable Signature

Its:Chief Executive Officer
13800 Montfort
Suite 300
Dallas, Texas 75240
Telephone: (972) 701-0489
Facsimile No. (972) 701-0360
Attention: Mr. J. E. Talley
Copy to: Mr. Randall Simpson

SWING LINE BANK:

COMERICA BANK - TEXAS

By: Unreadable Signature

Its: Vice President
8850 Boedeker St.
Dallas, Texas 75225
Attention: Reed Allton
Telephone: (214) 890-5367
Facsimile No. (214) 890-5186

Eurocurrency Lending Office:
Comerica Bank
One Detroit Center
500 Woodward Ave.
9th Floor MC 3289
Detroit, Michigan 48226
Attention: Sandra Fields
Telephone No. (313) 222-5265
Facsimile No. (313) 222-9434

REVOLVING CREDIT BANKS:

COMERICA BANK - TEXAS

By: Unreadable Signature

Its: Vice President
8850 Boedeker St.
Dallas, Texas 75225
Attention: Reed Allton
Telephone: (214) 890-5367
Facsimile No. (214) 890-5186

Eurocurrency Lending Office:
Comerica Bank
One Detroit Center
500 Woodward Ave.
9th Floor MC 3289
Detroit, Michigan 48226
Attention: Sandra Fields
Telephone No. (313) 222-5265
Facsimile No. (313) 222-9434

THE FIRST NATIONAL BANK OF CHICAGO

By:/s/Jenny A. Gilpin

Its:Vice President

Eurocurrency Lending Office:
One First National Plaza
Suite 0088
Chicago, Illinois 60670
Attention: Jenny Gilpin
Telephone: (312) 732-5867
Facsimile No. (312) 732-5161

One First National Plaza,
Suite 0088
Chicago, Illinois 60670
Attention: Jenny Gilpin
Telephone: (312) 732-5867
Facsimile No. (312) 732-5161

GUARANTY FEDERAL BANK, F.S.B.

By:/s/Robert S. Hays

Its:Vice President

Eurocurrency Lending Office:
8333 Douglas Avenue
Dallas, Texas 75225
Attention: Robert S. Hays
Telephone: (214) 360-2821
Facsimile No. (214) 360-2760

8333 Douglas Avenue
Dallas, Texas 75225
Attention: Robert S. Hays
Telephone: (214) 360-2821
Facsimile No. (214) 360-2760

INTRUST BANK, N.A.

By: Unreadable Signature

Its:Vice President

Eurocurrency Lending Office:
105 North Main
Wichita, Kansas 67202
Attention: Wm. Randall Summers
Telephone: (316) 383-1972
Facsimile No. (316) 383-1665

105 North Main
Wichita, Kansas 67202
Attention: Wm. Randall Summers
Telephone: (316) 383-1972
Facsimile No. (316) 383-1665

LASALLE NATIONAL BANK

By: Unreadable Signature

Its:S.V.P.

Eurocurrency Lending Office:
135 S. LaSalle St.
Suite 305
Chicago, Illinois 60603
Attention: Daniel Pansing
Telephone: (312) 904-8577
Facsimile No. (312) 904-5483

135 S. LaSalle St.
Suite 305
Chicago, Illinois 60603
Attention: Daniel Pansing
Telephone: (312) 904-8577
Facsimile No. (312) 904-5483

THE SUMITOMO BANK, LIMITED

By:

Its:

Eurocurrency Lending Office:
1601 Elm Street
Suite 4250
Dallas, Texas 75201
Attention: Julie A. Schell
Telephone: (214) 979-3212
Facsimile No. (214) 979-0571

By:

Its:

1601 Elm Street
Suite 4250
Dallas, Texas 75201
Attention: Julie A. Schell
Telephone: (214) 979-3212
Facsimile No. (214) 979-0571

RENTERS CHOICE, INC. AND SUBSIDIARY

COMPUTATION OF EARNINGS PER COMMON SHARE

	DECEMBER 31, 1996	
	THREE MONTHS ENDED	YEAR ENDED
PRIMARY EARNINGS PER SHARE		
Net Earnings	$ 5,311,172	$18,026,302
Weighted average number of common shares outstanding	24,758,481	24,655,675
Net effect of dilutive stock options based on the treasury stock method using average market price	327,942	407,254
Weighted average number of common and common equivalent shares outstanding	25,113,423	25,064,930
PRIMARY EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	$ 0.21	$ 0.72
FULLY DILUTED EARNINGS PER SHARE		
Net earnings	$ 5,311,172	$18,026,302
Weighted average number of common shares outstanding	24,758,481	24,655,675
Net effect of dilutive stock options based on the treasury stock method using the greater of the average or ending market price	327,942	429,175
Weighted average number of common and common equivalent shares outstanding	25,113,423	25,084,851
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE ASSUMING FULL DILUTION	$ 0.21	$ 0.72

EXHIBIT 23

RENTERS CHOICE, INC.
13800 Montfort Drive, Suite 300
Dallas, Texas 75240

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 19, 1997

To the Holders of Common Stock of
RENTERS CHOICE, INC.

The 1997 Annual Meeting of Stockholders of Renters Choice, Inc. (the "Company") will be held at the offices of the Company, 13800 Montfort Drive, Suite 300, Dallas, Texas 75240, on May 19, 1997, at 9:30 a.m., Dallas, Texas, time, for the following purposes:

1. To elect two persons to serve as Class III directors in accordance with the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Company; and

2. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof (the "Annual Meeting").

A copy of the Proxy Statement in which the foregoing matters are described in more detail accompanies this Notice of Annual Meeting of Stockholders.

Stockholders are urged to read carefully the attached Proxy Statement for additional information concerning the matters to be considered at the Annual Meeting. The Board of Directors has fixed the close of business on March 24, 1997 as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting. A complete list of the stockholders will be available for examination at the Company's offices located at 13800 Montfort Drive, Suite 300, Dallas, Texas 75240, during normal business hours for ten days before the meeting.

YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE MARK, SIGN, DATE AND PROMPTLY RETURN THE ACCOMPANYING PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED. IF YOU ATTEND THE ANNUAL MEETING IN PERSON, YOU MAY VOTE IN PERSON, EVEN IF YOU RETURNED YOUR PROXY CARD.

By Order of the Board of Directors,

David M. Glasgow
SECRETARY

April ___, 1997
Dallas, Texas

RENTERS CHOICE, INC.

13800 Montfort Drive, Suite 300
Dallas, Texas 75240

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 19, 1997

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Renters Choice, Inc. (the "Company") for use at the Annual Meeting of Stockholders of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting, and any postponements or adjournments thereof (the "Annual Meeting").

The Board of Directors does not intend to bring any matters before the Annual Meeting other than those set forth in the accompanying Notice of Annual Meeting and does not know of any additional matters to be brought before the Annual Meeting by others. The Amended and Restated Bylaws of the Company require advance notice of stockholder proposals for action to be taken at the Annual Meeting and stockholder nominations of persons for election to the Board of Directors. No such notices have been received.

This Proxy Statement and the accompanying proxy are first being mailed to stockholders on or about [April __, 1997.] All duly executed proxies received by the Company or its transfer agent prior to the Annual Meeting will be voted in accordance with the instructions specified therein. As to a matter for which no instruction has been specified in a properly executed proxy, the shares represented thereby will be voted by the person named therein (1) FOR the election of Joseph V. Mariner, Jr. and J. V. Lentell as Class III directors of the Company, and (2) in the discretion of the persons named in the proxy, to transact any other business that may properly come before the Annual Meeting. A stockholder who attends the Annual Meeting may, if he or she wishes, vote by ballot at the Annual Meeting, thereby cancelling any proxy previously given. In addition, a stockholder giving a proxy may revoke it at any time before it is voted at the Annual Meeting by delivering a written notice of revocation to the Secretary of the Company or by delivering a properly executed proxy bearing a later date.

The Board of Directors has fixed the close of business on March 24, 1997 as the record date for the determination of the stockholders of the Company entitled to notice of, and to vote at, the Annual Meeting. At that date, there were outstanding 24,792,685 shares of Common

Stock, the holders of which will be entitled to one vote per share of Common Stock on each matter submitted at the Annual Meeting. The Company has no other class of stock outstanding. The holders of a majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. If a quorum is not present or represented at the Annual Meeting, the stockholders entitled to vote who are present in person or represented by proxy have the power to adjourn the Annual Meeting from time to time, without notice, other than by announcement at the meeting, until a quorum is present or represented. At any such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the original meeting. If and when a quorum is present or represented at the Annual Meeting or any adjournment thereof, the stockholders present or represented at the meeting may continue to transact business until adjournment notwithstanding the withdrawal from the meeting of stockholders counted in determining the existence of a quorum.

Votes cast by proxy or in person will be counted by two persons appointed by the Company to act as inspectors at the Annual Meeting. The election inspectors will treat shares represented by proxies that reflect abstentions as shares that are present and entitled to vote for the purpose of determining the presence of a quorum and of determining the outcome of any matter submitted to the stockholders for a vote. Abstentions will have the same legal effect as a vote against the matter on all matters other than the election of directors.

Broker non-votes occur where a broker holding stock in street name votes the shares on some matters but not others. The missing votes are deemed to be "broker non-votes." The election inspectors will treat broker non-votes as shares that are present and entitled to vote for the purpose of determining the presence of a quorum. However, for the purpose of determining the outcome of any matter as to which the broker or nominee has indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that matter (even though those shares are considered entitled to vote for quorum purposes and may be entitled to vote on other matters).

The Company will bear the entire cost of soliciting proxies in the accompanying form. In addition to the solicitation of proxies by mail, proxies may also be solicited by telephone, telegram or personal interview by officers and regular employees of the Company. The Company will reimburse brokers or other persons holding stock in their names or in the names of their nominees for their reasonable expenses incurred in forwarding proxy materials to beneficial owners of stock.

ELECTION OF DIRECTORS

Pursuant to the Amended and Restated Certificate of Incorporation of the Company (as amended), the Board of Directors currently is divided into three separate classes (Class I, Class II and Class III). J. Ernest Talley currently serves as the Class I director until the 1998 Annual Meeting of Stockholders of the Company and until his successor has been duly elected and qualified. Mark E. Speese and Rex W. Thompson currently serve as Class II directors until the 1999 Annual Meeting of Stockholders of the Company and until their successors have been duly elected and qualified. Joseph V. Mariner, Jr. and J. V. Lentell currently serve as Class III directors until the 1997 Annual Meeting of Stockholders of the Company and until their successors have been duly elected and qualified.

At this year's Annual Meeting, two persons will be elected to the Board of Directors, to serve as Class III directors until the 2000 Annual Meeting of Stockholders of the Company and until their successors have been duly elected and qualified. At each subsequent Annual Meeting of Stockholders of the Company, one class of directors will be elected on a rotating basis for a three-year term. Pursuant to the Company's Amended and Restated Bylaws, directors shall be elected by a plurality of votes cast in the election.

Unless contrary instructions are set forth in the accompanying proxy, it is intended that the persons named in the proxy will vote all shares represented thereby FOR the election to the Board of Directors of Joseph V. Mariner, Jr. and J. V. Lentell who have been properly nominated to serve as Class III directors. The Company has no reason to believe that Mr. Mariner or Mr. Lentell will be unable or unwilling to serve if elected to the Board of Directors. However, should either Mr. Mariner or Mr. Lentell become unable or unwilling to serve prior to the Annual Meeting, the persons acting under the proxy will vote for the election, in his stead, of such other persons as the Board of Directors may recommend.

NOMINEES FOR ELECTION AS DIRECTOR

NAME	AGE	BUSINESS EXPERIENCE	YEAR TERM WOULD EXPIRE AFTER ELECTION IF ELECTED, AND CLASS
J.V. Lentell	58	Mr. Lentell has served as a director of the Company since February 1995. Mr. Lentell was employed by Kansas State Bank & Trust Co., Wichita, Kansas, from 1966 through July 1993, serving as Chairman of the Board from 1981 through July 1993. Since July 1993, he has served as a director and Vice Chairman of the Board of Directors of Intrust Bank, N.A., successor by merger to Kansas State Bank & Trust Co.	2000 (Class III)
Joseph V. Mariner, Jr.	76	Mr. Mariner has served as a director of the Company since February 1995. Until his retirement in 1978, Mr. Mariner served as Chairman of the Board of Directors and Chief Executive Officer of Hydrometals, Inc., a large conglomerate with subsidiaries engaged in the manufacture of retail plumbing supplies, non-powered hand tools and electronic components. Mr. Mariner currently serves as a director of Temtex Industries, Inc., a manufacturer of energy-efficient fireplaces and gas logs, Peerless Mfg. Co, a manufacturer of heavy oil and gas filtration equipment, Dyson Kissner Moran Corp., a New York based private investment company engaged in acquiring and operating a multitude of manufacturing companies with additional holdings in real estate and broadcasting, Industrial Flexible Materials, Inc., a company engaged in the business of collecting and shredding whole tires into chips which are further processed into finely granulated rubber for commercial industrial applications, and El Chico Restaurants, Inc.	2000 (Class III)

PERSONS CONTINUING AS DIRECTORS

NAME	AGE	BUSINESS EXPERIENCE	Year Term EXPIRES AND CLASS
J. Ernest Talley	62	Mr. Talley has served as Chairman of the Board of Directors of the Company since May 1989 and Chief Executive Officer since November 1994. Mr. Talley operated a rent-to-own business from 1963 to 1974 in Wichita, Kansas, which he sold to Remco (now owned by Rent-a-Center, a unit of Thorn EMI PLC) in 1974. From 1974 to 1988, he was involved in the commercial real estate business in Dallas, Texas. Mr. Talley co-founded Talley Lease to Own, Inc. with his son, Michael C. Talley, in 1987 and served as a director and Chief Executive Officer of that company from 1988 until its merger with the Company on January 1, 1995.	1998 (Class I)
Mark E. Speese	39	Mr. Speese has served as President and a director of the Company since 1990, and as Chief Operating Officer since November 1994. From 1990 to November 1994, Mr. Speese served as Chief Executive Officer. From the Company's inception in 1986 until 1990, Mr. Speese served as a Vice President responsible for the Company's New Jersey operations. Prior to joining the Company, Mr. Speese was a regional manager for Rent-a-Center, a unit of Thorn EMI PLC, from 1979 to 1986.	1999 (Class II)
Rex W. Thompson	47	Mr. Thompson has served as a director of the Company since February 1995. Since 1988, Mr. Thompson has served as a Professor of Finance at the Edwin L. Cox School of Business, Southern Methodist University, Dallas, Texas, where he also serves as Chairman of the Finance Department and as Associate Dean for Academic Affairs. Mr. Thompson previously served as an assistant professor at Carnegie-Mellon University, and as an associate professor at the University of British Columbia and the Wharton School of Business.	1999 (Class II)

COMMITTEES OF THE BOARD OF DIRECTORS

The Company currently has an Audit Committee and a Compensation Committee of the Board of Directors. The Audit Committee is composed of Messrs. Lentell, Mariner and Thompson, all of the members of the Board of Directors who are not employees of the Company (the "Outside Directors"), and is responsible for reviewing the functions of the Company's management and independent auditors pertaining to the Company's financial statements and performing such other duties and functions as are deemed appropriate by the Audit Committee or the Board. Mr. Mariner is Chairman of the Audit Committee. The Compensation Committee is also composed of the Outside Directors and is responsible for recommending to the Board the base salaries and incentive bonuses for the executive officers of the Company and for administering the Company's Long-Term Incentive Plan. Mr. Thompson is Chairman of the Compensation Committee. The Audit Committee met two times and the Compensation Committee met three times during 1996. The Board of Directors does not have a standing nominating committee or other committee performing similar functions.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors of the Company met six times during 1996, including regularly scheduled and special meetings. Each director attended all meetings of the Board of Directors and all meetings held by committees of the Board on which he served.

COMPENSATION OF DIRECTORS

The Outside Directors receive $2,500 for each meeting of the Board of Directors that they attend and $500 for attending a meeting of a committee of the Board. In addition, all directors are reimbursed for travel and lodging expenses of attending Board, stockholder and committee meetings. Automatic annual awards of fully-vested stock options are made to each Outside Director on the first business day of each year, which options provide for the purchase of 3,000 shares of Common Stock at a purchase price equal to the market value of the Common Stock on such date. Each of such options is immediately exercisable. The options granted to the Outside Directors on January 1, 1997, have an exercise price of $14.50 per share. The Company has entered into agreements with all directors pursuant to which the Company has agreed to indemnify them against certain claims arising out of their service as directors. Directors are also entitled to the protection of certain indemnification provisions in the Company's Amended and Restated Certificate of Incorporation and in the Company's Bylaws.

EXECUTIVE OFFICERS

The executive officers of the Company serve at the discretion of the Board of Directors and are chosen annually by the Board at its first meeting following the annual meeting of stockholders. The following table sets forth the names and ages of the executive officers of the Company and all positions held by them and a description of their business experience during at least the past five years.

NAME	AGE	POSITIONS	BUSINESS EXPERIENCE
J. Ernest Talley	62	Chairman of the Board of Directors and Chief Executive Officer	Mr. Talley has served as Chairman of the Board of Directors of the Company since May 1989 and Chief Executive Officer since November 1994. Mr. Talley operated a rent-to-own business from 1963 to 1974 in Wichita, Kansas. From 1974 to 1988, he was involved in the commercial real estate business in Dallas, Texas. Mr. Talley co-founded Talley Lease to Own, Inc. with his son, Michael C. Talley, in 1987 and served as a director and Chief Executive Officer of that company from 1988 until its merger with the Company on January 1, 1995.
Mark E. Speese	39	President, Chief Operating Officer and Director	Mr. Speese has served as President and a director of the Company since 1990, and as Chief Operating Officer since November 1994. From 1990 to November 1994, Mr. Speese served as Chief Executive Officer. From the Company's inception in 1986 until 1990, Mr. Speese served as the Vice President responsible for the Company's New Jersy operations. Prior to joining the Company, Mr. Speese was a regional manager for Rent-a-Center, a unit of Thorn EMI PLC, from 1979 to 1986.
Mitchell E. Fadel	39	President-ColorTyme, Inc.	Mr. Fadel has served as President and Chief Executive Officer of ColorTyme, Inc. since November 1992. From January 1992 to December 1994, he also served as President of ColorTyme Stores, Inc., a former affiliate of ColorTyme, Inc. ColorTyme, Inc. is a national franchisor of 251 rent-to-own stores and is a wholly-owned subsidiary of the Company.

L. Dowell Arnette	49	Executive Vice President	Mr. Arnette has served as an Executive Vice President of the Company since September 1996. From May 1995 to September 1996, Mr. Arnette served as Senior Vice President of the Company. From November 1994 to May 1995, he served as Regional Vice President of the Company. From 1993 to November 1994, he served as a regional manager of the Company responsible for the southeastern region. From 1975 until 1993, Mr. Arnette was an Executive Vice President of DEF Investments, Inc. ("DEF"), an operator of rent-to-own stores. The Company acquired substantially all of the assets of DEF and its subsidiaries in April 1993. Mr. Arnette is the brother of Joseph T. Arnette, Vice President - Training & Personnel of the Company.
Dana F. Goble	31	Senior Vice President	Mr. Goble was appointed Senior Vice President of the Company in December 1996 and served as a Regional Vice President of the Company from May 1995 until December 1996. From April 1993 to May 1995, Mr. Goble served as the Company's regional manager for the Detroit, Michigan area. From 1986 through April 1993, Mr. Goble held several positions with DEF, including regional manager for the states of Indiana, Michigan and Ohio.
Randall S. Simpson	30	Vice President - Finance and Chief Financial Officer	Mr. Simpson has served as Vice President - Finance and Chief Financial Officer of the Company since November 1996. From October 1995 to November 1996, Mr. Simpson, who is a certified public accountant, served as controller of the Company. From May 1994 until October 1995, Mr. Simpson worked as an Audit Supervisor for Grant Thornton LLP. From March 1993 to May 1994, Mr. Simpson was the sole proprietor of an accounting practice and from June 1989 to March 1993, Mr. Simpson was a Supervising Senior Auditor for KPMG Peat Marwick.

Douglas R. Balduini	36	Regional Vice President	Mr. Balduini has served as a Regional Vice President of the Company since December 1995. From November 1993 to December 1995, Mr. Balduini served as the Company's regional manager for northern New Jersey. From the Company's inception in 1986 until November 1993, Mr. Balduini served the Company as a store manager in various locations throughout northern New Jersey.
Christopher R. Dement	35	Regional Vice President	Mr. Dement has served as a Regional Vice President of the Company since November 1994. Mr. Dement joined the Company as a regional manager in 1992. From 1985 through 1992, Mr. Dement held various store and regional management positions with DEF.
Anthony M. Doll	28	Regional Vice President	Mr. Doll has served as a Regional Vice President of the Company since September 1996. From May 1995 to September 1996, Mr. Doll served as the Company's regional manager for the Detroit, Michigan area. From April 1993 to May 1995, Mr. Doll served as the manager of the Company's stores in Michigan. Prior to that time, Mr. Doll attended Michigan State University, where he received a Bachelor's Degree in Social Science in June 1992.
Michael T. Draughn	43	Regional Vice President	Mr. Draughn has served as a Regional Vice President of the Company since January 1997. From September 1995 to January 1997, Mr. Draughn served as a Regional Manager of the Company. Mr. Draughn served as a Store Manager for Magic Rent-to-Own ("MRTO") from August 1992 to October 1993 and a Zone Manager for MRTO from October 1993 until the Company acquired MRTO in September 1995.

C. Edward Ford, III	30	Regional Vice President	Mr. Ford has served as a Regional Vice President of the Company since January 1997. From November 1994 until January 1997, Mr. Ford served as a Regional Manager for the Company. From July 1993 until November 1994, Mr. Ford served as a Store Manager for the Company. Prior to joining the Company in May 1993, Mr. Ford was employed as an insurance agent. Mr. Ford attended the University of Tennessee at Knoxville.
J. Kenneth Gossett	31	Regional Vice President	Mr. Gossett has served as a Regional Vice President of the Company since January 1997. Mr. Gossett served as a Regional Manager for the Company from September 1994 until January 1997. Mr. Gossett served as a Regional Manager for Magic Rent-to-Own ("MRTO") from February 1991 until the Company acquired MRTO in September 1995.
David A. Kraemer	35	Regional Vice President	Mr. Kraemer has served as a Regional Vice President of the Company since December 1995. Mr. Kraemer served as a Divisional Vice President for MRTO Holdings, Inc. (d/b/a Magic Rent-to-Own) ("MRTO Holdings") from November 1990 until the Company acquired MRTO Holdings in September 1995.
Thomas J. Lopez	37	Regional Vice President	Mr. Lopez has served as a Regional Vice President of the Company since December 1995. Mr. Lopez served as a Divisional Vice President for MRTO Holdings from April 1991 until the Company acquired MRTO Holdings in September 1995. Prior to joining MRTO Holdings, Mr. Lopez served as an area vice president for U-Can-Rent, a rent-to-own company based in Athens, Georgia.
William C. Nutt	40	Regional Vice President	Mr. Nutt has served as a Regional Vice President of the Company since December 1995. From December 1992 through December 1995, Mr. Nutt served as the Company's regional manager for the northeast Ohio area. Prior to joining the Company, Mr. Nutt was a partner in McKenzie Leasing of Northern Ohio.

Leslie C. Preston	40	Regional Vice President	Mr. Preston has served as a Regional Vice President of the Company since January 1997. From 1993 until January 1997, Mr. Preston served as a Regional Manager of the Company. Prior to joining the Company, Mr. Preston served as a Regional Manager of DEF ColorTyme from 1991 to 1993.
John H. Spangle	41	Regional Vice President	Mr. Spangle has served as a Regional Vice President of the Company since December 1995. Mr. Spangle served as a Divisional Vice President for MRTO Holdings from December 1990 until the Company acquired MRTO Holdings in September 1995. Prior to joining MRTO Holdings, Mr. Spangle was the controller for Pate Engineers, Inc., a Houston based civil engineering firm.
Juan M. Velez	47	Regional Vice President	Mr. Velez has served as a Regional Vice President of the Company since March 1996. Mr. Velez served the Company as regional manager for Puerto Rico from 1989 until March 1996.
John H. Whitehead	47	Regional Vice President	Mr. Whitehead has served as a Regional Vice President of the Company since May 1995. From July 1993 to May 1995, Mr. Whitehead served as the Company's regional manager for the Atlanta, Georgia area and from July 1992 to July 1993, he served as manager of one of the Company's stores in New Jersey. From 1988 through December 1991, Mr. Whitehead served as the general manager and district manager of Dairy Stores, Inc., a convenience store chain based in Edison, New Jersey.
Joseph T. Arnette	46	Vice President - Training & Personnel	Mr. Arnette has served as Vice President - Training and Personnel of the Company since September 1996. Mr. Arnette served as General Manager of Consolidated Rentals Systems, Inc., an operator of rent-to-own stores in Georgia and Alabama, from December 1989 until the Company acquired Consolidated Rentals Systems, Inc. in May 1995. Mr. Arnette is the brother of L. Dowell Arnette, Executive Vice President of the Company.

David M. Glasgow	28	Secretary/Treasurer	Mr. Glasgow has served as Secretary/Treasurer of the Company since June 1995. From March 1995 to June 1995, Mr. Glasgow served as the Company's accounting operations supervisor and from June 1993 to March 1995, he was an accountant for the Company. From January 1993 through May 1993, Mr. Glasgow was an insurance adjuster for Crawford & Company in Dallas, Texas. Mr. Glasgow received a Bachelor of Business Administration Degree from Stephen F. Austin State University in December 1992.

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the compensation for the years ended December 31, 1994, 1995 and 1996 awarded to or earned by (i) each person serving as chief executive officer of the Company at any time during such periods, and (ii) certain other executive officers of the Company whose salary and bonus exceeded $100,000 for services rendered in all capacities (the "Named Executive Officers").

		Annual Compensation(1)		Long Term Compensation		
Name and Principal Position	Year	Salary ($)	Bonus ($)	Restricted Stock Awards ($)	Securities Underlying Options/SARs (#)	Other Compensation($)(1)
J. Ernest Talley (2)	1996	240,000	--	--	--	--
Chairman of the Board and	1995	240,000	--	--	--	--
Chief Executive Officer	1994	60,000(2)	--	--	--	--
Mark E. Speese	1996	160,000	15,900	--	--	--
President and Chief Operating	1995	150,000	--	--	--	--
Officer	1994	150,000	9,668	--	--	--
Mitch Fadel (3)	1996	140,000(3)	96,000	--	10,000(6)	--
President-ColorTyme, Inc.	1995	--	--	--	--	--
	1994	--	--	--	--	--
L. Dowell Arnette	1996	150,000	15,900	--	--	--
Senior Vice President	1995	132,000	22,990	--	15,000(7)	--
	1994	139,251	26,280	--	--	--
David D. Real (4)	1996	137,500	120,000(5)	384,375(5)	--	--
Senior Vice President-Finance	1995	37,500(4)	--	--	--	--
and Chief Financial Officer	1994	--	--	--	--	--
Juan M. Velez	1996	82,000	30,381	--	2,500(8)	--
Regional Vice President	1995	51,165	36,325	--	7,500(9)	--
	1994	50,497	35,448	--	--	--

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(1) The Named Executive Officers did not receive any annual compensation not properly categorized as salary or bonus, except for certain perquisites or other benefits the aggregate incremental cost of which to the Company for each officer did not exceed the lesser of $50,000 or 10% of the total of annual salary and bonus reported for each such officer.

(2) Mr. Talley received no salary or other compensation from the Company prior to October 1, 1994. The amount presented for 1994 reflects the portion of his $240,000 annual salary received in 1994.

(3) Mr. Fadel is President of ColorTyme, Inc., a wholly-owned subsidiary of the Company, which was acquired by the Company in May 1996. The amount presented for 1996 reflects the portion of his $210,000 annual salary received in 1996.

(4) Mr. Real joined the Company in October 1995. His salary for 1995 and 1996 on an annualized basis was $150,000. Mr. Real resigned his position with the Company in November 1996.

(5) On September 11, 1995, Mr. Real was awarded 62,500 shares of the Company's common stock, par value $0.01 per share, (the "Common Stock") under the Company's Long-Term Incentive Plan, subject to forfeiture on termination of employment in certain circumstances. On September 11, 1996, Mr. Real vested in 20% of the restricted shares awarded to him. In November 1996, Mr. Real resigned his position with the Company. Upon his resignation, an additional 20%, or 12,500 shares, were awarded to Mr. Real as part of a Separation Agreement. The remaining 37,500 shares were forfeited. The Company paid a total of $120,000 in bonuses to defray all or a portion of Mr. Real's federal income tax liability incurred pursuant to such forfeiture.

(6) In July 1996, Mr. Fadel was granted 10,000 options to purchase the Company's Common Stock on a one-for-one basis, pursuant to the Company's Long-Term Incentive Plan. The Plan provides for a vesting period of four years, vesting in 25% increments on each anniversary date of the date of grant. The options expire 10 years from the date of grant.

(7) In May 1995, Mr. Arnette was granted 15,000 options to purchase the Company's Common Stock on a one-for-one basis, pursuant to the Company's Long-Term Incentive Plan. The Plan provides for a vesting period of four years, vesting in 25% increments on each anniversary date of grant. The options expire 10 years from the date of grant.

(8) In January 1996, Mr Velez was granted 2,500 options to purchase the Company's Common Stock on a one-for-one basis, pursuant to the Company's Long-Term Incentive Plan. The Plan provides for a vesting period of four years, vesting in 25% increments on each anniversary date of grant. The options expire 10 years from the date of grant.

(9) In May 1995, Mr. Velez was granted 7,500 options to purchase the Company's Common Stock on a one-for-one basis, pursuant to the Company's Long-Term Incentive Plan. The Plan provides for a vesting period of four years, vesting in 25% increments on each anniversary date of grant. The options expire 10 years from the date of grant.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	Individual Grants				Potential realizable value at assumed annual rates of stock price apprreciation for option Term (2)	
Name	Number of securities underlying options Granted(1)(#)	Percent of total options granted to employees in Fiscal Year	Exercise or base price ($/Sh)	Expiration Date	5% ($)	10% ($)
J. Ernest Talley	0	0	N/A	N/A	N/A	N/A
Mark E. Speese	0	0	N/A	N/A	N/A	N/A
Mitch Fadel	10,000(3)	1.4%	$24.63(3)	7/2/2006(3)	154,923	392,602
L. Dowell Arnette	0	0	N/A	N/A	N/A	N/A
David D. Real	0	0	N/A	N/A	N/A	N/A
Juan Velez	2,500	.4%	$13.50	1/2/2006	21,229	53,798

(1) Options are exercisable at 25% per year, beginning one year from the date of grant.

(2) These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock of the Company, par value $0.01 per share (the "Common Stock") and overall market conditions. There can be no assurance that the amounts reflected in this table will be achieved.

(3) These amounts represent options that were granted to Mr. Fadel in July 1996 and were outstanding as of December 31, 1996 (the "1996 Options"). Effective January 2, 1997, the 1996 Options were cancelled and Mr. Fadel was granted new options to replace the 1996 Options as of January 2, 1997. The new options vest at 25% per year, beginning January 2, 1998.

EMPLOYMENT AGREEMENTS

Pursuant to the Company's acquisition of ColorTyme, Inc. ("ColorTyme") in May 1996, the Company entered into a severance agreement (the "Severance Agreement") with Mitch Fadel, President and Chief Executive Officer of ColorTyme, whereby the Company agreed to provide certain health benefits and to pay Mr. Fadel approximately $105,000 should his employment be terminated prior to December 31, 1997.

The Company does not have employment agreements with any other executive officers of other members of management.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

J. E. Talley, Chairman of the Board and Chief Executive Officer of the Company, served as a member of the Company's Compensation Committee during a portion of 1996. Other than Mr. Talley, no person who served as a member of the Company's Compensation Committee during 1996 (i) was an officer or employee of the Company during such year, (ii) was formerly an officer of the Company or (iii) except for Mr. Lentell, was a party to any material transaction set forth under the heading "Certain Relationships and Related Transactions" set forth below.

J. V. Lentell, a director of the Company, serves as Vice Chairman of the Board of Directors of Intrust Bank, N.A., one of the Company's lenders. Intrust Bank, N.A. is a $18,000,000 participant in the Company's $90,000,000 line of credit. The Company also maintains a separate line of credit with such lender, of which $1,755,000 was advanced as of March 24, 1997. No executive officer of the Company served as a member of the compensation or similar committee or Board of Directors of any other entity of which an executive officer served on the Compensation Committee or Board of Directors of the Company.

BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

In February 1995, the Board of Directors established a Compensation Committee to review and approve the compensation levels of members of management, evaluate the performance of management, consider management succession and consider any related matters for the Company. The Committee is charged with reviewing with the Board of Directors in detail all aspects of compensation for the executive officers of the Company.

The philosophy of the Company's compensation program is to employ, retain and reward executives capable of leading the Company in achieving its business objectives. These objectives include creating and then preserving strong financial performance, increasing the assets of the Company, enhancing stockholder value and ensuring the survival of the Company. The accomplishment of these objectives is measured against conditions prevalent in the industry within which the Company operates.

The available forms of executive compensation include base salary, cash bonus awards and incentive stock options, restricted stock awards and stock appreciation rights. Performance of the Company is a key consideration. The Company's compensation policy recognizes, however, that stock price performance is only one measure of performance and, given industry business conditions and the long-term strategic direction and goals of the Company, it may not necessarily be the best current measure of executive performance. Therefore, the Company's compensation policy also gives consideration to the Company's achievement of specified business objectives when determining executive officer compensation. An additional achievement of the Compensation Committee has been to offer officers equity compensation in addition to salary in keeping with the Company's overall compensation philosophy, which attempts to place equity in the hands of its employees in an effort to further instill stockholder considerations and values in the actions of all the employees and executive officers.

Compensation paid to executive officers is based upon a Company-wide salary structure consistent for each position relative to its authority and responsibility compared to industry peers. Stock option awards in fiscal year 1996 were used to reward certain officers and to retain them through the potential of capital gains and equity buildup in the Company. The number of stock options granted is determined by the subjective evaluation of the officer's ability to influence the Company's long term growth and profitability. Stock options have been granted only pursuant to the Company's Long-Term Incentive Plan. The Board of Directors believes the award of options represents an effective incentive to create value for the stockholders.

The Chief Executive Officer's base salary for fiscal year 1996 remained at $240,000. Effective _____, 1997, the Committee increased the Chief Executive Officer's base salary approximately 4.2% to $250,000 to raise the Chief Executive Officer's salary to a level the Committee deemed to be commensurate with the Chief Executive Officer's position at comparable publicly owned companies. In determining the compensation of the Chief Executive Officer, the Committee considered the Chief Executive Officer's performance, his compensation history and other subjective factors. The Committee believes that the Chief Executive Officer's 1996 cash compensation was justified by the Company's financial progress and performance against the goals set by the Committee.

COMPENSATION COMMITTEE

Rex W. Thompson
J. V. Lentell
Joseph V. Mariner, Jr.

PERFORMANCE GRAPH

Set forth below is a line graph comparing the yearly percentage change in cumulative total stockholder return on the Company's Common Stock, with the cumulative total return of the NASDAQ Stock Market - Market Index and the Renters Choice "peer group" of competitors (the "Peer Group") for the period beginning January 25, 1995, and ending December 31, 1996, assuming an investment of $100.00 on January 25, 1995, and the reinvestment of dividends.

The Peer Group for fiscal year 1995 consisted of Aaron Rents, Inc., Advantage Companies, Inc., Heilig Meyers Company, Rent Way, Inc. and Rhodes, Inc. During fiscal year 1996, Advantage Companies, Inc. and Rhodes, Inc. ceased to be public companies, thus removing them from public trading and as a result, from the Company's Peer Group. Bestway, Inc., a rent-to-own company, was added to the Peer Group for fiscal year 1996, as 1996 was the first full year of public trading of Bestway, Inc. The Peer Group for fiscal year 1996 was selected from firms with similar lines of business. The companies in the Peer Group for fiscal year 1996 are Aaron Rents, Inc., Bestway, Inc., Heilig Meyers Company, and Rent Way, Inc.

[LINEAR GRAPH PLOTTED FROM DATA IN TABLE BELOW]

	1/2/95	12/31/95	12/31/96
Renters Choice, Inc.	100	358.51	378.07
NASDAQ Market Index	100	128.69	159.91
Peer Group, Inc.	100	77.86	77.62

ASSUMES $100 INVESTED ON JAN. 25, 1995
ASSUMES DIVIDENDS REINVESTED
FISCAL YEAR ENDING DEC. 31, 1996

The stock price performance shown on the graph reflects the change in the Company's stock price relative to the noted indices at December 31, 1996, and not for any interim period and is not necessarily indicative of future price performance.

INDEMNIFICATION ARRANGEMENTS

The Company's Amended and Restated Bylaws provide for the indemnification of its executive officers and directors, and the advancement of expenses to such persons in connection with proceedings and claims arising out of their status as such, to the fullest extent permitted by the General Corporation Law of the State of Delaware. The Amended and Restated Bylaws also contain provisions intended to facilitate an indemnitee's receipt of such benefits. In addition, the Company maintains a customary directors' and officers' liability insurance policy covering its directors and officers.

PROPOSALS FOR STOCKHOLDER ACTION

I. ELECTION OF DIRECTORS

The nominees for election as directors are Joseph V. Mariner, Jr. and J. V. Lentell. Information concerning the nominees is set forth in the section captioned "Election of Directors."

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

II. OTHER BUSINESS

The Board of Directors does not intend to bring any business before the Annual Meeting other than the matters referred to in the accompanying Notice of Annual Meeting and at this date has not been informed of any matters that may be presented to the Annual Meeting by others. If, however, any other matters properly come before the Annual Meeting, it is intended that the persons named in the accompanying proxy will vote pursuant to the proxy in accordance with their best judgment on such matters.

Representatives of Grant Thornton LLP, the Company's independent public accountants for the fiscal year ended December 31, 1996, will attend the Annual Meeting and be available to respond to appropriate questions which may be asked by stockholders. Such representatives will also have an opportunity to make a statement at the meeting if they desire to do so.

The Audit Committee of the Board of Directors of the Company has not appointed an independent public accounting firm for the 1997 fiscal year. The Board of Directors, and the Audit Committee thereof, annually review the performance of the Company's independent public accountants and the fees charged for their services. The Board of Directors anticipates, from time to time, obtaining competitive proposals from other independent public accounting firms for the Company's annual audit. Based upon the Board and Audit Committee's analysis of such information, the Company will determine which independent public accounting firm to engage to perform its annual audit each year.

ADDITIONAL INFORMATION

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of shares of Common Stock as of March 24, 1997 by (i) each person who is the beneficial owner of 5% or more of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each Named Executive Officer, and (iv) all executive officers and directors of the Company as a group. Unless otherwise indicated, the persons named below have the sole power to vote and dispose of the shares of Common Stock beneficially owned by them, subject to community property laws, where applicable.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
J. Ernest Talley(1)	6,142,248(2)	_____%
Mark E. Speese(1)	2,760,032(3)	_____%
L. Dowell Arnette	412,414(4)	_____%
Mitch Fadel	84,523	_____%
Juan Velez	76,781(5)	_____%
J. V. Lentell	15,000(6)	*
Rex W. Thompson	15,000(6)	*
Joseph V. Mariner	9,602(7)	*
All officers and directors as a group (24 total)	9,668,628(8)	_____%

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* Less than 1%

(1) The address of J. Ernest Talley and Mark E. Speese is 13800 Montfort Drive, Suite 300, Dallas, Texas 75240.

(2) Does not include an aggregate of 326,184 shares owned by two of Mr. Talley's children, as to which Mr. Talley disclaims beneficial ownership.

(3) Does not include an aggregate of 1,800 shares owned by three of Mr. Speese's children, as to which Mr. Speese disclaims beneficial ownership.

(4) Includes 7,500 shares issuable pursuant to options granted under the Company's Long-Term Incentive Plan, 3,750 of which will become exercisable on May 9, 1997, and 3,750 of which are currently exercisable.

(5) Includes 8,125 shares issuable pursuant to options granted under the Company's Long-Term Incentive Plan, 3,750 of which became exercisable on May 9, 1996, 625 which became exercisable on January 2, 1997 and 3,750 which become exercisable on May 9, 1997.

(6) These shares are issuable pursuant to options granted under the Company's Long-Term Incentive Plan, all of which are currently exercisable.

(7) 3,000 of these shares are issuable pursuant to options granted under the Company's Long-Term Incentive Plan, all of which are currently exercisable.

(8) Does not include shares as to which beneficial ownership is disclaimed.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

CERTAIN BUSINESS RELATIONSHIPS

J. V. Lentell, a director of the Company, serves as Vice Chairman of the Board of Directors of Intrust Bank, N.A., one of the Company's lenders. The total amount outstanding to such lender was $1,755,000 as of March 24, 1997, 1997.

ACQUISITION OF COLORTYME, INC.

On May 15, 1996, the Company, ColorTyme, Inc., a Texas corporation ("ColorTyme"), and CT Acquisition Corporation, a Texas corporation and a wholly-owned subsidiary of the Company (the "Merger Sub"), entered into an Agreement and Plan of Reorganization (the "Agreement of Reorganization") pursuant to which ColorTyme was merged with and into the Merger Sub (the "Merger"). The Merger Sub was the surviving corporation of the Merger (the "Surviving Corporation").

The Merger became effective May 15, 1996 at 5:00 o'clock p.m. Dallas, Texas time. Upon effectiveness of the Merger, the name of the Merger Sub was automatically changed to ColorTyme, Inc.

The Merger consideration paid by the Company to the holders of the outstanding shares of common stock of ColorTyme consisted of cash in the aggregate amount of $2,839,754.50, plus 287,419 restricted shares of the Company's common stock, par value $.01 per share (the "Company's Common Stock"). The Merger consideration paid by the Company to the sole holder of outstanding shares of the Class A, Non-Voting Preferred Stock of ColorTyme consisted of cash in the amount of $1,825,996.50, plus 55,756 restricted shares of the Company's Common Stock. The closing sales price for the Company's Common Stock on May 15, 1996, as reported on the Nasdaq National Market, was $25.50.

The Company used existing cash from operations to pay the cash portion of the Merger consideration. Management of the Company determined the total Merger consideration based upon its assessment of the fair market value of ColorTyme operating as a going concern.

In connection with the Merger, the Company entered into two-year noncompetition agreements with certain of the former common shareholders of ColorTyme. No additional consideration was paid by the Company pursuant to the noncompetition agreements.

Immediately following the consummation of the Merger, ColorTyme Financial Services, Inc. ("CTFS"), a Texas corporation and a wholly-owned subsidiary of the Surviving Corporation, entered into a Portfolio Acquisition Agreement (the "Portfolio Agreement") with STI Credit Corporation, a Nevada corporation ("STI"), pursuant to which CTFS sold certain promissory notes and other instruments, chattel paper, accounts and contracts (collectively, the "Loans") owned by CTFC to STI for an aggregate purchase price of $21,150,630.57. Approximately $13.5

million of the net proceeds of such sale were used to repay certain indebtedness owed by CTFS to Chrysler First Commercial Corporation. The Portfolio Agreement is attached hereto as Exhibit 2.2. Pursuant to the terms of the Portfolio Agreement, the portfolio purchase price was adjusted on or before May 30, 1996, to reflect advances and payments made on the Loans between April 26 and May 15, 1996. If during the six-month period following May 15, 1996, STI determines, in its reasonable judgment, that the balance of any Loan on May 15, 1996, was less than the balance reflected in the Portfolio Agreement, CTFS must pay to STI, as an adjustment to the portfolio purchase price, the net present value of the difference between the actual balance and the balance reflected in the Portfolio Agreement. [As of _____, 1997, an adjustment of $_____ was made for such loans.] If during the six-month period following May 15, 1996, STI determines that any Loan, or CTFS's rights in the collateral securing such Loan, are not properly documented, and such deficiency materially impacts the Loan, CTFS must repurchase the Loan from STI. If any Loan is prepaid, CTFS must refund to STI the premium paid by STI for such Loan. In addition, CTFS must pay to STI a portion of the remaining balance of any Loan which goes into default, after repossession and/or foreclosure proceedings by STI are unsuccessful in liquidating the entire unpaid balance of the Loan. All of CTFS's obligations under the Portfolio Agreement are guaranteed by the Company and the Surviving Corporation.

The estate of Willie Ray Talley was the largest shareholder of ColorTyme, owning approximately 63% of the outstanding shares of common stock. Willie Ray Talley was the brother of J. Ernest Talley, Chairman of the Board of Directors and Chief Executive Officer of the Company. J. Ernest Talley is the executor of the estate of Willie Ray Talley. Willie Ray Talley had personally guaranteed certain debts owed by ColorTyme and its subsidiaries which were paid off in connection with the Merger. The Merger was approved by a majority of the disinterested directors of the Company in compliance with Delaware law.

The Surviving Corporation is a franchisor of 251 rent-to-own stores in 37 states, and directly owns six rent-to-own stores. These stores generally offer durable consumer goods such as televisions, video cassette recorders, stereos, refrigerators, appliances, furniture and accessories, to individuals under flexible rental purchase arrangements.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and holders of more than 10% of the Company's Common Stock to file with the Securities and Exchange Commission ("SEC") initial reports of ownership and reports of changes in ownership of Common Stock of the Company. Except as set forth below, the Company believes, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, that during 1996 all of the Company's directors, officers and holders of more than 10% of its Common Stock complied with all Section 16(a) filing requirements.

David D. Real and Juan M. Velez each failed to timely file one SEC Form 4 and Randall W. Simpson and Mitchell E. Fadel each failed to timely file one SEC Form 3. Late reports were filed in each instance.

FUTURE STOCKHOLDER PROPOSALS

Proposals that stockholders of the Company intend to present for inclusion in the Company's proxy statement and form of proxy with respect to the Company's 1998 Annual Meeting of Stockholders must be received by the Company at the address indicated on the first page of this Proxy Statement no later than December 1, 1997. In addition, the Company's Amended and Restated Bylaws generally require stockholders to give notice to the Company not less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders of the Company in order to present proposals (whether or not such proposals are to be included in the Company's proxy materials) or to nominate directors.

ANNUAL REPORT

The Company's Annual Report for the year ended December 31, 1996 (which includes a copy of the Company's Annual Report on Form 10-K) has been mailed to all stockholders of record as of March 24, 1997. Such Annual Report is not a part of the proxy solicitation material. The Company will provide without charge a copy of the Annual Report on Form 10-K (without exhibits) to any stockholder upon written request to David M. Glasgow, Secretary of the Company, 13800 Montfort Drive, Suite 300, Dallas, Texas 75240.

By Order of the Board of Directors,

David M. Glasgow
SECRETARY

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 19, 1997, accompanying the consolidated financial statements incorporated by reference or included in the Annual Report of Renters Choice, Inc. on Form 10-K for the year ended December 31, 1996. We hereby consent to the incorporation by reference of said report in the Registration Statement of Renters Choice, Inc. on Form S-8 (File No. 33-95800, effective October 31, 1995).

GRANT THORNTON LLP

Dallas, Texas
March 24, 1997

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THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS
FOUND ON PAGES F-3 AND F-4 OF THE COMPANY'S FORM 10-K FOR THE YEAR ENDED
DECEMBER 31, 1996.

1000

12-MOS	
DEC-31-1996	
DEC-31-1996	
	5,920
	0
	3,276
	256
	23,491
	0
	20,748
	8,033
	174,467
	0
	0
	0
	0
	248
	125,255
174,467	
	35,833
	237,965
	32,367
	206,924
	15,002
	0
	667
	31,102
	13,076
	18,026
	0
	0
	0
	18,026
	0.72
	0.72

RENTAL MERCHANDISE, HELD FOR RENT
BALANCE SHEET IS UNCLASSIFIED
ADDITIONAL PAID IN CAPITAL AND RETAINED EARNINGS.
STORE AND FRANCHISE MERCHANDISE SALES.
STORE AND FRANCHISE COST OF MERCHANDISE SOLD.
GENERAL AND ADMINISTRATIVE EXPENSE AND AMORTIZATION OF INTANGIBLES.