FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **1997-03-10**
SEC Accession No. 0000912057-97-008347

FILER

HPSC INC
CIK:**718909**| IRS No.: **042560004** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-1/A** | Act: **33** | File No.: **333-20733** | Film No.: **97553863**
SIC: **6172** Finance lessors

Mailing Address
60 STATE ST
BOSTON MA 02109

Business Address
60 STATE ST
BOSTON MA 02109
6167203600

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 10, 1997.

REGISTRATION NO. 333-20733

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

<TABLE>
<S> <C> <C>

DELAWARE	6159	04-2560004
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

</TABLE>

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60 STATE STREET, 35TH FLOOR
BOSTON, MASSACHUSETTS 02109-1803
(617) 720-3600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JOHN W. EVERETS, CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER
HPSC, INC.
60 STATE STREET, 35TH FLOOR
BOSTON, MASSACHUSETTS 02109-1803
(617) 720-3600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications to:

<TABLE>
<S> <C>

DENNIS W. TOWNLEY, ESQ.	LEWIS J. GEFFEN, ESQ.
Hill & Barlow, P.C.	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One International Place	One Financial Center
Boston, MA 02110-2607	Boston, MA 02111-2657
(617) 428-3000	(617) 542-6000

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable after the effective date of this Registration Statement

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED MARCH 10, 1997

$20,000,000

HPSC LOGO
% SENIOR SUBORDINATED NOTES DUE 2007

The % Senior Subordinated Notes offered hereby (the "Notes") will mature on 1, 2007. Interest on the Notes is payable semiannually on 1 and 1, beginning 1, 1997. The Notes are redeemable at the option of HPSC, Inc. ("HPSC"), in whole or in part, other than through the operation of the Sinking Fund (defined herein), as described in this Prospectus, after 1, 2002 at the redemption prices set forth herein, plus accrued but unpaid interest to the date of repurchase.

On and after 1, 2002, HPSC is required to redeem, on 1, 1, 1 and 1 of each year, a portion of the aggregate principal amount of the Notes as set forth herein at a redemption price equal to 100% of the aggregate principal amount of the Notes so redeemed, plus accrued but unpaid interest to the redemption date. The principal amount of Notes to be redeemed may at the option of HPSC be reduced in inverse order of maturity by an amount equal to the sum of (i) the principal amount of Notes theretofore issued and acquired at any time by HPSC and delivered to the Trustee for cancellation, and not theretofore made the basis for the reduction of a Sinking Fund payment, and (ii) the principal amount of Notes at any time redeemed and paid pursuant to the optional redemption provisions of the Notes or which shall at any time have been duly called for redemption (otherwise than through operation of the Sinking Fund) and the redemption price shall have been deposited in trust for that purpose and which theretofore have not been made the basis for the reduction of a Sinking Fund payment. See "Description of Notes--Redemption--SINKING FUND."

Upon the occurrence of a Change of Control (defined herein), each holder of the Notes will have the option to require HPSC to repurchase such holder's Notes, in whole or in part, at a price equal to 101% of the principal amount thereof, together with accrued but unpaid interest to the date of repurchase. See "Description of Notes--Certain Covenants--REPURCHASE OF NOTES AT THE OPTION OF THE HOLDER UPON A CHANGE OF CONTROL."

The Notes are unsecured, general obligations of HPSC, subordinate in right of payment to all Secured Portfolio Debt (as defined) of HPSC, ranking PARI PASSU with all existing unsecured Funded Recourse Debt (as defined) of HPSC, and senior in right of payment to all future unsecured Funded Recourse Debt of HPSC. In addition, as no existing or future subsidiary of HPSC has guaranteed or will guarantee the Notes, the Notes will be effectively subordinated to any Indebtedness of any Subsidiaries (as such terms are defined herein) of HPSC. At December 31, 1996, after giving effect to the sale of the Notes and the application of the estimated net proceeds thereof, the outstanding Secured Portfolio Debt of the Company would have been $98.2 million, of which $74.3 million would have been Indebtedness of Subsidiaries of HPSC. The Company does not currently have outstanding any Indebtedness that is subordinate or junior in right of payment to the Notes.

HPSC does not intend to list the Notes on any securities exchange or to include them on any quotation system, and no active trading market is likely to develop. Although the Underwriters have indicated an intention to make a market in the Notes, neither Underwriter is obligated to make a market in the Notes, and any market making may be discontinued at any time without notice at the sole discretion of such Underwriter. See "Underwriting."

SEE "RISK FACTORS" BEGINNING ON PAGE 9 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE NOTES.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
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	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
<S>	<C>	<C>	<C>
Per Senior Subordinated Note.....	100%	%	%
Total(3).....	$20,000,000	$	$

</TABLE>

(1) HPSC has agreed to indemnify the Underwriters against certain liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses payable by HPSC estimated at $500,000.
(3) HPSC has granted the Underwriters a 30-day option to purchase up to an additional $3,000,000 principal amount of the Notes, solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to HPSC will be $23,000,000, $ and $.

The Notes are offered by the Underwriters, subject to prior sale, receipt and acceptance by them, and subject to the right of the Underwriters to reject any order in whole or in part and certain other conditions. It is expected that delivery of the Notes will be made at the offices of Advest, Inc., New York, New York, on or about , 1997.

ADVEST, INC. LEGG MASON WOOD WALKER
INCORPORATED

The date of this Prospectus is , 1997.

[Map of the continental United States displaying the locations of the Company's sales offices and the regional distribution of the Company's portfolio balances for contracts owned and managed by HPSC (ACFC portfolio excluded)]

<TABLE>
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REGION	AMOUNT ($)	NUMBER OF CONTRACTS
<S>	<C>	<C>
West	$54 million	2,900
Central	$48 million	2,900
Southeast	$48 million	3,100
Northeast	$40 million	2,200

</TABLE>

HEADQUARTERS:
Boston, Massachusetts

BRANCHES:

Fairfield, New Jersey

Charlotte, North Carolina

Atlanta, Georgia

Peachtree City, Georgia

Valrico, Florida

Bloomingdale, Illinois

Chicago, Illinois

Itasca, Illinois

Dallas, Texas

Arvada, Colorado

Chatsworth, California

Emeryville, California

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act. Discussions containing such forward-looking statements may be found in the material set forth under "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as within the Prospectus generally. When used in this Prospectus, the words "believes," "anticipates," "expects," "plans," "intends," "estimates," "continue," "could," "may" or "will" (or the negative of such words) and similar expressions are intended to identify forward-looking statements. Such statements are subject to a number of risks and uncertainties. Actual results in the future could differ materially from those described in the forward-looking statements as a result of the risk factors set forth beginning on page 9 and the matters set forth in this Prospectus generally. HPSC cautions the reader, however, that such list of risk factors may not be exhaustive. HPSC undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS THE CONTEXT INDICATES OTHERWISE, WHEN USED HEREIN "HPSC" REFERS TO HPSC, INC., A DELAWARE CORPORATION, AND THE "COMPANY" REFERS TO HPSC AND ITS SUBSIDIARIES, AS DESCRIBED BELOW. INVESTORS SHOULD CAREFULLY CONSIDER THE RISK FACTORS RELATED TO THE PURCHASE OF NOTES OF THE COMPANY. SEE "RISK FACTORS."

THE COMPANY

HPSC, Inc. is a specialty finance company engaged primarily in providing financing for equipment and other professional practice-related expenses to the dental, ophthalmic, general medical, chiropractic and veterinary professions throughout the United States. The Company has over 20 years of experience as a provider of financing to dental professionals in the United States.

In 1996, approximately 60.0% of the Company's originations were derived from healthcare equipment financing. Management estimates that the Company currently provides financing for equipment of more than 500 vendors. The Company competes principally in the portion of the healthcare finance market where the size of the transaction is $250,000 or less, sometimes referred to as the "small-ticket"

market. The average size of the Company's financing transactions during 1996 was approximately $25,000. The Company's equipment financing transactions consist of noncancellable, direct finance leases and installment sales contracts, substantially all of which provide for a full payout at a fixed interest rate over a term of one to seven years. The Company provides its leasing customers with an option to purchase the leased equipment at the end of the term. Since 1991, over 99.0% of the Company's customers have exercised this option.

HPSC also finances the purchase of healthcare practices, particularly dental practices. In addition, through its subsidiary, American Commercial Finance Corporation, the Company makes asset-based loans to a variety of businesses in the northeastern United States. In 1996, approximately 30.0% of the Company's originations were generated from financing professional practice related expenses, including practice finance, leasehold improvements, office furniture, working capital and supplies, and approximately 10.0% arose from asset-based lending.

At December 31, 1996, the Company's outstanding leases and notes receivable owned and managed were approximately $208.0 million, consisting of 11,100 active contracts. HPSC's financing contract originations were approximately $86.9 million in 1996 compared to approximately $61.3 million in 1995 and approximately $28.4 million in 1994, annual increases of 41.9% and 115.8%, respectively. ACFC originated lines of credit in the amount of approximately $17.6 million in 1996, $14.0 million in 1995 and $5.0 million in 1994. The Company markets its financing services to healthcare providers in a number of ways, including through advertising and participation at trade shows and conventions, through its sales staff with 14 offices in nine states and through cooperative arrangements with equipment vendors.

The Company's strategy is to expand its business and to enhance its profitability by (i) increasing its share of the dental equipment financing market, as well as by expanding its activities in other healthcare markets; (ii) diversifying the Company's revenue stream through its practice finance and asset-based lending; (iii) emphasizing service to vendors and customers; (iv) increasing its direct sales and other marketing efforts; (v) maintaining and increasing the Company's access to low-cost capital and managing interest rate risks; (vi) continuing to manage effectively its credit risks; and (vii) capitalizing on information technology to increase productivity and enable the Company to manage a higher volume of financing transactions.

HPSC was incorporated in Delaware in 1975. Its executive offices are located at 60 State Street, Boston, Massachusetts 02109, and its telephone number is (617) 720-3600. The Company's common stock is traded on the Nasdaq National Market under the symbol "HPSC."

THE OFFERING

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Securities Offered by the Company.....	$20,000,000 principal amount of % Senior Subordinated Notes due 2007 (the "Notes").
Maturity Date.....	, 2007
Sinking Fund.....	Sinking fund payments beginning in year five to yield a weighted average life to maturity of approximately seven and one-half years. On and after 1, 2002, HPSC is required to redeem, on 1, 1, 1 and 1 of each year, a portion of the aggregate principal amount of the Notes as set forth herein at a redemption price equal to 100% of the aggregate principal amount of the Notes so redeemed, plus accrued but unpaid interest to the redemption date. The principal amount of Notes to be redeemed may at the option of HPSC be reduced in inverse order of maturity by an amount equal to the sum of (i) the principal amount of Notes theretofore issued and acquired at any time by HPSC and delivered to the Trustee for cancellation, and not theretofore made the basis for the reduction of a Sinking Fund payment, and (ii) the principal amount of Notes at any time redeemed and paid pursuant to the optional redemption provisions of the Notes or which shall at any time have been duly called for redemption (otherwise than through operation of the Sinking Fund) and the redemption price shall have been

	deposited in trust for that purpose and which theretofore have not been made the basis for the reduction of a Sinking Fund payment. See "Description of Notes--Redemption--Sinking Fund."
Interest Payment Dates.....	1 and 1, beginning 1, 1997
Ranking.....	The Notes will be unsecured, general obligations of HPSC, subordinate in right of payment to all Secured Portfolio Debt (as defined below under the heading "Description of Notes--Certain Definitions") of HPSC, ranking PARI PASSU with all existing unsecured Funded Recourse Debt (as defined below under the heading "Description of Notes--Certain Definitions") of HPSC, and senior in right of payment to all future unsecured Funded Recourse Debt of HPSC. In addition, as no existing or future subsidiary of HPSC has guaranteed or will guarantee the Notes, the Notes will be effectively subordinated to any Indebtedness of any Subsidiaries (as such terms are defined below under the heading "Description of Notes--Certain Definitions") of HPSC. The Company does not currently have outstanding any Indebtedness that is subordinate or junior in right of payment to the Notes.
Optional Redemption.....	The Notes will be nonredeemable for five years after issuance. The Notes will be redeemable at the option of HPSC, in whole or in part, after five years, at premiums declining annually until 1, 200 , at which time the Notes will be redeemable at par plus accrued interest.

Repurchase Option Upon Death....	Upon the death of any Holder, HPSC will repurchase upon request, at par plus accrued but unpaid interest, such Holder's Notes, subject to limits of $25,000 in principal amount per Holder per year and $250,000 in aggregate principal amount for all Holders in any 12-month period, and subject to other conditions being satisfied.
Change of Control.....	Upon the occurrence of a Change of Control (as defined below under the heading "Description of Notes--Certain Covenants-- REPURCHASE OF NOTES AT THE OPTION OF THE HOLDER UPON A CHANGE OF CONTROL"), each Holder of the Notes will have the option to require HPSC to repurchase such Holder's Notes, in whole or in part, at a price equal to 101% of the principal amount thereof, together with accrued but unpaid interest to the date of repurchase.
Use of Proceeds.....	To repay indebtedness outstanding under the Revolver (as defined herein) and for working capital and general corporate purposes.
Principal Covenants.....	The Indenture will contain certain covenants that will restrict, among other things, the ability of the Company to (i) incur Funded Recourse Debt and Disqualified Capital Stock (as defined below under the heading "Description of Notes--Certain Definitions"), (ii) make Restricted Payments (as defined below under the heading "Description of Notes--Certain Definitions"), (iii) restrict the ability of Subsidiaries to pay dividends or make distributions, (iv) incur liens, (v) enter into Affiliate Transactions (as defined below under the heading "Description of Notes--Certain Covenants--LIMITATION ON TRANSACTIONS WITH AFFILIATES"), (vi) merge or consolidate with or into another entity or sell substantially all of its assets and (vii) engage in other lines of business.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

<S>	YEAR ENDED				
	<C> DEC. 26, 1992	<C> DEC. 25, 1993 (1)	<C> DEC. 31, 1994	<C> DEC. 31, 1995	<C> DEC. 31, 1996
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
STATEMENT OF INCOME DATA:					
Earned income on leases and notes	$21,734	$17,095	$11,630	$12,871	$17,515
Gain on sales of leases and notes	--	--	--	53	1,572
Provision for losses	(4,307)	(15,104)	(754)	(1,296)	(1,564)
Net revenues	17,427	1,991	10,876	11,628	17,523
Selling, general and administrative expenses	3,574	5,160	6,970	5,984	8,059
Interest expense	10,663	9,057	3,514	5,339	8,146
Interest income	(54)	(78)	(358)	(375)	(261)
Loss on write-off of foreign currency translation adjustment (2)	--	--	--	601	--
Income (loss) before income taxes	3,244	(12,148)	750	79	1,579
Provision (benefit) for income taxes	1,260	(4,870)	300	204	704
Net income (loss)	$ 1,984	$ (7,278)	$ 450	$ (125)	$ 875
Net income (loss) per share	$ 0.40	$ (1.48)	$ 0.09	$ (0.03)	$ 0.22
Shares used to compute net income (loss) per share	4,922,473	4,923,233	4,989,391	3,881,361	4,067,236
OTHER DATA:					
Leases and notes receivable originated during period (3)	$25,161	$14,152	$32,609	$68,554	$96,982
Number of leases and notes originated during period (3)	1,575	745	1,590	2,800	3,740
Average amount financed per contract originated during period (3)	$ 16	$ 19	$ 21	$ 24	$ 26
Charge-offs divided by average net investment in leases and notes (before allowance)	3.4%	12.4%	3.2%	1.4%	1.2%
Ratio of earnings to fixed charges (4)	1.30x	--	1.21x	1.01x	1.19x
Pro forma ratio of earnings to fixed charges					1.07x
EBITDA (5)	$14,889	$ (396)	$ 6,136	$ 7,758	$12,587
Ratio of EBITDA to interest expense (6)	1.40x	--	1.75x	1.45x	1.55x
Pro forma ratio of EBITDA to interest expense (5) (7)					1.39x

<TABLE>
<CAPTION>

<S>	YEAR ENDED					
	<C>	<C>	<C>	<C>	<C> DEC. 31, 1996	
	DEC. 26, 1992	DEC. 25, 1993 (1)	DEC. 31, 1994	DEC. 31, 1995	ACTUAL	AS ADJUSTED(7)
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)					
BALANCE SHEET DATA:						
Cash and cash equivalents	$ 625	$ 16,600	$ 419	$ 861	$ 2,176	$ 2,176
Restricted cash	--	--	7,936	5,610	6,769	6,769
Net investment in leases and notes	157,058	109,752	91,193	119,916	149,222	149,222
Total assets	158,857	130,437	103,148	130,769	163,217	164,717
Revolving credit borrowings	24,584	7,130	16,500	39,000	40,000	21,500
Senior notes	50,000	50,000	41,024	49,523	76,737	76,737
Senior Subordinated Notes	--	--	--	--	--	20,000
Subordinated debt	19,090	19,962	--	--	--	--
Total liabilities	113,816	92,816	70,326	97,410	128,885	130,385
Total stockholders' equity	45,041	37,621	32,822	33,359	34,332	34,332

</TABLE>

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(1) In 1993, the Company experienced a substantial decrease in new business, increased selling, general and administrative costs and a substantial adjustment to its loan loss reserves, in each case largely as a result of the bankruptcy of Healthco International, Inc., which previously had referred to the Company substantially all of the Company's business.

(2) Reflects a one-time, non-cash loss on write-off of cumulative foreign currency translation adjustments related to the Company's discontinued

Canadian operations.

(3) For contracts originated by ACFC, originations reflect initial advances on committed lines of credit. Excludes leases and notes receivable originated by the Company's discontinued Canadian operations in 1992 and 1993.

(4) For purposes of this ratio, earnings consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense and amortization of debt issuance costs. Earnings before income taxes plus fixed charges were insufficient to cover fixed

charges in 1993 by approximately $12.1 million. The ratio of earnings to fixed charges, excluding the loss on write-off of foreign currency translation adjustment, was 1.13x for the year ended December 31, 1995.

(5) EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is presented here to provide additional information about the Company's ability to meet its future debt service and working capital requirements. EBITDA is not a measure of financial performance under generally accepted accounting principles ("GAAP") and should not be considered as an alternative either to net income as an indicator of the Company's operating performance, or to cash flows as a measure of the Company's liquidity.

(6) Ratio of EBITDA (as defined above) to interest expense is widely used as an indicator of a company's ability to service its debt, but is not necessarily an indication of, and should not be considered as an alternative to, the ratio of earnings to fixed charges. EBITDA was insufficient to cover interest expense in 1993 by approximately $9.4 million.

(7) Adjusted to give effect to the sale of $20.0 million principal amount of the Notes by the Company and the application of approximately $18.5 million of net proceeds therefrom, taking into account an assumed underwriting discount and estimated expenses of the offering, to repay senior secured bank debt. See "Use of Proceeds" and "Capitalization."

EXCEPT AS OTHERWISE NOTED, ALL INFORMATION IN THIS PROSPECTUS ASSUMES NO EXERCISE OF THE UNDERWRITERS' OVER-ALLOTMENT OPTION, AND FURTHER ASSUMES NO EXERCISE OF THE 641,875 OPTIONS OUTSTANDING AS OF DECEMBER 31, 1996 TO PURCHASE SHARES OF THE COMPANY'S COMMON STOCK AT A WEIGHTED AVERAGE EXERCISE PRICE OF $3.80 PER SHARE. SEE "CAPITALIZATION" AND "UNDERWRITING."

THE COMPANY

HPSC was incorporated in 1975 as a captive finance company for Healthco International, Inc. ("Healthco") to provide financing to the dental profession for Healthco equipment. Healthco was a leading distributor of merchandise, equipment and services to dentists and institutional providers of dental care. Healthco referred to HPSC substantially all of HPSC's business and provided sales and related services to HPSC, as well as certain management, data processing and administrative services. Healthco sold approximately 60% of the stock of HPSC to the public in an initial public offering in 1983 and a subsequent offering in 1986, retaining an ownership interest of approximately 40%. HPSC repurchased this interest from Healthco's secured creditors in 1995.

Healthco filed for bankruptcy on June 9, 1993, and subsequently was liquidated. At that time, HPSC severed its relationship with Healthco and became a fully autonomous finance company for healthcare providers. HPSC was able to replace the business previously referred to it by Healthco with business from other equipment vendors, which represented new sources of business in the dental, medical and other healthcare professions. It also began to provide for itself the sales, management, data processing and administrative services

formerly provided by Healthco. Since 1993, HPSC has provided financing for over 900 equipment vendors. HPSC's annual originations of financing contracts have increased from $14.2 million in 1993, the year of Healthco's bankruptcy, to $86.9 million in 1996, a cumulative increase of 512.7%.

In 1994, HPSC formed American Commercial Finance Corporation ("ACFC"), a wholly-owned subsidiary, in order to expand into asset-based lending. ACFC originated secured lines of credit in the amount of $5.0 million in 1994, $14.0 million in 1995 and $17.6 million in 1996.

In 1993, HPSC formed HPSC Funding Corp. I ("Funding I"), a wholly-owned special-purpose subsidiary, in connection with a $70 million receivables-backed securitization transaction. In 1995, HPSC formed HPSC Bravo Funding Corp. ("Bravo"), a wholly-owned special-purpose subsidiary, in connection with the establishment of a $50 million (now $100 million) revolving credit securitization facility. HPSC also has a Canadian subsidiary, Credident, Inc. ("Credident"), the operations of which were largely discontinued during 1994 and 1995.

Unless the context otherwise requires, references herein to the "Company" refer to HPSC, Inc., Funding I, Bravo and ACFC, each a Delaware corporation.

RISK FACTORS

THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS BEFORE PURCHASING THE NOTES OFFERED BY THIS PROSPECTUS.

DEPENDENCE ON FUNDING SOURCES; RESTRICTIVE COVENANTS. The Company's financing activities are capital intensive. The Company's revenues and profitability are related directly to the volume of financing contracts it originates. To generate new financing contracts, the Company requires access to substantial short- and long-term credit. To date, the Company's principal sources of funding for its financing transactions have been (i) a revolving credit facility with The First National Bank of Boston, as Agent, for borrowing up to $95.0 million (the "Revolver"), (ii) borrowings under a receivables-backed limited recourse asset securitization transaction with Funding I in an original amount of $70.0 million, (iii) a $100.0 million limited recourse revolving credit facility with Bravo, (iv) a fixed-rate, full recourse term loan from a savings bank, (v) specific recourse sales of financing contracts to savings banks and other purchasers ((iv) and (v) constitute "Savings Bank Indebtedness") and (vi) the Company's internally generated revenues. There can be no assurance that the Company will be able to negotiate a new revolving credit facility at the end of the current term of the Revolver in December 1997, complete additional asset securitizations or obtain other additional financing, when needed and on acceptable terms. The Company would be adversely affected if it were unable to continue to secure sufficient and timely funding on acceptable terms. The agreement governing the Revolver (the "Revolver Agreement") contains numerous financial and operating covenants. There can be no assurance that the Company will be able to maintain compliance with these covenants, and failure to meet such covenants would result in a default under the Revolver Agreement. Moreover, the Company's financing arrangements with Bravo and the savings banks described above incorporate the covenants and default provisions of the Revolver Agreement. Thus, any default under the Revolver Agreement will also trigger defaults under these other financing arrangements. In addition, the Indenture contains certain covenants that could restrict the Company's access to funding. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources," "Business--Funding Sources," "Description of Notes" and "Description of Certain Indebtedness."

SECURITIZATION RECOURSE; PAYMENT RESTRICTION AND DEFAULT RISK. As part of its overall funding strategy, the Company utilizes asset securitization transactions with wholly-owned, bankruptcy-remote subsidiaries to seek fixed rate, matched-term financing. The Company sells financing contracts to these subsidiaries which, in turn, either pledge or sell the contracts to third parties. The third parties' recourse with regard to the pledge or sale is limited to the contracts sold to the subsidiary. If the contract portfolio of these subsidiaries does not perform within certain guidelines, the subsidiaries must retain or "trap" any monthly cash distribution to which the Company might otherwise be entitled. This restriction on cash distributions could continue until the portfolio performance returns to acceptable levels (as defined in the relevant agreements), which restriction could have a negative impact on the cash flow available to the Company. There can be no assurance that the portfolio performance would return to acceptable levels or that the payment restrictions

would be removed. In July and August of 1996, the level of delinquencies of the contracts held in Funding I rose above specified levels and triggered such a payment restriction event, "trapping" any cash distributions to the Company. The event was considered a default under the Revolver Agreement, which default was waived by the lending banks. In September 1996, delinquency levels improved and the payment restrictions were removed. A payment restriction event may occur again before Funding I is fully paid out. The default provisions of the Revolver Agreement were amended in December 1996 to conform to the default provisions of the Funding I agreements. As a result, a payment restriction event under Funding I will not constitute a default under the Revolver Agreement unless such event continues for at least six months. There can be no assurance that any future defaults will be waived by the lending banks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Funding Sources."

CUSTOMER CREDIT RISKS. The Company maintains an allowance for doubtful accounts in connection with payments due under financing contracts originated by the Company (whether or not such contracts

have been securitized, held as collateral for loans to the Company or, when sold, a separate recourse reserve is maintained) at a level which the Company deems sufficient to meet future estimated uncollectible receivables, based on an analysis of the delinquencies, problem accounts, and overall risks and probable losses associated with such contracts, together with a review of the Company's historical credit loss experience. There can be no assurance that this allowance or recourse reserve will prove to be adequate. Failure of the Company's customers to make scheduled payments under their financing contracts could require the Company to (i) make payments in connection with its recourse loan and asset sale transactions, (ii) lose its residual interest in any underlying equipment and (iii) forfeit collateral pledged as security for the Company's limited recourse asset securitizations. In addition, although the provision for losses on the contracts originated by the Company have been 1.1% of the Company's net investment in leases and notes for 1996, any increase in such losses or in the rate of payment defaults under the financing contracts originated by the Company could adversely affect the Company's ability to obtain additional financing, including its ability to complete additional asset securitizations and secured asset sales or loans. There can be no assurance that the Company will be able to maintain or reduce its current level of credit losses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Collection and Loss Experience."

RANKING; SUBORDINATION OF THE NOTES. The Notes are unsecured, general obligations of HPSC. The payment of the principal of, premium (if any) and interest on the Notes is subordinate in right of payment, as set forth in the Indenture, to the payment when due of all Secured Portfolio Debt of HPSC, which includes, without limitation, the Revolver and Savings Bank Indebtedness. In addition, none of HPSC's existing or future Subsidiaries has guaranteed or will guarantee the Indebtedness under the Notes. Accordingly, the Indebtedness under the Notes will be effectively subordinated to any Indebtedness of any Subsidiary of HPSC, including, without limitation, Indebtedness of Funding I or Bravo. The Notes will rank senior to all other subordinated Indebtedness of HPSC. The Company does not currently have outstanding any Indebtedness that is subordinate or junior in right of payment to the Notes. At December 31, 1996, after giving effect to the sale of the Notes and the application of the estimated net proceeds therefrom as described herein under "Use of Proceeds," the outstanding Secured Portfolio Debt of the Company would have been $98.2 million, of which $74.3 million would have been Indebtedness of Subsidiaries of HPSC. In addition, under the recourse provisions of the agreements evidencing sales of financing contracts, the Company had a contingent obligation of $16.7 million at December 31, 1996 to repurchase the Customer Receivables securing such agreements and/or make payments on such receivables under certain circumstances, including delinquencies of the underlying debtors. Upon the occurrence of a triggering event under the recourse provisions of such agreements, such obligation to repurchase and/or make payments on such receivables would constitute Secured Portfolio Debt. Although the Indenture contains limitations on the amount of additional Funded Recourse Debt which the Company may incur, the Indenture contains no restrictions on the amount of Secured Portfolio Debt which the Company may incur and, under certain circumstances, the amount of additional Funded Recourse Debt permitted to be incurred could be substantial. In the event of the bankruptcy, liquidation, reorganization or other dissolution of the Company, there may not be sufficient assets remaining to satisfy the holders of the Notes after satisfying the claims of any holders of Secured Portfolio Debt of the Company and Indebtedness of any existing or future Subsidiaries of HPSC. See "Description of Notes--Ranking; Subordination of the Notes."

COMPETITION. The Company's financing activities are highly competitive. The Company competes for customers with a number of national, regional and local finance companies, including those which, like the Company, specialize in financing for healthcare providers. In addition, the Company's competitors include those equipment manufacturers which finance the sale or lease of their products themselves, conventional leasing companies and other types of financial services companies such as commercial banks and savings and loan associations. Many of the Company's competitors and potential competitors possess substantially greater financial, marketing and operational resources than the Company. Moreover, the Company's future profitability will be directly related to its ability to obtain capital funding at favorable funding rates

as compared to the capital costs of its competitors. The Company's competitors and potential competitors include many larger, more established companies that have a lower cost of funds than the Company and access to capital markets and to other funding sources that may be unavailable to the Company. There can be no assurance that the Company will be able to continue to compete successfully in its targeted markets. See "Business--Competition."

EQUIPMENT MARKET RISK. The demand for the Company's equipment financing services depends upon various factors not within its control. These factors include general economic conditions, including the effects of recession or inflation, and fluctuations in supply and demand related to, among other things, (i) technological advances in and economic obsolescence of the equipment and (ii) government regulation of equipment and payment for healthcare services. The acquisition, use, maintenance and ownership of most types of medical and dental equipment, including the types of equipment financed by the Company, are affected by rapid technological changes in the healthcare field and evolving federal, state and local regulation of healthcare equipment, including regulation of the ownership and resale of such equipment. Changes in the reimbursement policies of the Medicare and Medicaid programs and other third-party payors, such as insurance companies, as well as changes in the reimbursement policies of managed care organizations, such as health maintenance organizations, may also affect demand for medical and dental equipment and, accordingly, may have a material adverse effect on the Company's business, operating results and financial condition.

CHANGES IN HEALTHCARE PAYMENT POLICIES. The increasing cost of medical care has brought about federal and state regulatory changes designed to limit governmental reimbursement of certain healthcare providers. These changes include the enactment of fixed-price reimbursement systems in which the rates of payment to hospitals, outpatient clinics and private individual and group practices for specific categories of care are determined in advance of treatment. Rising healthcare costs may also cause non-governmental medical insurers, such as Blue Cross and Blue Shield associations and the growing number of self-insured employers, to revise their reimbursement systems and policies governing the purchasing and leasing of medical and dental equipment. Alternative healthcare delivery systems, such as health maintenance organizations, preferred provider organizations and managed care programs, have adopted similar cost containment measures. Other proposals to reform the United States healthcare system are considered from time to time. These proposals could lead to increased government involvement in healthcare and otherwise change the operating environment for the Company's customers. Healthcare providers may react to these proposals and the uncertainty surrounding such proposals by curtailing or deferring investment in medical and dental equipment. Future changes in the healthcare industry, including governmental regulation thereof, and the effect of such changes on the Company's business cannot be predicted. Changes in payment or reimbursement programs could adversely affect the ability of the Company's customers to satisfy their payment obligations to the Company and, accordingly, may have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Healthcare Provider Financing--GOVERNMENT REGULATION AND HEALTHCARE TRENDS."

INTEREST RATE RISK. Except for $18.7 million of the Company's financing contracts, which are at variable interest rates with no scheduled payments, the Company's financing contracts require the Company's customers to make payments at fixed interest rates for specified terms. However, approximately $40.0 million of the Company's borrowings currently are subject to a variable interest rate. Consequently, an increase in interest rates, before the Company is able to secure fixed-rate, long-term financing for such contracts or to generate higher-rate financing contracts to compensate for the increased borrowing cost, could adversely affect the Company's business, operating results and financial condition. The Company's ability to secure additional long-term financing and to generate higher-rate financing contracts is limited by many factors, including competition, market and general economic conditions and the Company's financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Funding Sources."

RESIDUAL VALUE RISK. At the inception of its equipment leasing transactions, the Company estimates what it believes will be the fair market value of the financed equipment at the end of the initial lease term

and records that value (typically 10% of the initial purchase price) on its balance sheet. The Company's results of operations depend, to some degree, upon its ability to realize these residual values (as of December 31, 1996, the estimated residual value of equipment at the end of the lease term was approximately $9.3 million, representing approximately 5.7% of the Company's total assets). Realization of residual values depends on many factors, several of which are not within the Company's control, including, but not limited to, general market conditions at the time of the lease expiration; any unusual wear and tear on the equipment; the cost of comparable new equipment; the extent, if any, to which the equipment has become technologically or economically obsolete during the contract term; and the effects of any new government regulations. If, upon the expiration of a lease contract, the Company sells or refinances the underlying equipment and the amount realized is less than the original recorded residual value for such equipment, a loss reflecting the difference will be recorded on the Company's books. Failure to realize aggregate recorded residual values could thus have an adverse effect on the Company's business, operating results and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Healthcare Provider Financing-- REALIZATION OF RESIDUAL VALUES ON EQUIPMENT LEASES."

SALES OF RECEIVABLES. As part of the Company's portfolio management strategy and as a source of funding of its operations, the Company has sold selected pools of its lease contracts and notes receivable due in installments to a variety of savings banks. Each of these transactions is subject to certain covenants that require the Company to (i) repurchase financing contracts from the bank and/or make payments under certain circumstances, including the delinquency of the underlying debtor, and (ii) service the underlying financing contracts. The Company carries a recourse reserve for each transaction in its allowance for losses and recognizes a gain that is included for accounting purposes in earned income for leases and notes for the year in which the transaction is completed. Each of these transactions incorporates the covenants under the Revolver as such covenants were in effect at the time the asset sale or loan agreement was entered into. Any default under the Revolver may trigger a default under the loan or asset sale agreements. The Company may enter into additional asset sale agreements in the future in order to manage its liquidity. The level of recourse reserves established by the Company in relation to these sales may not prove to be adequate. Failure of the Company to honor its repurchase and/or payment commitments under these agreements could create an event of default under the loan or asset sale agreements and under the Revolver. There can be no assurance that a continuing market can be found to sell these types of assets or that the purchase prices in the future would generate comparable gain recognition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Funding Sources."

DEPENDENCE ON SALES REPRESENTATIVES. The Company is, and its growth and future revenues are, dependent in large part upon (i) the ability of the Company's sales representatives to establish new relationships, and maintain existing relationships, with equipment vendors, distributors and manufacturers and with healthcare providers and other customers and (ii) the extent to which such relationships lead equipment vendors, distributors and manufacturers to promote the Company's financing services to potential purchasers of their equipment. As of December 31, 1996, the Company had 14 field sales representatives and eight in-house sales personnel. Although the Company is not materially dependent upon any one sales representative, the loss of a group of sales representatives could, until appropriate replacements were obtained, have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Sales and Marketing."

ABSENCE OF PUBLIC MARKET. There is no existing market for the Notes, and there can be no assurance that one will develop or, if developed, as to whether it will be sustained. Accordingly, there can be no assurance as to the liquidity of any market that may develop, the ability of holders to sell their Notes or the price that holders would receive upon sale of their Notes. The Underwriters have advised the Company that they intend to make a market in the Notes; however, they are not obligated to do so and any market making may be discontinued at any time without notice. The Company does not intend to apply for listing of the Notes on any securities exchange or quotation system. Future trading prices of the Notes will depend

on many factors, including, among others, prevailing interest rates, the Company's operating results and the market for similar securities. See "Underwriting."

NO RATING OF NOTES. The Notes are not rated by any financial rating organization and may be characterized as "high-yield" securities. In recent years, uncertainties in the high-yield debt market have been reflected in volatile prices of such securities. Such volatility may have a material adverse effect on the price of the Notes and the ability of a purchaser to resell the Notes for any value. There can be no assurance that any purchaser of the Notes will be able to resell the Notes in the future.

UNDERWRITERS' INFLUENCE ON THE MARKET. A significant number of the Notes may be sold to customers of the Underwriters. Such customers may subsequently engage in transactions for the sale or purchase of the Notes through or with the Underwriters. Although they have no obligation to do so, the Underwriters intend to make a market in the Notes and may otherwise effect transactions in such securities. As a result, the Underwriters may exert a dominating influence on the market for the Notes, if a market is developed, and such market activity by the Underwriters may be discontinued at any time. The price and liquidity of the Notes may be significantly affected by the degree, if any, of the Underwriters' participation in the market for the Notes. See "Underwriting."

REPURCHASE OF THE NOTES UPON A CHANGE OF CONTROL. Upon a Change of Control (as defined in the Indenture), the Company will be required to offer to repurchase the Notes then outstanding at a purchase price equal to 101% of the principal amount thereof, plus accrued but unpaid interest, to the date of repurchase. There can be no assurance that the Company will have adequate funds to repurchase the Notes in the event of a Change of Control. Such repurchase, if made, could constitute an event of default under the Revolver Agreement and the Indebtedness of the Subsidiaries of HPSC. The failure of the Company following a Change of Control to make or consummate an offer to repurchase the Notes would constitute an Event of Default under the Indenture. In such an event, the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may accelerate the maturity of all of the outstanding Notes. A Change of Control generally means any transaction which would result in any person beneficially owning or controlling more than 50% of the voting stock of HPSC. See "Description of Notes --Certain Covenants--REPURCHASE OF NOTES AT THE OPTION OF THE HOLDER UPON A CHANGE OF CONTROL."

DEPENDENCE ON CURRENT MANAGEMENT. The operations and future success of the Company are dependent upon the continued efforts of the Company's executive officers, two of whom are also directors of the Company. The loss of the services of any of these key executives could have a material adverse effect on the Company's business, operating results and financial condition. See "Management--Executive Officers and Directors."

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS. Historically, the Company has generally experienced fluctuating quarterly revenues and earnings caused by varying portfolio performance and operating and interest costs. Given the possibility of such fluctuations, the Company believes that quarterly comparisons of the results of its operations during any fiscal year are not necessarily meaningful and that results for any one fiscal quarter should not be relied upon as an indication of future performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

BROAD DISCRETION IN USE OF PROCEEDS. The principal purpose of this offering is to increase the Company's working capital. The Company intends to use the net proceeds of this offering to repay, in part, amounts outstanding under the Revolver and for working capital and general corporate purposes. Accordingly, the Company's management will have broad discretion as to the use of such net proceeds without any action or approval by the Company's stockholders. See "Use of Proceeds."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Notes, after deducting underwriting discounts and estimated offering expenses payable by the Company, are estimated to be approximately $18.5 million ($21.3 million if the Underwriters' over-allotment option is exercised in full). The Company intends to use the net proceeds of this offering to repay, in part, amounts outstanding under the Revolver and for working capital and general corporate purposes. As of December 31, 1996, the total amount outstanding under the Revolver was approximately $40.0 million. Management believes that the Company's liquidity is

adequate to meet current obligations and future projected levels of financings and to carry on normal operations.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of December 31, 1996 and as adjusted to give effect to this offering and the application of the estimated net proceeds therefrom. This table should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus.

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 1996	
	<C> ACTUAL	<C> AS ADJUSTED(1)
	(DOLLARS IN THOUSANDS)	
Revolving credit borrowings	$ 40,000	$ 21,500
Senior notes	76,737	76,737
Senior Subordinated Notes	--	20,000
Stockholders' equity:		
Preferred stock, $1.00 par value per share: 5,000,000 shares authorized, none issued and outstanding	--	--
Common stock, $0.01 par value per share: 15,000,000 shares authorized; 4,786,530 issued; and 4,657,930 shares outstanding (2)	48	48
Treasury stock (at cost): 128,600 shares	(587)	(587)
Additional paid-in capital	12,305	12,305
Retained earnings	25,351	25,351
	37,117	37,117
Less deferred compensation and receivables	(2,785)	(2,785)
Total stockholders' equity	34,332	34,332
Total capitalization	$ 151,069	$ 152,569

</TABLE>

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(1) Adjusted to give effect to the sale of $20.0 million principal amount of the Notes by the Company and the application of approximately $18.5 million of net proceeds therefrom, taking into account an assumed underwriting discount and estimated expenses of the offering, to repay amounts outstanding under the Revolver.

(2) Includes 337,000 shares of restricted stock granted to certain key employees of the Company, which shares are subject to certain Company performance and employee service requirements prior to becoming fully vested. If the Company does not meet the applicable performance requirements, or if the employee does not meet the applicable service requirements, some or all of the restricted stock held by that employee will revert to the Company and will be retired or become treasury stock. See "Management--Executive Compensation--STOCK OPTION AND STOCK INCENTIVE PLANS."

SELECTED CONSOLIDATED FINANCIAL DATA

<TABLE>
<CAPTION>

<S>	YEAR ENDED				
	<C> DEC. 26, 1992	<C> DEC. 25, 1993 (1)	<C> DEC. 31, 1994	<C> DEC. 31, 1995	<C> DEC. 31, 1996
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
STATEMENT OF INCOME DATA:					
Earned income on leases and notes	$21,734	$17,095	$11,630	$12,871	$17,515

Gain on sales of leases and notes	--	--	--	53	1,572
Provision for losses	(4,307)	(15,104)	(754)	(1,296)	(1,564)
Net revenues	17,427	1,991	10,876	11,628	17,523
Selling, general and administrative expenses	3,574	5,160	6,970	5,984	8,059
Interest expense	10,663	9,057	3,514	5,339	8,146
Interest income	(54)	(78)	(358)	(375)	(261)
Loss on write-off of foreign currency translation adjustment (2)	--	--	--	601	--
Income (loss) before income taxes	3,244	(12,148)	750	79	1,579
Provision (benefit) for income taxes	1,260	(4,870)	300	204	704
Net income (loss)	$ 1,984	$ (7,278)	$ 450	$ (125)	$ 875
Net income (loss) per share	$ 0.40	$ (1.48)	$ 0.09	$ (0.03)	$ 0.22
Shares used to compute net income (loss) per share	4,922,473	4,923,233	4,989,391	3,881,361	4,067,236
OTHER DATA:					
Leases and notes receivable originated during period (3)	$25,161	$14,152	$32,609	$68,554	$96,982
Number of leases and notes originated during period (3)	1,575	745	1,590	2,800	3,740
Average amount financed per contract originated during period (3)	$ 16	$ 19	$ 21	$ 24	$ 26
Charge-offs divided by average net investment in leases and notes (before allowance)	3.4%	12.4%	3.2%	1.4%	1.2%
Ratio of earnings to fixed charges (4)	1.30x	--	1.21x	1.01x	1.19x
Pro forma ratio of earnings to fixed charges					1.07x
EBITDA (5)	$14,889	$ (396)	$ 6,136	$ 7,758	$12,587
Ratio of EBITDA to interest expense (6)	1.40x	--	1.75x	1.45x	1.55x
Pro forma ratio of EBITDA to interest expense (5) (7)					1.39x

	YEAR ENDED					
					DEC. 31, 1996	
	DEC. 26, 1992	DEC. 25, 1993 (1)	DEC. 31, 1994	DEC. 31, 1995	ACTUAL	AS ADJUSTED(7)
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)					
BALANCE SHEET DATA:						
Cash and cash equivalents	$ 625	$ 16,600	$ 419	$ 861	$ 2,176	$ 2,176
Restricted cash	--	--	7,936	5,610	6,769	6,769
Net investment in leases and notes	157,058	109,752	91,193	119,916	149,222	149,222
Total assets	158,857	130,437	103,148	130,769	163,217	164,717
Revolving credit borrowings	24,584	7,130	16,500	39,000	40,000	21,500
Senior notes	50,000	50,000	41,024	49,523	76,737	76,737
Senior Subordinated Notes	--	--	--	--	--	20,000
Subordinated debt	19,090	19,962	--	--	--	--
Total liabilities	113,816	92,816	70,326	97,410	128,885	130,385
Total stockholders' equity	45,041	37,621	32,822	33,359	34,332	34,332

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(1) In 1993, the Company experienced a substantial decrease in new business, increased selling, general and administrative costs and a substantial adjustment to its loan loss reserves, in each case largely as a result of the bankruptcy of Healthco, which previously had referred to the Company substantially all of the Company's business.

(2) Reflects a one-time, non-cash loss on write-off of cumulative foreign currency translation adjustments related to the Company's discontinued Canadian operations.

(3) For contracts originated by ACFC, originations reflect initial advances on

committed lines of credit. Excludes leases and notes receivable originated by the Company's discontinued Canadian operations in 1992 and 1993.

(4) For purposes of this ratio, earnings consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense and amortization of debt issuance costs. Earnings before income taxes plus fixed charges were insufficient to cover fixed

charges in 1993 by approximately $12.1 million. The ratio of earnings to fixed charges, excluding the loss on write-off of foreign currency translation adjustment, was 1.13x for the year ended December 31, 1995.

(5) EBITDA is defined as earnings from operations before interest, taxes, depreciation and amortization. EBITDA is presented here to provide additional information about the Company's ability to meet its future debt service and working capital requirements. EBITDA is not a measure of financial performance under generally accepted accounting principles ("GAAP") and should not be considered as an alternative either to net income as an indicator of the Company's operating performance, or to cash flows as a measure of the Company's liquidity.

(6) Ratio of EBITDA (as defined above) to interest expense is widely used as an indicator of a company's ability to service its debt, but is not necessarily an indication of, and should not be considered as an alternative to, the ratio of earnings to fixed charges. EBITDA was insufficient to cover interest expense in 1993 by approximately $9.4 million.

(7) Adjusted to give effect to the sale of $20.0 million principal amount of the Notes by the Company and the application of approximately $18.5 million of net proceeds therefrom, taking into account an assumed underwriting discount and estimated expenses of the offering, to repay senior secured bank debt. See "Use of Proceeds" and "Capitalization."

SUMMARY QUARTERLY FINANCIAL INFORMATION AND OTHER DATA

The following table sets forth certain unaudited quarterly income statement and financing contract information for each of the eight quarters ending with the quarter ended December 31, 1996. This data has been prepared on the same basis as the audited financial statements contained elsewhere in this Prospectus and includes all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the information for the periods presented, when read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto. Results for any previous fiscal quarter are not necessarily indicative of results for the full year or for any future quarter.

<TABLE>
<CAPTION>

	FISCAL QUARTER ENDED							
<S>	<C> MARCH 31, 1995	<C> JUNE 30, 1995	<C> SEPT. 30, 1995	<C> DEC. 31, 1995	<C> MARCH 31, 1996	<C> JUNE 30, 1996	<C> SEPT. 30, 1996	<C> DEC. 31, 1996
<CAPTION>	(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA:								
Earned income on leases and notes	$ 2,718	$ 3,203	$ 3,417	$ 3,533	$ 3,773	$ 4,354	$ 4,435	$ 4,953
Gain on sale of leases and notes	--	--	--	53	83	193	609	687
Provision for losses	(277)	(264)	(336)	(419)	(348)	(452)	(424)	(340)
Net revenues	2,441	2,939	3,081	3,167	3,508	4,095	4,620	5,300
Selling, general and administrative expenses	1,480	1,520	1,537	1,447	1,647	1,867	2,066	2,479
Interest expense	915	1,297	1,481	1,646	1,670	1,951	2,202	2,323

Interest income.....	(97)	(102)	(84)	(92)	(61)	(57)	(56)	(87)
Loss on write-off of foreign currency translation adjustment.....	--	--	--	601	--	--	--	--
Income (loss) before income taxes.....	143	224	147	(435)	252	334	408	585
Provision for income taxes.....	56	88	58	2	100	130	160	314
Net income (loss).....	$ 87	$ 136	$ 89	$ (437)	$ 152	$ 204	$ 248	$ 271
Net income (loss) per share.....	$ 0.02	$ 0.04	$ 0.02	$ (0.11)	$ 0.04	$ 0.05	$ 0.06	$ 0.07
Shares used to compute net income (loss) per share...	5,044,811	3,838,116	3,903,464	3,906,637	4,013,862	4,069,795	4,145,270	4,067,236
OTHER DATA (2):								
Leases and notes receivable originated during period.....	$14,687	$13,499	$17,843	$22,525	$20,282	$23,354	$22,389	$30,957
Number of leases and notes originated during period.....	668	660	631	841	796	923	883	1,138
Average amount financed per contract originated during period.....	$ 22	$ 20	$ 28	$ 27	$ 25	$ 25	$ 25	$ 27

</TABLE>

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(1) Reflects one-time, non-operating, non-cash loss on cumulative write-off of foreign currency translation adjustments related to the Company's discontinued Canadian operations.

(2) For contracts originated by ACFC, originations reflect initial advances on committed lines of credit.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCING CONTRACT ACCOUNTING

OVERVIEW

The Company provides financing primarily to healthcare providers throughout the United States. The Company finances dental, ophthalmic, general medical, chiropractic, and veterinary equipment, as well as leasehold improvements, office furniture and equipment, working capital and certain other costs involved in opening or maintaining a healthcare provider's office. The Company principally engages in two types of equipment financing transactions with its customers, which are classified for accounting purposes either as direct finance leases (which encompasses all leases) or notes. In a lease transaction, the Company takes title to the financed equipment which is delivered by the vendor to the customer. In a note transaction, the Company does not take title to or retain a residual interest in any underlying equipment. The Company does not carry any inventory in either type of transaction. The Company also finances the acquisition of healthcare practices by healthcare providers, and engages in asset-based lending through its wholly-owned subsidiary ACFC. Except for approximately $18.7 million of ACFC receivables, the Company's financing contracts with its customers are noncancellable and provide for a full payout at a fixed financing rate with a fixed payment schedule over a term of one to seven years.

When a financing transaction is initially activated, the Company records the minimum payments and, in the case of leases, the estimated residual value associated with the transaction. The difference between the sum of the payments due plus residual, if applicable, less the cost of the transaction is recorded as unearned income. The unearned income is recognized as revenue over the life of the transaction using the interest method in essentially all cases. No later than 145 days after scheduled payments become delinquent, recognition of revenue for that transaction is suspended. Earned income includes fee income from

service charges on portfolio accounts, gains and losses on residual transactions and asset sales, as well as miscellaneous income items, net of deferred origination cost amortization.

The Company records an allowance for losses in its portfolio in connection with its financing transactions. The extent of the allowance is based on a specific analysis of potential loss accounts, delinquencies and historical loss experiences. An account is written off when deemed uncollectible. The Company occasionally repossesses equipment from customers who have defaulted on their obligations to the Company; however, the Company held no such equipment for sale at December 31, 1996 or December 31, 1995.

The Company considers its finance portfolio assets to consist of two general categories of assets based on such assets' relative risk.

The first category of assets consists of the Company's lease contracts and notes receivable due in installments, which comprise approximately 87.7% of the Company's net investment in leases and notes at December 31, 1996 (90.1% at December 31, 1995). Substantially all of such contracts and notes are due from licensed medical professionals, principally dentists, who practice in individual or small group practices. Such contracts and notes are at fixed interest rates and have terms ranging from 12 to 84 months. The Company believes that leases and notes entered into with medical professionals are generally "small-ticket," homogeneous transactions with similar risk characteristics. Except for the amounts described in the following paragraph related to asset-based lending, all of the Company's historical provision for losses, charge offs, recoveries and allowance for losses have related to its lease contracts and notes due in installments.

The second category of assets consists of the Company's notes receivable, which comprise approximately 12.3% of the Company's net investment in leases and notes at December 31, 1996 (9.9% at December 31, 1995). Such notes receivable consist of commercial, asset-based, revolving lines of credit to small and medium size manufacturers and distributors, at variable interest rates, and typically have terms

of two years. The Company began commercial lending activities in mid-1994. Through December 31, 1996, the Company has not had any charge-offs of commercial notes receivable. The provision for losses related to the commercial notes receivable was $146,000, $95,000 and $43,000 in 1996, 1995 and 1994, respectively. The amount of the allowance for losses related to the commercial notes receivable was $284,000 and $138,000 at December 31, 1996 and 1995, respectively.

LEASE CONTRACTS AND NOTES RECEIVABLE DUE IN INSTALLMENTS

Equipment financing transactions are classified as lease contracts when the Company retains a residual interest in the equipment being financed and therefore has a continuing economic interest in the relevant financing contract. In addition, collectibility of the contract payments must be reasonably certain and the transaction must meet at least one of the following criteria: (i) the contract transfers ownership of the equipment to the customer at the end of the contract term, (ii) the contract contains a bargain purchase option, (iii) the contract term at inception is at least 75% of the estimated economic life of the financed equipment, or (iv) the present value of the minimum payments required of the customer is at least 90% of the fair market value of the equipment at the inception of the contract. For lease contracts, the Company records the total contract payments, estimated unguaranteed residual value and initial direct costs as the gross investment in the lease contracts. The difference between the gross investment in the lease contract and the cost to the Company of the equipment being financed is recorded as unearned income. Interest income is recognized over the term of the contract by amortizing the unearned income using the interest method.

Transactions are classified as "notes receivable due in installments" when no residual interest is retained by the Company and the customer takes title to

any equipment. Approximately one-half of the Company's equipment financings, and all of its practice financings, are accounted for as notes receivable due in installments. Earnings are recorded on a similar basis as that described above for lease contracts.

NOTES RECEIVABLE

Transactions classified as "Notes Receivable" are asset-based loans primarily secured by accounts receivable, inventory, and equipment. Interest on the outstanding balances under these revolving lines of credit is computed daily at variable rates as determined by each line of credit agreement. Additionally, servicing and commitment fees may also be charged to the borrower.

GAIN ON SALE OF FINANCING TRANSACTIONS

As part of its portfolio management strategy, the Company occasionally sells its financing contracts to other parties. Income is recorded at the time of the sale in an amount that is approximately equal to the present value of the anticipated future cash flow, partially offset by initial direct costs and expenses and estimated credit losses under certain recourse provisions of the related sale agreements. Generally, the Company retains the servicing of financing contracts that are sold. Income equal to the estimated future costs of servicing these financing contracts is deferred and recognized in proportion to the estimated periodic servicing costs.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED DECEMBER 31, 1996 AND DECEMBER 31, 1995

Earned income from leases and notes for 1996 was approximately $17.5 million (including approximately $2.6 million from ACFC) as compared to approximately $12.9 million (approximately $1.3 million from ACFC) for 1995. This increase of approximately 36.1% was due primarily to the increase in the net investment in leases and notes from 1995 to 1996. The increase in net investment in leases and notes resulted from an increase of approximately 41.4% in the Company's financing contract originations for fiscal 1996 to approximately $97.0 million (including approximately $10.0 million in ACFC originations, and excluding approximately $3.8 million of initial direct costs) from approximately $68.6 million

(including approximately $7.6 million in ACFC originations, and excluding approximately $3.0 million of initial direct costs) for 1995. Gains on sales of leases and notes increased to approximately $1.6 million in 1996 compared to $53,000 in 1995. This increase was caused by higher levels of sales activity in 1996. Earned income on leases and notes is a function of the amount of net investment in leases and notes and the level of financing contract interest rates. Earned income is recognized over the life of the net investment in leases and notes, using the interest method.

Interest expense net of interest income on cash balances for 1996 was approximately $7.9 million (45.1% of earned income) compared to approximately $5.0 million (38.6% of earned income) for 1995, an increase of 58.8%. The increase in net interest expense was due primarily to a 31.9% increase in debt levels from 1995 to 1996, which resulted from borrowings to finance the Company's financing contract originations. The increase as a percentage of earned income was due to higher interest rates on debt in 1996 as compared to 1995.

Net financing margin (earned income less net interest expense) for fiscal 1996 was approximately $9.6 million (55.0% of earned income) as compared to approximately $7.9 million (61.4% of earned income) for 1995. The increase in amount was due to higher earnings on a higher balance of earning assets. The decline in percentage of earned income was due to higher debt during 1996 as compared to 1995.

The provision for losses for fiscal 1996 was approximately $1.6 million (8.9% of earned income) compared to approximately $1.3 million (10.1% of earned income) for 1995. This increase in amount resulted from higher levels of new financings in 1996 and the Company's continuing evaluation of its allowance for losses. The allowance for losses at December 31, 1996 was approximately $4.1 million (2.7% of net investment in leases and notes) as compared to approximately $4.5 million (3.7% of net investment in leases and notes) at December 31, 1995. Net charge-offs were approximately $1.5 million in 1996 compared to approximately $1.4 million in 1995.

Selling, general and administrative expenses for fiscal 1996 were approximately $8.1 million (46.0% of earned income) as compared to approximately $6.0 million (46.5% of earned income) for 1995. This increase resulted from increased staffing and systems and support costs required by higher volumes of financing activity in 1996 and anticipated near-term growth.

In 1995, the Company incurred a loss on write-off of foreign currency translation adjustment of approximately $601,000 in connection with substantial liquidation of the Company's investment in its Canadian subsidiary. The Company incurred no such loss in 1996.

The Company's income before income taxes for fiscal 1996 was approximately $1.6 million compared to $79,000 for 1995. The provision for income taxes was $704,000 (44.6% of income before tax) in 1996 compared to $204,000 (258.2%) in 1995. The 1995 provision was affected by the $601,000 foreign currency translation adjustment related to the company's Canadian operations that was not deductible.

The Company's net income for fiscal 1996 was $875,000 or $0.22 per share compared to ($125,000) or ($0.03) per share for 1995. The increase in 1996 over 1995 was due to higher earned income from leases and notes and gains on sales offset by increases in the provision for losses, higher selling, general and administrative expenses, higher average debt levels and higher average rates of interest on debt and a foreign currency translation adjustment in 1995.

At December 31, 1996, the Company had approximately $47.5 million of customer applications which had been approved but had not resulted in a completed transaction, compared to approximately $39.9 million of such customer applications at December 31, 1995. Not all approved applications will result in completed financing transactions with the Company.

FISCAL YEARS ENDED DECEMBER 31, 1995 AND DECEMBER 31, 1994

Earned income from leases and notes for fiscal 1995 was approximately $12.9 million compared to approximately $11.6 million in 1994. This increase of 11.2% resulted primarily from an increase of 31.5% in the net investment in leases and notes from 1994 to 1995. The Company financed new portfolio assets at

a cost of approximately $68.6 million in 1995 compared to approximately $32.6 million in 1994, a 110.4% increase in the value of assets financed.

Interest expense net of interest income on cash balances for 1995 was approximately $5.0 million (38.6% of earned income) compared to approximately $3.2 million (27.1% of earned income) in 1994. The 57.3% increase in amount was due primarily to a 42.7% increase in the level of debt required to support the increase in new portfolio assets and higher average interest rates in 1995. The Company funded its business in 1995 in part with fixed rate and revolving credit arrangements. See "--Liquidity and Capital Resources" and Note B to the Company's Consolidated Financial Statements contained elsewhere in this Prospectus.

Net financing margin for fiscal 1995 was approximately $7.9 million (61.4% of earned income), compared to approximately $8.5 million (72.9% of earned income) in fiscal 1994. The declines in both the amount of net interest margin and its percentage of earned income were due to the Company's higher levels of debt at higher average interest rates on debt in 1995 as compared to 1994.

The provision for losses was approximately $1.3 million (10.1% of earned income) in 1995 as compared to $754,000 (6.5% of earned income) in 1994. The allowance for losses at December 31, 1995 was approximately $4.5 million (3.7% of net investment in leases and notes), compared to approximately $4.6 million (5.0% of net investment in leases and notes) at December 31, 1994. Net charge-offs were approximately $1.4 million in 1995 compared to approximately $3.1 million in 1994. The increase in the provision for losses was due to the higher level of financing contract originations and the Company's continuing adjustment of the provision for losses to reflect the risks and diversification in its portfolio.

Selling, general and administrative expenses were approximately $6.0 million (46.5% of earned income) in fiscal year 1995 compared to approximately $7.0 million (59.9% of earned income) in fiscal year 1994. The decrease in amount was due to a reduction in expenses related to the Company's discontinued Canadian operations in 1995 and the reversal of certain accruals related to the uncertain impact on the Company of the bankruptcy of Healthco in 1993.

In 1994, the Company discontinued its Canadian operations as part of its strategic plan to focus on its business in the United States. Consistent with this strategy, and in an effort to begin to liquidate its Canadian operations, the Company in 1994 sold a large portion of its Canadian portfolio to Newcourt Credit Group, Inc. ("Newcourt") for approximately $7.0 million and used most of the proceeds to repay third party debt. Some of the proceeds were repatriated to the Company. As part of the sale agreement, the Company entered into a service agreement whereby Newcourt agreed to manage certain accounts over the next two-year period ending June 30, 1996. Since the Company no longer generated new business in Canada, these managed accounts were written down to estimated net realizable value. As a result of the transaction with Newcourt the Company's total investment in Canada decreased from approximately $3.8 million to approximately $2.1 million at December 31, 1994. In 1995, the Company continued to liquidate its Canadian assets and repatriated another $700,000 to the United States. At December 31, 1995, after currency adjustments, the Company's investment in Canada was less than $800,000. Accordingly, the Company was deemed to have substantially liquidated its Canadian investment. Therefore, in accordance with Statement of Financing Accounting Standards No. 52 ("Foreign Currency Translation"), the Company recognized in earnings the cumulative translation losses incurred in prior years that had been deferred as a separate component of equity.

The Company had income before income taxes in 1995 of $79,000 compared to $750,000 in 1994. The provision for income taxes was $204,000 in 1995 compared to $300,000 in 1994. The provision for income taxes in 1995 was 258.2% of income before income taxes, due to the fact that the $601,000 foreign currency translation adjustment related to the Company's Canadian operations was not deductible. In addition, the Company had a $128,000 reduction in its tax provision for a 1995 Canadian provincial refund of taxes from prior years.

The Company's net loss was $125,000 or $0.03 per share in 1995 compared to net income of $450,000 or $0.09 per share in 1994. The decrease in 1995 was primarily caused by the recognition of a non-cash

write-off of a cumulative foreign currency translation adjustment of $601,000 related to the Company's discontinued Canadian operations.

The earnings per share impact from the Company's repurchase and retirement of treasury shares in 1995 was less than $0.01. Earnings per share were unfavorably affected in 1995 by $0.16 per share due to the 1995 write-off of the Company's cumulative translation adjustment from the substantial liquidation of its Canadian operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financing activities require substantial amounts of capital, and its ability to originate new financing transactions is dependent on the availability of cash and credit. The Company currently has access to credit under the Revolver, its securitization transactions with Bravo, and a loan secured by financing contracts. The Company obtains cash from sales of its financing contracts to various savings banks and from lease and note payments. Substantially all of the assets of HPSC and ACFC and the stock of ACFC have been pledged to HPSC's lenders as security under HPSC's various short- and long-term credit arrangements. Borrowings under the securitizations are secured by financing contracts, including the amounts receivable thereunder, and the assets securing the financing contracts. The securitizations are limited recourse obligations of the Company, structured so that the cash flow from the securitized financing contracts services the debt. In these limited recourse transactions, the Company retains some risk of loss because it shares in any losses incurred, and it may forfeit the residual interest, if any, it has in the securitized financing contracts should a default occur. The Company's borrowings under the Revolver are full recourse obligations of HPSC. Most of the Company's borrowings under the Revolver are used to temporarily fund new financing contracts entered into by the Company and are repaid with the proceeds obtained from other full or limited recourse financings and cash flow from the Company's financing transactions.

At December 31, 1996, the Company had approximately $8.9 million in cash, cash equivalents and restricted cash as compared to approximately $6.5 million at the end of 1995. As described in Note D to the Company's Consolidated Financial Statements included in this Prospectus, approximately $6.8 million of such cash was restricted pursuant to financing agreements as of December 31, 1996, compared to approximately $5.6 million at December 31, 1995.

Cash provided by operating activities was approximately $6.7 million for the year ended December 31, 1996 compared to approximately $4.5 million in 1995 and cash used in operating activities of approximately $2.6 million in 1994. The significant components of cash provided for 1996 as compared to 1995 were an increase in net income in 1996 to $875,000 from a loss of $125,000 in 1995; an increase in the gain on sales of leases and notes to approximately $1.6 million in 1996 from $53,000 in 1995, which was caused by a higher level of sales activity in 1996; and an increase in accounts payable and accrued liabilities of approximately $2.4 million in 1996 as compared to 1995, which was caused by a higher level of originations of lease contracts and notes receivable in 1996 as compared to 1995.

Cash used in investing activities was approximately $34.4 million for the year ended December 31, 1996 compared to approximately $32.6 million in 1995 and cash provided by investing activities of approximately $15.7 million in 1994. The primary components of cash used in investing activity for 1996 as compared to 1995 were an increase in originations of lease contracts and notes receivable to approximately $90.7 million from $63.9 million in 1995, offset by an increase in proceeds from sales of lease contracts and notes receivable to approximately $24.3 million in 1996 from approximately $1.6 million in 1995.

Cash provided by financing activities was approximately $29.0 million for the year ended December 31, 1996 compared to cash provided by financing activities of approximately $28.5 million for 1995 and cash used in financing activities of approximately $29.3 million in 1994. The significant components of cash provided by financing activity in 1996 as compared to 1995 were an increase in the proceeds from issuance of senior notes in 1996 to approximately $53.0 million from approximately $28.4 million in 1995, offset by repayments of senior notes in 1996 of approximately $26.0 million compared to

approximately $23.4 million in 1995 and a decrease in net proceeds from demand and revolving notes payable to banks to $1.0 million in 1996 from $25.6 million in 1995.

On December 27, 1993, the Company raised $70.0 million through an asset securitization transaction in which its wholly-owned subsidiary, Funding I, issued senior secured notes (the "Funding I Notes") at a rate of 5.01%. The Funding I Notes are secured by a portion of the Company's portfolio which it

sold in part and contributed in part to Funding I. Proceeds of this financing were used to retire $50.0 million of 10.125% senior notes due December 28, 1993, and $20.0 million of 10% subordinated notes due January 15, 1994. The Funding I Notes had an outstanding balance of approximately $7.0 million at December 31, 1996. In July and August of 1996, the level of delinquencies in Funding I rose above specified levels and triggered a payment restriction event. This restriction had the effect of "trapping" any cash distribution that the Company otherwise would have been eligible to receive. The event was considered a technical default under the Revolver Agreement, which default was waived by the lending banks in September 1996. In September 1996, delinquency levels improved and the payment restrictions were removed. A payment restriction event is not unusual during the later stages of a static pool securitization and may occur again before Funding I is fully paid out. The Revolver Agreement was amended and restated on December 12, 1996, amending the default provisions with respect to Funding I payment restriction events to conform to the default provisions of the Funding I agreements. As a result, a payment restriction event under Funding I will not constitute a default under the Revolver Agreement unless such event continues for at least six months. There can be no assurance that any future defaults will be waived by the lending banks. Under the terms of the Funding I securitization, when the principal balance of the Funding I Notes equals the balance of the restricted cash in the facility, Funding I must automatically pay the Funding I Notes and terminate. This event may occur during fiscal 1997, prior to the scheduled termination of Funding I. In the event of an early termination, the Company would incur a non-cash, non-operating charge against earnings representing the early recognition of certain unamortized deferred transaction origination costs. At December 31, 1996, these unamortized costs were approximately $400,000 and were amortizing at approximately $17,000 per month.

The Revolver Agreement, as amended and restated, increased the Company's availability under the Revolver to $95.0 million. Under the Revolver Agreement, the Company may borrow at variable rates of prime and at LIBOR plus 1.25% to 1.75%, dependent on certain performance covenants. At December 31, 1996, the Company had $40.0 million outstanding under this facility and $55.0 million available for borrowing, subject to borrowing base limitations. The Revolver Agreement currently is not hedged and is, therefore, exposed to upward movements in interest rates.

As of January 31, 1995, the Company, along with its newly-formed, wholly-owned, special-purpose subsidiary Bravo, established a $50.0 million revolving credit facility structured and guaranteed by Capital Markets Assurance Corporation ("CapMAC"). Under the terms of the facility, Bravo, to which the Company has sold and may continue to sell or contribute certain of its portfolio assets, pledges its interests in these assets to a commercial-paper conduit entity. Bravo incurs interest at variable rates in the commercial paper market and enters into interest rate swap agreements to assure fixed rate funding. Monthly settlements of principal and interest payments are made from the collection of payments on Bravo's portfolio. HPSC may make additional sales to Bravo subject to certain covenants regarding Bravo's portfolio performance and borrowing base calculations. The Company is the servicer of the Bravo portfolio, subject to meeting certain covenants. The required monthly payments of principal and interest to purchasers of the commercial paper are guaranteed by CapMAC pursuant to the terms of the agreement. The Company had approximately $67.5 million outstanding under the Bravo facility at December 31, 1996, and, in connection with this facility, had 14 separate interest rate swap agreements with The First National Bank of Boston with a total notional value of approximately $65.2 million. Effective November 5, 1996, the Bravo facility was increased to $100.0 million and amended to provide that up to $30.0 million of such facility may be used as sales of receivables from Bravo for accounting purposes. The Company had approximately $7.0 million outstanding from sales of receivables under this portion of the facility at December 31, 1996.

In April 1995, the Company entered into a fixed rate, fixed term loan agreement with Springfield Institution for Savings ("SIS") under which the Company borrowed approximately $3.5 million at 9.5% subject to certain recourse and performance covenants. The Company had approximately $2.4 million outstanding under this agreement at December 31, 1996. Also in fiscal 1995, the Company entered into a sale agreement with SIS under which it sold approximately $1.7 million of financing contracts (which included a cash payment of $1.5 million and scheduled future payments of $200,000), subject to certain recourse covenants and servicing of these contracts by the Company, and recognized a net gain of approximately $53,000 in connection with the sale. Through December 31, 1996, the Company had entered into several similar sale agreements with savings banks and the Bravo securitization facility under which it received a total of

approximately $24.3 million during 1996 and recognized a net gain of approximately $1.6 million.

Amortization of debt discount of $0, $0 and $38,000 in 1996, 1995 and 1994, respectively, is included in interest expense.

The Company's existing senior secured debt, issued in connection with certain securitization transactions as shown on the balance sheet contained in the Company's Consolidated Financial Statements appearing elsewhere in this Prospectus, reflect its approximate fair market value. The fair market value is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity.

Management believes that the Company's liquidity, resulting from the availability of credit under the Revolver, the Bravo facility and the loan from SIS, along with cash obtained from the sales of its financing contracts and from internally generated revenues and the anticipated net proceeds of this offering, is adequate to meet current obligations and future projected levels of financings and to carry on normal operations. In order to finance adequately its anticipated growth, the Company will continue to seek to raise additional capital from bank and non-bank sources, make selective use of asset sale transactions in 1997 and use its current credit facilities. The Company expects that it will be able to obtain additional capital at competitive rates, but there can be no assurance it will be able to do so.

Inflation in the form of rising interest rates could have an adverse impact on the interest rate margins of the Company and its ability to maintain adequate earning spreads on its portfolio assets.

CERTAIN ACCOUNTING PRONOUNCEMENTS

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Current tax liabilities or assets are recognized, through charges or credits to the current tax provision, for the estimated taxes payable or refundable for the current year. Net deferred tax liabilities or assets are recognized, through charges or credits to the deferred tax provision, for the estimated future tax effects, based on enacted tax rates, attributable to temporary differences. Deferred tax liabilities are recognized for temporary differences that will result in amounts taxable in the future, and deferred tax assets are recognized for temporary differences and tax benefit carryforwards that will result in amounts deductible or creditable in the future.

Effective January 1, 1995, the Company adopted prospectively Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosure." These standards apply to the Company's practice acquisition loans and asset-based lending. The standards require that a loan be classified and accounted for as an impaired loan when it is probable that the Company will be unable to collect all principal and interest due on the loan in accordance with the loan's original contractual terms. Impaired loans are valued based on the present value of expected future cash flows, using the interest rate in effect at the time the loan was placed on nonaccrual status. A loan's observable market value or collateral value may be used as an alternative valuation technique. Impairment exists when the recorded investment in a loan exceeds the value of the loan measured using the above-mentioned valuation techniques. Such impairment is recognized as a valuation reserve, which is included

as a part of the Company's allowance for losses. The adoption of these new standards did not have a material impact on the Company's allowance for losses.

In October 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123, "Accounting for Stock-Based Compensation." This standard was effective January 1, 1996. The standard encourages, but does not require, adoption of a fair value-based accounting method for stock-based compensation arrangements and would supersede the provisions of Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees." An entity may continue to apply APB No. 25 provided the entity discloses its pro forma net income and earnings per share as if the fair value-based method had been applied in measuring compensation cost. The Company continues to apply APB No. 25 and to disclose the pro forma information required by SFAS No. 123.

Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 125), effective for the Company on January 1, 1997, provides new methods of accounting and reporting for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 127 has delayed the effective date of

certain sections of SFAS 125 until January 1, 1998. The Company's adoption of the appropriate sections of SFAS 125 is not expected to have a material effect on the Company's financial position or results of operations.

BUSINESS

GENERAL

The Company is a specialty finance company engaged primarily in financing healthcare providers throughout the United States. To date, the largest part of the Company's revenues has been derived from its financing of healthcare equipment. HPSC also finances the purchase of healthcare practices, particularly dental practices. The Company has over 20 years of experience as a provider of financing to dental professionals in the United States. Through its subsidiary, ACFC, the Company also provides asset-based lending to a variety of businesses in the northeastern United States.

HPSC provides financing for equipment and other practice-related expenses to the dental, ophthalmic, general medical, chiropractic and veterinary professions. On a consolidated basis, approximately 60.0% of the Company's business arises from equipment financing, approximately 30.0% from related financing, including practice finance, leasehold improvements, office furniture, working capital and supplies, and approximately 10% from asset-based lending. HPSC principally competes in the portion of the healthcare finance market where the size of the transaction is $250,000 or less, sometimes referred to as the "small-ticket" market. The average size of the Company's financing transactions in 1996 has been approximately $25,000. In connection with its equipment financings, the Company enters into noncancellable installment sales and lease contracts, substantially all of which provide for a full payout at a fixed interest rate over a term of one to seven years. The Company markets its financing services to healthcare providers in a number of ways, including direct marketing through trade shows, conventions and advertising, through its sales staff with 14 offices in nine states and through cooperative arrangements with equipment vendors.

At December 31, 1996, HPSC's outstanding leases and notes receivable owned and managed were approximately $190 million, consisting of approximately 11,100 active contracts. HPSC's financing contract originations in 1996 were approximately $86.9 million compared to approximately $60.9 million in 1995, an increase of 42.7%, which compared to financing contract originations of approximately $28.4 million in 1994, an increase of 114.4%. The following table summarizes HPSC's financing contract originations for fiscal years 1994, 1995 and 1996 (excluding ACFC originations).

HPSC ORIGINATIONS BY MARKET (1)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	1994		1995		1996	
MARKET	DOLLAR AMOUNT	PERCENTAGE OF ORIGINATIONS	DOLLAR AMOUNT	PERCENTAGE OF ORIGINATIONS	DOLLAR AMOUNT	PERCENTAGE OF ORIGINATIONS
			(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Dental	$ 19,000	67.0%	$ 28,900	47.0%	$ 45,900	53.0%
Other Medical (2)	9,400	33.0%	32,000	53.0%	41,000	47.0%
Total	$ 28,400	100.0%	$ 60,900	100.0%	$ 86,900	100.0%

</TABLE>

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(1) Items financed include equipment (through leases and notes), leasehold improvements, working capital, supplies, as well as practice finance.

(2) Includes financing contracts for the ophthalmic, general medical, chiropractic and veterinary professions.

ACFC, the Company's wholly-owned subsidiary, provides asset-based financing, principally in the northeastern United States, for companies which cannot readily obtain traditional bank financing. The ACFC loan portfolio generally provides the Company with a greater spread over its borrowing costs than the Company can achieve in its healthcare financing business. The Company anticipates that it will expand its asset-based financing business. The following table summarizes ACFC's line of credit originations for fiscal 1994, 1995 and 1996.

ACFC ORIGINATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
		(DOLLARS IN THOUSANDS)	
Amount of Originated Lines of Credit.....	$ 5,000	$ 14,000	$ 17,600
Balance Outstanding (period end).....	$ 4,000	$ 12,000	$ 18,700
Number of Lines of Credit Originated.....	2	8	14

</TABLE>

The continuing increase in the Company's originations of financing contracts and lines of credit resulted in a 36.1% increase in the Company's revenues for fiscal year 1996, as compared with fiscal year 1995, and an 10.7% increase in the Company's revenues for fiscal year 1995 compared with fiscal year 1994. This percentage increase in revenues is lower than the percentage increase in originations because revenues consist of earned income on leases and notes, which is a function of the amount of net investment in leases and notes and the level of interest rates, and is recognized over the life of the financing contract, while originations are recognized at the time of origination.

BUSINESS STRATEGY

The Company's strategy is to expand its business and enhance its profitability by (i) increasing its share of the dental equipment financing market, the Company's traditional market, as well as by expanding its activities in other healthcare markets; (ii) diversifying the Company's revenue stream through its practice finance and asset-based lending businesses; (iii) emphasizing service to vendors and customers; (iv) increasing its direct sales and other marketing efforts; (v) maintaining and increasing its access to low-cost capital and managing interest rate risks; (vi) continuing to manage effectively its credit risks; and (vii) capitalizing on information technology to increase productivity and enable the Company to manage a higher volume of financing transactions. Important components of the Company's strategy include:

- INCREASE HEALTHCARE EQUIPMENT FINANCING. The Company's goal is to increase its share of the dental equipment financing market, as well as to expand its activities in other healthcare markets, such as the ophthalmic, general medical, chiropractic and veterinary professions. The Company is pursuing this goal by hiring sales personnel with experience in financing for those professions, through direct sales calls and advertising and by applying the Company's experience in the dental profession to other medical professions. The Company has increased its share of the dental equipment financing market in each year since 1993 and believes that it can increase its market share in other targeted professions through its sales and marketing efforts and high level of service. The Company believes that it has benefited and will continue to benefit from technological advances which stimulate the demand for new and upgraded healthcare equipment. The Company also believes that regulatory trends in the healthcare professions have resulted in greater demand for outpatient services, which may result in greater need for medical outpatient equipment and supporting office equipment, including office automation equipment. The Company intends to pursue these potential opportunities for new financing business. This Note offering will increase the Company's capital base, thereby permitting the Company to increase its financing activity.

- DIVERSIFY REVENUE STREAM. In addition to retaining and increasing its share of the healthcare equipment financing market, the Company plans to expand its presence in the practice finance and asset-based lending markets. In 1996, practice finance transactions accounted for approximately 13.0% of HPSC's financing contract originations. HPSC has originated approximately 260 practice finance loans aggregating approximately $24.6 million over the past three years. In addition to this business being profitable on a stand-alone basis, management believes that practice finance earns HPSC substantial goodwill among healthcare providers. Asset-based lending through ACFC accounts for approximately 10% of the Company's revenues on a consolidated basis. ACFC has entered into 24 asset-based lending transactions since its inception in 1994, totaling approximately $36.6 million in lines of credit, and currently has approximately $18.7 million of loans outstanding. The Company anticipates that it will expand its asset-based financing business.

- EMPHASIZE SERVICE TO VENDORS AND CUSTOMERS. The Company believes that healthcare providers seek financing through the Company in large part due to the high level of service it provides to both customers and vendors, including the Company's familiarity with the specialized needs of dental and medical professionals, the speed and convenience of financing equipment through the Company and the Company's established relationships with equipment vendors. The Company competes with other providers of financing services for the business of vendors by ensuring that vendors in approved equipment financing transactions are paid promptly for the equipment, usually within one day of delivery to the customer. The Company intends to continue to provide equipment vendors with timely, convenient and competitive financing for their equipment sales and with a variety of other value-added services that promote both the vendors' equipment sales and the selection of the Company to provide financing, and thereby expects to continue to obtain referrals for additional financing transactions. The Company also will continue to emphasize customer service, which includes the flexibility to customize financing arrangements to the needs of individual healthcare providers. In most cases, the Company's sales representatives work directly with the vendors' potential purchasers, providing them with the guidance necessary to complete the equipment financing transaction. The Company believes that such "consultative financing" has enhanced, and will continue to enhance, customer satisfaction and loyalty.

- INCREASE DIRECT SALES AND OTHER MARKETING EFFORTS. The Company currently has sales and marketing personnel located in 14 offices across the United States. The Company intends to open additional sales offices and to continue to hire sales staff with significant prior experience in the healthcare financing business. In addition to promoting its financing services through its sales and marketing personnel, the Company relies on various equipment financing referral sources and relationships with vendors and manufacturers of dental, medical and other equipment and intends to further leverage these relationships. Management believes that this marketing approach is more effective than isolated solicitations of equipment purchasers. The Company also expects to continue to broaden its customer base through national advertising in trade journals and magazines, by participation in trade shows and through the broad dissemination of literature describing the Company's financing programs.

- REDUCE BORROWING COSTS AND MANAGE INTEREST RATE RISKS. In order to reduce its borrowing costs and manage interest rate risks, the Company seeks to match-fund its financing contracts through a variety of funding sources. Currently the Company has access to funding through the $95 million Revolver and the $100 million Bravo asset securitization facility, as well as its asset sales to, and loans from, a number of savings banks. The Company completed the Funding I and Bravo asset securitizations to take advantage of the significantly lower cost of funds available under these facilities, as compared with the Company's bank borrowings, with which to finance its contract originations. The Company's recently completed amendment to its Bravo asset securitization facility permits it to sell up to $30 million of financing assets under that program on a limited recourse basis. The Company will continue to seek advantageous sources of credit, possibly including additional securitizations and asset sales, if appropriate.

- MANAGE CREDIT RISK. The Company employs comprehensive credit review procedures. The credit background of each potential customer is checked with one or more commercial credit reporting agencies, including TRW Inc., Equifax Inc., Trans Union Corporation and Dun & Bradstreet Corporation. Appropriate professional organizations may be consulted regarding the customer's professional status. In addition to a customer's credit

profile, information such as the equipment type and vendor may be considered in some circumstances. The delinquency rate (based on contractual balances more than 60 days past due) of the Company's equipment financing contract portfolio has declined from 11.0% in fiscal year 1994 to 4.2% at December 31, 1996. The Company believes that its delinquency rate has declined because of (i) the Company's comprehensive on-line credit evaluation procedure to screen financing applications, (ii) the Company's improved collection procedures and (iii) growth in the Company's portfolio of financing contracts. Management believes that the Company's credit and loss experience compares favorably with other "small-ticket"

equipment finance companies. The Company will continue its thorough credit application screening process and will seek to maintain the decline in its delinquency rate.

- CAPITALIZE ON INFORMATION TECHNOLOGY. The Company has developed automated information systems and telecommunications capabilities tailored to support all areas within the organization. Systems support is provided for accounting, taxes, credit, collections, operations, sales, sales support and marketing. The Company has invested a significant amount of time and capital in computer hardware and proprietary customized software and has developed a substantial database of information that enables the Company to better target its sales and marketing activities. The Company's Boston headquarters is linked electronically with all of the Company's other offices. Each salesperson's laptop computer can also connect to the Boston office, permitting a salesperson to respond promptly to a customer's financing request. This capability also permits the Company to control the speed, accuracy and quality of the credit application process. The Company's centralized data processing system provides timely support for the marketing and service efforts of the Company's salespeople and for equipment manufacturers and dealers. The Company's computerized systems also provide management with accurate, up-to-date customer data which it uses to strengthen the Company's internal controls and forecasting. The Company believes that its system is among the most advanced in the small-ticket equipment financing industry and can accommodate significantly greater financing volume, giving the Company a competitive advantage based on the speed of its contract processing, control over credit risk and high level of service.

INDUSTRY OVERVIEW

The equipment financing industry in the United States includes a wide variety of sources for financing the purchase and leasing of equipment, ranging from specialty financing companies, which concentrate on a particular industry or financing vehicle, to large banking institutions, which offer a full array of financial services. According to the Equipment Leasing Association of America ("ELA") 1995 Annual Survey of Industry Activity & Business Operations, the total financing volume in the United States for all types of equipment (including medical) was estimated to be approximately $160 billion in 1995, of which medical equipment, according to responses to the ELA survey, accounted for 3.1% (or approximately $5.0 billion) of 1995 total annual financing volume.

The medical equipment finance industry includes two distinct markets which are generally differentiated based on equipment price and type of healthcare provider. The first market, in which the Company currently does not compete, is financing of equipment priced at over $250,000, which is typically sold to hospitals and other institutional purchasers. Because of the size of the purchase, long sales cycle, and number of financing alternatives generally available to these types of customers, their choice among financing alternatives tends to be based primarily on cost of financing. The second market, in which the Company competes, is the financing of lower-priced or "small-ticket" equipment, where the price of the financed equipment is generally $250,000 or less. Much of this equipment is sold to individual practitioners or small group practices, including dentists, ophthalmologists, physicians, chiropractors, veterinarians and other healthcare providers. The Company focuses on the small-ticket market because it is able to respond in a prompt and flexible manner to the needs of individual customers. Management believes that purchasers in the small-ticket healthcare equipment market often seek the value-added sales support and general ease of conducting business which the Company offers.

The Company believes that healthcare providers are increasingly choosing to purchase rather than lease, equipment because of (i) the availability of a tax deduction of up to $17,500 of the purchase price in the first year of equipment use, (ii) changes in healthcare reimbursement methodologies that reduce incentives to lease equipment for relatively short periods of time and (iii) a reduced difference in financing costs between equipment purchases and equipment leases, due to generally lower interest rates. Consistent with industry trends, installment sales agreements (notes) now comprise 60% of the financing contracts originated by the Company.

Although the Company has focused its business in the past on equipment finance, it has expanded more recently into practice finance. Practice finance is a specialized segment of the finance industry, in

which the Company's primary competitors are banks. Practice finance is a relatively new business opportunity for financing companies such as HPSC that has developed as the sale of healthcare professional practices has increased. The primary sources of healthcare practice financing are banks; not all financing companies provide this service. Typically, HPSC has financed approximately 70% of the cost of the practice being purchased, although buyers are increasingly choosing to finance the entire purchase price. Management believes that HPSC is a leading provider of dental practice financing, due in large part to its active advertising program to the dental profession and direct solicitation of dental healthcare providers.

HEALTHCARE PROVIDER FINANCING

TERMS AND CONDITIONS

The Company's business consists primarily of the origination of equipment financing contracts pursuant to which the Company finances the acquisition by healthcare providers of various types of equipment as well as leasehold improvements, working capital and supplies. The contracts are either installment sales agreements (notes) or lease agreements and are noncancellable. The installment sales agreements are full payout contracts and provide for scheduled payments sufficient, in the aggregate, to cover the Company's borrowing costs and the costs of the underlying equipment, and to provide the Company with an appropriate profit margin. The majority of contracts originated by the Company (approximately 60%) are installment sales agreements. The balance of the equipment financing contracts originated by the Company are leases. The Company provides its leasing customers with an option to purchase the equipment at the end of the lease for 10% of its original cost. Since 1991, approximately 99% of lessees have exercised this option. The average cost of financings by HPSC in 1996 was approximately $26,000. In that period, HPSC entered into approximately 3,740 new financing contracts, an increase of approximately 33.6% from 1995.

All of the Company's equipment financing contracts require the customer to: (i) maintain, service and operate the equipment in accordance with the manufacturer's and government-mandated procedures; (ii) maintain property and public liability insurance for the equipment; (iii) pay all taxes associated with the equipment; and (iv) make all scheduled contract payments regardless of the performance of the equipment. Substantially all of the Company's financing contracts provide for principal and interest payments due monthly for the term of the contract. In the event of default by a customer, the financing contract provides that the Company has the rights afforded creditors under law, including the right to repossess the underlying equipment and in the case of legal proceedings arising from a default, to recover damages and attorneys' fees. The Company's equipment financing contracts generally provide for late fees and service charges to be applied on payments which are overdue. In 1996, the Company billed approximately $1.1 million in late fees and service charges on late payments, compared to approximately $700,000 in 1995. This increase was due to growth in the Company's portfolio and to the completion of the Company's implementation of a modified late fee and service charge program, rather than to increased delinquencies.

Although the customer has the full benefit of the equipment manufacturers' warranties with respect to the equipment it finances, the Company makes no warranties to its customers as to the equipment. In addition, the financing contract obligates the customer to continue to make contract payments regardless of any defects in the equipment. Under an installment sale contract (note), the customer holds title to the equipment and the Company has a lien on the equipment to secure the loan; under a lease, the Company retains title to the equipment. The Company has the right to assign any financing contract without the consent of the customer.

A practice finance transaction typically takes the form of a loan to a healthcare provider purchasing a practice, which is secured by the assets of the practice being financed and may be secured by one or more personal guarantees or personal assets. The average size of a practice finance transaction is approximately $100,000, with a typical contract term of 60 to 72 months.

The length of the Company's lease agreements and notes due in installments

range from 12 to 84 months, with a median term of 60 months and an average initial term of 55 months, and an average implicit

interest rate, before the yield adjustment for deferred origination costs, of 13.0% for 1996 originations (excluding ACFC).

CUSTOMERS

The primary customers for the Company's financing contracts are healthcare providers, including dentists, ophthalmologists, other physicians, chiropractors and veterinarians. The following table provides the general composition of the Company's healthcare finance portfolio as of December 31, 1996 (excluding ACFC's portfolio).

HPSC LEASES AND NOTES RECEIVABLE (1)

<TABLE>
<CAPTION>

	DOLLARS	PERCENTAGE	NUMBER OF CONTRACTS	PERCENTAGE
<S>	<C>	<C>	<C>	<C>
	(DOLLARS IN THOUSANDS)			
Dental	$ 130,910	69.0%	7,900	71.2%
Other Medical (2)	$ 59,000	31.0%	3,200	28.8%
Total	$ 189,910	100.0%	11,100	100.0%

</TABLE>

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(1) Includes receivables owned or managed.

(2) Includes ophthalmic, general medical, chiropractic and veterinary providers.

As of December 31, 1996, no single customer (or group of affiliated customers) accounted for more than 1% of the Company's healthcare finance portfolio.

The Company's customers are located throughout the United States, but primarily in heavily populated states such as California, Florida, Texas, Illinois and New York. The map located on the inside front cover page of this Prospectus shows the distribution of HPSC's portfolio balance by region as of December 31, 1996.

REALIZATION OF RESIDUAL VALUES ON EQUIPMENT LEASES

Since 1994, the Company has realized over 99% of the residual value of equipment covered by leases. The overall growth in the Company's equipment lease portfolio in recent years has resulted in increases in the aggregate amount of recorded residual values. Substantially all of the residual values on the Company's balance sheet as of December 31, 1996 are attributable to leases which will expire by the end of 2001. Realization of such values depends on factors not within the Company's control, such as the condition of the equipment, the cost of comparable new equipment and the technological or economic obsolescence of equipment. Although the Company has received over 99% of recorded residual values for leases which expired during the last three years, there can be no assurance that this realization rate will be maintained.

PRACTICE FINANCE

The Company regularly provides financing to healthcare providers in connection with the acquisition of professional practices. HPSC typically makes a loan to the professional acquiring the practice, which is secured by all of the assets of the practice and which may require a personal guarantee and a pledge of personal assets by the professional who is obtaining the financing. Through December 31, 1996, the Company has originated a total of approximately 260 practice finance loans aggregating approximately $24.6 million, with an

average loan of approximately $100,000. The term of such loans averages 60 to 84 months. In 1996, practice finance generated approximately 13.0% of HPSC's financing contract originations. Management believes that its practice finance business contributes to the diversification of the Company's revenue sources and earns HPSC substantial goodwill among healthcare providers. All practice finance inquiries received at the Company's sales office, or by its salespersons in the field, are referred to the Boston office for processing.

The Company solicits business for its practice finance services primarily by advertising in trade magazines, attending healthcare conventions, and directly approaching potential purchasers of healthcare

practices. Over half of the healthcare practices financed by the Company to date have been dental practices. The Company has also financed the purchase of practices by chiropractors, ophthalmologists, general medical practitioners and veterinarians.

The following table sets forth the estimated practice finance loan originations for fiscal years 1994, 1995 and 1996.

PRACTICE FINANCE ORIGINATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
<S>	<C>	<C>	<C>
	1994	1995	1996
<CAPTION>	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Amount of Originations.....	$ 3,200	$ 8,400	$ 13,000
Number of Contracts.....	50	90	120

</TABLE>

GOVERNMENT REGULATION AND HEALTHCARE TRENDS

The majority of the Company's present customers are healthcare providers. The healthcare industry is subject to substantial federal, state and local regulation. In particular, the federal and state governments have enacted laws and regulations designed to control healthcare costs, including mandated reductions in fees for the use of certain medical equipment and the enactment of fixed-price reimbursement systems, where the rates of payment to healthcare providers for particular types of care are fixed in advance of actual treatment. The United States Congress is considering changes to the Medicare program. The impact on the Company's business of any changes to the Medicare program which may be adopted cannot be predicted.

Major changes have occurred in the United States healthcare delivery system, including the formation of integrated patient care networks (often involving joint ventures between hospitals and physician groups), as well as the grouping of healthcare consumers into managed-care organizations sponsored by insurance companies and other third parties. Moreover, state healthcare initiatives have significantly affected the financing and structure of the healthcare delivery system. These changes have not yet had a material effect on the Company's business, but the effect of any changes on the Company's future business cannot be predicted.

The Company believes that the trend toward managed healthcare through health maintenance organizations may have a positive effect on the Company's future operations. The Company believes that as primary care physicians increasingly become "gatekeepers" to more specialized care, the Company will be able to accelerate its marketing programs to family and general practitioners. These physicians would require additional, cost-effective equipment that emphasizes early diagnosis and screening as compared to the more costly "big-ticket" medical equipment purchased by hospitals for treatment purposes. Medicaid managed care programs also encourage the increased availability of cost-effective "small-ticket" equipment such as that financed by the Company. Furthermore, the various reform initiatives are intended to result in a greater percentage of the population having access to some type of health coverage, which would increase the likelihood that healthcare providers will be reimbursed at some (perhaps lower) rate for services provided to this expanded insured population, thereby improving the credit quality of providers and increasing their ability to purchase and finance new equipment.

ASSET-BASED LENDING

ACFC makes asset-based loans of $3 million or less, primarily secured by accounts receivable, inventory and equipment. ACFC typically makes accounts receivable loans to borrowers that cannot obtain traditional bank financing in a variety of industries (none of which to date are medical). ACFC takes a security interest in all of the borrower's assets and monitors collection of its receivables. Advances on a revolving loan generally do not exceed 80% of the borrower's eligible accounts receivable. ACFC also makes revolving and "term like" inventory loans not exceeding 50% of the value of the customer's active inventory, valued at the lower of cost or market rate. Finally, ACFC provides term financing for

equipment, which is secured by the machinery and equipment of the borrower. Each of ACFC's officers has over ten years of experience providing these types of financing on behalf of various finance companies.

The average ACFC loan is for a term of two to three years in an amount of $1 million. No single borrower accounts for more than 10% of ACFC's aggregate portfolio, and no more than 25% of ACFC's portfolio is concentrated in any single industry.

ACFC's loans are "fully followed," which means that ACFC receives daily settlement statements of its borrowers' accounts receivable. ACFC participates in the collection of its borrowers' accounts receivable and requires that payments be made directly to an ACFC lock-box account. Availability under lines of credit is usually calculated daily. ACFC's credit committee, which includes members of the senior management of HPSC, must approve in advance all ACFC loans. To date, ACFC has experienced no loan losses; however, there can be no assurance that it will not experience losses in the future.

From its inception through December 31, 1996, ACFC has provided 24 lines of credit totaling $36.6 million and currently has approximately $18.7 million of loans outstanding to 18 borrowers. The annual dollar volume of originations of lines of credit by ACFC has grown from $5.0 million in 1994 to $14.0 million in 1995 to $17.6 million in 1996. The Company anticipates that ACFC's asset-based lending will continue to grow.

CREDIT AND ADMINISTRATIVE PROCEDURES

The Company processes all credit applications, and monitors all existing contracts, at its corporate headquarters in Boston, Massachusetts (other than ACFC applications and contracts, all of which are processed at ACFC's headquarters in West Hartford, Connecticut). The Company's credit procedure requires the review, verification and approval of a potential customer's credit file, accurate and complete documentation, delivery of the equipment and verification of installation by the customer, and correct invoicing by the vendor. When a sales representative receives a credit application from a potential customer, he or she enters it into the Company's computer system. The Company's credit requirements usually include an acceptable personal payment history and minimum credit rating scores on several credit reporting agency models, and generally require that the borrower be a practicing licensed medical professional. The credit of the potential customer is checked with one or more commercial credit reporting agencies, including TRW Inc., Equifax Inc., Trans Union Corporation and Dun & Bradstreet Corporation. Appropriate professional organizations may be consulted regarding the customer's professional status. In addition to a customer's credit profile, information such as the equipment type and vendor may be considered. The type and amount of information and time required for a credit decision varies according to the nature, size and complexity of each transaction. In smaller, less complicated transactions, a decision can often be reached within one hour; more complicated transactions may require up to three or four days. Once the equipment is shipped and installed, the vendor invoices the Company. The Company verifies that the customer has received and accepted the equipment and obtains the customer's authorization to pay the vendor. Following this telephone verification, the file is forwarded to the contract administration department for audit, booking and funding and to commence automated billing and transaction accounting procedures.

Timely and accurate vendor payments are essential to the Company's business. In order to maintain its relationships with existing vendors and attract new vendors, the Company makes most payments to vendors for financed equipment within one day of equipment delivery to the customer.

ACFC's underwriting procedures include an evaluation of the collectibility of the borrower's receivables that are pledged to ACFC, including an evaluation of the validity of such receivables and the creditworthiness of the payors of such receivables. ACFC may also require its customers to pay for credit

insurance with respect to its loans. The Loan Administration Officer of ACFC is responsible for maintaining its lending standards and for monitoring its loans and underlying collateral. Before approving a loan, ACFC examines the prospective customer's books and records, and continues to make such examinations and to monitor its customers' operations as it deems necessary during the term of the loan. Loan officers are required to rate the risk of each loan made by ACFC, and to update the rating upon

receipt of any financial statement from the customer or when 90 days have elapsed since the date of the last rating. Loan loss reserves are based on a percentage of loans outstanding. An account will be placed in non-accrual status when a customer is unable to service the debt and the collateral is deteriorating.

The Company considers its finance portfolio assets to consist of two general categories of assets based on such assets' relative risk.

The first category of assets consists of the Company's lease contracts and notes receivable due in installments, which comprise approximately 87.7% of the Company's net investment in leases and notes at December 31, 1996 (90.1% at December 31, 1995). Substantially all of such contracts and notes are due from licensed medical professionals, principally dentists, who practice in individual or small group practices. Such contracts and notes are at fixed interest rates and have terms ranging from 12 to 84 months. The Company believes that leases and notes entered into with medical professionals are generally "small-ticket," homogeneous transactions with similar risk characteristics. Except for the amounts described in the following paragraph related to asset-based lending, all of the Company's historical provision for losses, charge offs, recoveries and allowance for losses have related to its lease contracts and notes due in installments.

The second category of assets consists of the Company's notes receivable, which comprise approximately 12.3% of the Company's net investment in leases and notes at December 31, 1996 (9.9% at December 31, 1995). Such notes receivable consist of commercial, asset-based, revolving lines of credit to small and medium size manufacturers and distributors, at variable interest rates, and typically have terms of two years. The Company began commercial lending activities in mid-1994. Through December 31, 1996, the Company has not had any charge-offs of commercial notes receivable. The provision for losses related to the commercial notes receivable was $146,000, $95,000 and $43,000 in 1996, 1995 and 1994, respectively. The amount of the allowance for losses related to the commercial notes receivable was $284,000 and $138,000 at December 31, 1996 and 1995, respectively.

COLLECTION AND LOSS EXPERIENCE

The delinquency statistics for the Company's equipment financing contract portfolio have improved every year since 1993. The delinquency rate (based on contractual balances more than 60 days past due) of the Company's portfolio has declined from 11.0% at December 31, 1994 to 4.2% at December 31, 1996. The Company believes that the delinquency rate has declined because of (i) the Company's comprehensive on-line credit evaluation procedure to screen financing applications, (ii) the Company's improved collection procedures and (iii) growth in the Company's portfolio of financing contracts. The Company believes that its credit and loss experience compares favorably with other "small-ticket" equipment finance companies.

The Company uses its own five-person in-house staff to collect late payments from customers and manage accounts that are in litigation. When an account is 30 days past due, the Company begins collection procedures. The following table illustrates HPSC's delinquent payment experience in fiscal 1994, 1995 and 1996 (excluding ACFC loans).

DELINQUENCY EXPERIENCE (1)

<TABLE>
<CAPTION>

	AS OF DECEMBER 31,		
<S>	<C>	<C>	<C>

	1994	1995	1996
	(DOLLARS IN THOUSANDS)		
Total Portfolio Owned and Managed	$ 100,045	$ 130,066	$ 189,910
Contractual Delinquencies:			
61-90 days	$ 1,925	$ 2,314	$ 2,134
Over 90 days	9,108	4,964	5,763
Total Contractual Delinquencies (over 60 days)	$ 11,033	$ 7,278	$ 7,897
Contractual Delinquencies as a Percentage of Total Portfolio Owned and Managed			
61-90 days	1.9%	1.8%	1.1%
Over 90 days	9.1	3.8	3.1
Total Contractual Delinquencies (over 60 days)	11.0%	5.6%	4.2%
Net charge-offs divided by Average Total Portfolio Owned and Managed (2)	1.7%	1.2%	0.9%

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(1) Excludes ACFC. To date, ACFC has experienced no credit losses in its asset-based lending portfolio.

(2) Excludes losses attributable to the Company's discontinued Canadian operations.

ALLOWANCE FOR LOSSES; CHARGE-OFFS

The Company maintains an allowance for losses in connection with equipment financing contracts and other loans held in the Company's portfolio at a level which the Company deems sufficient to meet future estimated uncollectible receivables, based on an analysis of delinquencies, problem accounts, and overall risks and probable losses associated with such contracts, and a review of the Company's historical loss experience. At December 31, 1996, this allowance for losses was 2.7% of the Company's net investment in leases and notes (before allowance). There can be no assurance that this allowance will prove to be adequate. Failure of the Company's customers to make scheduled payments under their financing contracts could require the Company to (i) make payments in connection with the recourse portion of its borrowing relating to such contract, (ii) forfeit its residual interest in any underlying equipment and (iii) forfeit cash collateral pledged as security for the Company's asset securitizations. In addition, although net charge-offs on the financing contracts originated by the Company have been 1.1% of the Company's average net investment in leases and notes (before allowance) for the year ended December 31, 1996, any increase in such losses or in the rate of payment defaults under the financing contracts originated by the Company could adversely affect the Company's ability to obtain additional funding, including its ability to complete additional asset securitizations.

Accounts are normally charged off when future payment is deemed unlikely. The following table illustrates the Company's historical allowance for losses and charge-off experience.

CHARGE-OFFS AND ALLOWANCE FOR LOSSES

	YEAR ENDED				
	DEC. 26, 1992	DEC. 25, 1993 (1)	DEC. 31, 1994	DEC. 31, 1995	DEC. 31, 1996
	(DOLLARS IN THOUSANDS)				
Allowance for losses:					
Balance at beginning of period	$ 11,033	$ 9,216	$ 6,897	$ 4,595	$ 4,482
Additions(2)	4,307	15,104	754	1,266	1,114
Charge-offs	(6,179)	(17,501)	(3,350)	(1,504)	(1,609)

Recoveries	55	78	294	125	95
Balance at end of period	$ 9,216	$ 6,897	$ 4,595	$ 4,482	$ 4,082
Net investment in leases and notes (before allowance)	$ 166,274	$ 116,649	$ 95,788	$ 124,398	$ 153,304
Ending allowance divided by net investment in leases and notes (before allowance)	5.5%	5.9%	4.8%	3.6%	2.7%
Charge-offs divided by average net investment in leases and notes (before allowance)	3.5%	12.4%	3.2%	1.4%	1.2%

</TABLE>

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(1) In 1993, the Company experienced a substantial decrease in originations, increased selling, general and administrative costs and a substantial adjustment to its allowance for losses, in each case largely as a result of the bankruptcy of Healthco, which previously had referred to the Company substantially all of the Company's business.

(2) In connection with the sale of leases and notes during 1996 and 1995, the Company recognized estimated recourse liability of $450,000 and $30,000, respectively.

The above table includes a provision for losses related to the commercial notes receivable of $146,000, $95,000 and $43,000 in 1996, 1995 and 1994, respectively. The amount of the allowance for losses related to the commercial notes receivable was $284,000 and $138,000 at December 31, 1996 and 1995, respectively.

FUNDING SOURCES

GENERAL

The Company's principal sources of funding for its financing transactions have been: (i) a $95 million Revolver, (ii) a receivables-backed limited recourse asset securitization transaction with Funding I in an original amount of $70 million, (iii) a securitized limited recourse revolving credit facility with Bravo, currently in the amount of $100 million, (iv) a defined recourse fixed-term loan from and sales of financing contracts to savings banks and other purchasers and (v) the Company's internally generated revenues. Management believes that the Company's liquidity is adequate to meet current obligations and future projected levels of financings and to carry on normal operations.

The Revolver is a line of credit arrangement under which the Company may borrow up to $95 million at any given time at variable rates. The Company is subject to extensive borrowing covenants and certain restrictions on its operations in connection with the Revolver. See "Description of Certain Indebtedness."

The Company's securitization transactions provide funding for the Company's financing transactions at more favorable interest rates than the Company is able to obtain from conventional borrowing sources such as banks. In a securitization, the Company sells or contributes financing contracts to a special-purpose corporation ("SPC") wholly-owned by the Company. The SPC, in turn, either itself or through a third-party trust to which the SPC has pledged the financing contracts, issues securities representing an interest in the financing contracts to outside investors (the securitization). The offering proceeds from the securities are paid to the SPC, which then pays the Company for the financing contracts or makes credit available to the Company at favorable rates. Simultaneously, the Company and the SPC may arrange for interest rate swaps with institutional lenders, such that any credit extended to the Company by the SPC can be fixed at a lower rate of interest than that being paid on the Company's financing contracts. The SPC

enlists the services of a credit organization to guarantee the issued securities, and pays a fee to the Company to service the underlying contracts (subject to the Company's compliance with certain financial and performance covenants). As the financing contracts generate revenue from customers' monthly payments, that revenue is used by the SPC or the trust to make payments on the securities. The SPC is intended to be bankruptcy remote, with assets entirely separate from those of the Company. It is limited in its business activities to owning the transferred financing contracts, completing the securitization of those contracts and providing credit to the Company based on the securitization. The SPC may incur indebtedness or other obligations only in relation to the

securitization. The Company has found that securitizations are an effective means of obtaining credit on a limited recourse basis at favorable interest rates.

Another funding source for the Company has been sales of its financing contracts to, and borrowing against such contracts from, a variety of savings banks. Each of these transactions is subject to certain covenants that may require the Company to (i) repurchase financing contracts from the bank and make payments under certain circumstances, including the delinquency of the underlying debtor, and (ii) service the underlying financing contracts. The Company carries a recourse reserve for each transaction in its allowance for losses and recognizes a gain that is included for accounting purposes in earned income for leases and notes for the year in which the transaction is completed. Each of these transactions incorporates the covenants under the Revolver as such covenants were in effect at the time the asset sale or loan agreement was entered into. Any default under the Revolver may trigger a default under the loan or asset sale agreements. The Company may enter into additional asset sale agreements in the future in order to manage its liquidity.

THE REVOLVER

The Company executed a Revolving Credit Agreement on June 23, 1994 with The First National Bank of Boston, individually and as Agent, and another bank, for borrowing up to $20 million. This agreement was amended and restated in May 1995, increasing credit availability to $50 million and adding additional lending banks. The agreement was next amended in December 1995 to increase availability to $60 million and extend the term to December 31, 1996, and amended again in July 1996 to increase availability to $75 million, and further amended in December 1996 to increase availability to $95 million. There are currently five banks providing the credit facility to the Company under the Revolver Agreement. Under the Revolver Agreement, the Company may borrow at variable rates of prime plus 0.25% to 0.50% and at LIBOR plus 1.75% to 2.00%, depending upon certain performance covenants. At December 31, 1996, the Company had approximately $40 million outstanding under this facility. The Revolver is not currently hedged and is, therefore, exposed to upward movements in interest rates. See "Description of Certain Indebtedness." The Revolver is secured by a lien on the assets of HPSC and ACFC (including a pledge of the capital stock of ACFC), including, without limitation, Customer Receivables (as defined herein). Accordingly, indebtedness under the Revolver constitutes Secured Portfolio Debt for purposes of the Indenture, and is senior in right of payment to the Notes.

FUNDING I

In December 1993, in a one-time receivables-backed securitization transaction, Funding I (a wholly-owned SPC of the Company) issued $70 million of secured notes ("Funding I Notes") bearing interest at 5.01% to three institutional investors, Travelers Insurance Company, Prudential Insurance Company and the Principal Group. Under the terms of the securitization, the Company sold or contributed certain of its financing contracts, equipment residual rights and rights to the underlying equipment to Funding I as collateral for the Funding I Notes (the "Collateral"). The Funding I Notes are rated "AAA" by Standard & Poor's. The required monthly payments of interest and principal to holders of the Funding I Notes are unconditionally guaranteed by Municipal Bond Investor Assurance Corporation ("MBIA") pursuant to the terms of a Note guarantee insurance policy. In connection with the securitization, the Company made an investment in Funding I, some or all of which may be required to fund payments to holders of the Funding I Notes if certain default and delinquency ratios relating to the Collateral are not met. As of December 31, 1996, Funding I had approximately $9.8 million of gross receivables as collateral for the Funding I Notes. The securitization agreement also imposes restrictions on cash balances of Funding I under certain

conditions; at December 31, 1996, this restricted cash amounted to approximately $4.0 million. At December 31, 1996, the Funding I Notes had an outstanding balance of approximately $7.0 million. Note payments to investors for the years 1997 through 1999, based on projected cash flows from the Collateral, are expected to be $5.3 million, $1.3 million and $226,000, respectively. The Company is not permitted to sell or contribute additional financing contracts to Funding I as long as the current investor notes are outstanding.

In July and August of 1996, the level of delinquencies of the contracts held in Funding I rose above certain levels, as defined in the operative documents, and triggered a payment restriction event. This restriction had the effect of "trapping" any cash distribution that the Company otherwise would have been eligible to receive. The event was considered a technical default under the

Revolver, which default was waived by the lending banks. In September 1996, delinquency levels improved and the payment restrictions were removed. A payment restriction event is not unusual during the later stages of a static pool securitization and may occur again before Funding I is fully paid out. The default provisions of the Revolver Agreement were amended on December 12, 1996 to conform to the default provisions of the Funding I agreements. As a result, a payment restriction event under Funding I will not constitute a default under the Revolver unless such event continues for at least six months. There can be no assurance that any future defaults will be waived by the lending banks. Under the terms of Funding I, when the principal balance of the Funding I Notes equals the balance of the restricted cash in the facility, Funding I must automatically pay the Funding I Notes and terminate. This event is expected to occur during fiscal 1997. In the event of an early termination, the Company could incur a non-cash, non-operating charge against earnings representing the early recognition of certain unamortized deferred transaction origination costs. At December 31, 1996, these unamortized costs were approximately $400,000 and were amortizing at approximately $17,000 per month. The Notes are effectively subordinated to the Funding I Notes, which also constitute Secured Portfolio Debt. Funding I has not guaranteed payment of the Notes.

BRAVO

In January 1995, the Company entered into a revolving credit securitization facility (the "Facility") with another SPC, Bravo, structured and guaranteed by CapMAC. Under the Facility, the Company sells certain equipment financing contracts to Bravo which, along with the underlying equipment, serve as collateral or consideration for cash advanced to Bravo by Triple-A One Funding Corporation ("Triple-A"), a commercial paper conduit entity. Bravo, in turn, makes cash advances to the Company in return for the contracts. In November 1996, the Facility was amended to increase available borrowing to up to $100 million and to allow up to $30 million of the Facility to be used for sales of financing contracts to Triple-A from Bravo, $7.0 million of which had been used for such sales at December 31, 1996. Bravo incurs interest at variable rates in the commercial paper market and enters into interest rate swap agreements to assure fixed rate funding. Additional sales of financing contracts to Bravo from the Company may be made subject to certain covenants regarding Bravo's portfolio performance and borrowing base calculations. The Company's ability to make additional sales under the Facility (and therefore to continue to draw advances at commercial paper rates) will depend upon a number of factors, including general conditions in the credit markets and the ability of the Company to originate financing contracts which satisfy eligibility requirements set forth in the Facility documents. There can be no assurance that the Company will continue to originate eligible contracts.

In order to secure a AAA rating for its commercial paper, Triple-A has established a liquidity line of credit with a group of liquidity banks, for which The First National Bank of Boston serves as liquidity agent. Each liquidity bank commits to make advances for a one-year term, which term may be extended at the sole option of each liquidity bank. The Facility terminates on the earlier of the termination of the liquidity banks' commitment to make liquidity advances (currently December 1997) or October 28, 1999, or upon an event of default. Upon termination of the Facility, no further advances will be made to either Bravo or the Company, and Bravo will continue to pay principal, interest and "sale" payments until all advances from Triple-A have been repaid in full. The Company had approximately $67.5 million outstanding under the Facility on December 31, 1996 and, in connection with the Facility, had 14 separate interest rate swap agreements with The First National Bank of Boston with a total notional value of approximately

$65.2 million. The weighted average cost of funds associated with Bravo's borrowings under the Facility since January 1995 is approximately 7.3%.

The Notes are effectively subordinated to Bravo's obligations to Triple-A, which also constitute Secured Portfolio Debt. Bravo has not guaranteed payment of the Notes.

SAVINGS BANK LOAN AND SALES OF FINANCING CONTRACTS

In April 1995, the Company entered into a secured, fixed rate, fixed term loan agreement with Springfield Institution for Savings under which the Company borrowed $3.5 million at 9.5% subject to certain recourse and performance covenants. The Company had approximately $2.4 million outstanding under this agreement at December 31, 1996. In addition, between November 1995 and December 1996, the Company sold an aggregate of $20.6 million net amount of financing contracts to the following savings banks: Cambridge Savings Bank; Century Bank and Trust Co.; First Essex Bank, FSB; and Springfield Institution for Savings. The loan agreement and the agreements evidencing financing contract sales are secured by the underlying Customer Receivables. In addition, under the recourse

provisions of the agreements evidencing the financing contract sales, the Company has a contingent obligation to repurchase the Customer Receivables securing such agreements and/or make payments on such receivables under certain circumstances, including delinquencies of the underlying debtors. Upon the occurrence of a triggering event under the recourse provisions of such agreements, the Company's obligation to repurchase and/or make payments on the Customer Receivables would constitute Secured Portfolio Debt.

INFORMATION TECHNOLOGY

The Company has developed automated information systems and telecommunications capabilities to support all areas within the organization. Systems support is provided for accounting, taxes, credit, collections, operations, sales, sales support and marketing. The Company has invested a significant amount of time and capital in computer hardware and proprietary software. The Company's computerized systems provide management with accurate and up-to-date customer data which strengthens its internal controls and assists in forecasting.

The Company contracts with an outside consulting firm to provide information technology services and has developed its own customized computer software. The Company's Boston office is linked electronically with all of the Company's other offices. Each salesperson's laptop computer may also be linked to the computer systems in the Boston office, permitting a salesperson to respond to a customer's financing request, or a vendor's informational request, almost immediately. Management believes that its investment in technology has positioned the Company to manage increased equipment financing volume.

The Company's centralized data processing system provides timely support for the marketing and service efforts of its salespeople and for equipment manufacturers and dealers. The system permits the Company to generate collection histories, vendor analyses, customer reports and credit histories and other data useful in servicing customers and equipment suppliers. The system is also used for financial and tax reporting purposes, internal controls, personnel training and management. The Company believes that its system is among the most advanced in the small-ticket equipment financing industry, giving the Company a competitive advantage based on the speed of its contract processing, control over credit risk and high level of service.

SALES AND MARKETING

GENERAL

In addition to promoting its financing services through its sales and marketing employees, most of whom work out of the Company's regional offices, the Company relies on various equipment financing referral sources and relationships with vendors and manufacturers of dental, medical and other equipment for the marketing of its services. The Company's sales and marketing staff focuses its efforts primarily on these vendors in an effort to encourage them to recommend the Company as a preferred funding source to

purchasers of their equipment. The Company then enters into financing contracts directly with the vendors' customers.

HPSC currently has 14 field sales and marketing personnel located in 14 offices throughout the United States, as well as eight sales representatives at the Company's Boston headquarters. Sales personnel are assigned to a particular region of the country or to a particular healthcare profession. Sales personnel generally can obtain approval of a financing transaction within 24 to 48 hours, and often within one hour, of completion of documentation through use of the Company's computer system. Practice finance sales and marketing is managed centrally from Boston, with leads referred to Boston from the Company's sales offices. ACFC's employees are located in West Hartford, Connecticut. Its business is presently conducted primarily in the northeastern United States with all sales and marketing efforts managed from its West Hartford office.

The Company's sales force emphasizes customer service, including providing customized financing arrangements for individual healthcare providers. In most cases, the Company's sales representatives work directly with the vendors' potential purchasers, providing them with the guidance necessary to complete the equipment financing transaction. The Company believes that such "consultative financing" enhances customer satisfaction and loyalty.

The Company also attempts to broaden its customer base through national advertising in trade journals and magazines, by attending trade shows and through the broad dissemination of literature describing the Company's financing programs.

VENDORS

The Company's sales representatives establish formal and informal relationships with equipment vendors and manufacturers. The primary objective of these relationships is for the sales representative to support the equipment manufacturer or vendor or their representatives in their sales efforts by providing timely, convenient and competitive financing for their equipment sales. In addition, the Company provides these vendors with a variety of value-added services which simultaneously promote the vendors' equipment sales as well as the selection of the Company for financing. These services include consulting with the vendors on structuring financing transactions which meet the needs of the vendor and the equipment purchaser; training the vendor's sales and management staffs to understand and market the Company's various financing products; customizing financing products to encourage product sales; and, in most cases, working directly with the vendors' potential purchasers to provide them with the guidance necessary to complete the equipment financing transaction.

The Company believes this method of marketing is more effective than isolated solicitations of equipment purchasers. During the year ended December 31, 1996, the Company estimates that vendor relationships generated a majority of the Company's financing contract originations, but no one vendor's financing accounted for more than 13% of the Company's financing contract originations. The top ten vendors in terms of the dollar volume of the Company's financings for the year ended December 31, 1996, accounted for approximately 35% of HPSC's originations during that period.

MARKETING PROGRAMS

The Company employs a number of marketing strategies to promote its healthcare provider financing services. For example, the Company advertises its services in national publications targeting dental, ophthalmic and other healthcare professionals. Representatives of the Company attend approximately 80 healthcare conventions per year, as well as solicit business directly from key manufacturers and distributors of equipment. From time to time, the Company participates in special promotions with equipment vendors to encourage both the purchase and financing of healthcare equipment. The Company also distributes to its customers and others informational brochures, which are produced by the Company and which describe the various financing services provided by the Company, as well as quarterly outlook fliers and a year-end tax advisory letter.

COMPETITION

Healthcare provider financing and asset-based lending are highly competitive businesses. The Company competes for customers with a number of national, regional and local finance companies, including those which, like the Company, specialize in financing for healthcare providers. In addition, the Company's competitors include those equipment manufacturers which finance the sale or lease of their products themselves, conventional leasing companies and other types of financial services companies such as commercial banks and savings and loan associations. Although the Company believes that it currently has a competitive advantage based on its customer-oriented financing and value-added services, many of the Company's competitors and potential competitors possess substantially greater financial, marketing and operational resources than the Company. Moreover, the Company's future profitability will be directly related to the Company's ability to obtain capital funding at favorable rates as compared to the capital costs of its competitors. The Company's competitors and potential competitors include many larger, more established companies that have a lower cost of funds than the Company and access to capital markets and to other funding sources which may be unavailable to the Company. The Company's ability to compete effectively for profitable equipment financing business will continue to depend upon its ability to procure funding on attractive terms, to develop and maintain good relations with new and existing equipment suppliers, and to attract additional customers.

Historically, the Company's equipment finance business has concentrated on leasing small-ticket dental, medical and office equipment. The Company may in the future finance more expensive equipment than it has in the past. As it does so, the Company's competition can be expected to increase. In addition, the Company may face greater competition with its expansion into the practice finance and asset-based lending markets.

EMPLOYEES

At December 31, 1996, the Company had 67 full-time employees, seven of whom work for ACFC, and none of whom was represented by a labor union. Approximately 13 of the Company's employees are engaged in credit, collections and lease documentation, approximately 30 are in sales, marketing and customer service, and 19 are engaged in general administration, tax and accounting. Management

believes that the Company's employee relations are good.

PROPERTY

The Company leases approximately 11,320 square feet of office space at 60 State Street, Boston, Massachusetts for approximately $24,000 per month. This lease expires on May 31, 1999 with a five-year extension option. ACFC leases approximately 2,431 square feet at 433 South Main Street, West Hartford, Connecticut for approximately $4,000 per month. This lease expires on August 31, 1999 with a three-year extension option. The Company's total rent expense for 1996 under all operating leases was $390,665. The Company also rents space as required for its sales locations on a short-term basis. The Company believes that its facilities are adequate for its current operations and for the foreseeable future.

LEGAL PROCEEDINGS

Although the Company is from time to time subject to actions or claims for damages in the ordinary course of its business and engages in collection proceedings with respect to delinquent accounts, the Company is aware of no such actions, claims, or proceedings currently pending or threatened that are expected to have a material adverse effect on the Company's business, operating results or financial condition.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
John W. Everets.....	50	Chairman of the Board, Chief Executive Officer and Director (1)
Raymond R. Doherty.....	51	President, Chief Operating Officer and Director (1)
Rene Lefebvre.....	50	Vice President of Finance, Chief Financial Officer and Treasurer
Joseph A. Biernat.....	69	Director (2)
J. Kermit Birchfield.....	57	Director (1)(3)
Dollie A. Cole.....	66	Director (2)(3)
Samuel P. Cooley.....	65	Director (1)(2)(3)
Thomas M. McDougal.....	57	Director (2)
Lowell P. Weicker, Jr.....	65	Director (2)

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(1) Member of the Executive Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

John W. Everets has been Chairman of the Board and Chief Executive Officer of HPSC since July 1993 and has been a director of HPSC since 1983. He was Chairman of the Board and Chief Executive Officer of T.O. Richardson Co., Inc., a financial services company, from January 1990 until July 1993. Previously he was Executive Vice President of Advest, Inc., an investment banking firm, from 1977 to January 1990. Mr. Everets also served as Chairman of the Board of Billings and Co., Inc., a real estate investment banking firm, and Chairman of Advest Credit Corp., both subsidiaries of Advest Group, Inc. Mr. Everets formerly was Vice Chairman of the Connecticut Development Authority and Chairman of the Loan Committee of the Connecticut Development Authority. Mr. Everets is also a director of Dairy Mart Convenience Stores, Inc., Crown/Northcorp, and the Eastern Company.

Raymond R. Doherty has been President of HPSC since December 1989 and Chief

Operating Officer of HPSC since August 1993. He was Treasurer of HPSC from December 1988 until May 1994. He was elected a director of HPSC in June 1991. Mr. Doherty previously served as Chairman and Chief Executive Officer of HPSC from October 1992 until July 1993, Chief Operating Officer of HPSC from December 1989 to October 1992, and Chief Financial Officer of HPSC from December 1988 to October 1992. He was Assistant Treasurer of HPSC from June 1986 to December 1988. He was Vice President and Chief Operating Officer of Healthco, a company engaged in sales of dental equipment and formerly affiliated with the Company, from October 1992 until August 1993. He was the Senior Vice President of Finance and Operational Controls of Healthco from January 1986 to October 1992.

Rene Lefebvre has been Chief Financial Officer, Vice President of Finance and Treasurer of HPSC since May 1994. From June 1993 until May 1994, he was Chief Financial Officer of NETTS, Inc., a vocational training institution. He was an independent financial services consultant from February 1992 through May 1993. He served as interim Chief Financial Officer of the Business Funding Group from June through November of 1991. From September 1982 until March 1991, Mr. Lefebvre was Chief Financial Officer of Eaton Financial Corporation, a subsidiary of AT&T Capital Corporation.

Joseph A. Biernat became a director of HPSC in December 1993. Since his retirement in 1987, Mr. Biernat has served as a consultant for several investment management firms. From 1965 until 1987, he was employed with United Technologies Corporation, most recently as Senior Vice President-Treasurer, and prior thereto as President, Treasurer and Chief Financial Officer of Philco-Ford Finance Corporation. He is also a director of the ITT Mutual Funds and previously has been a director of several financial and civic organizations.

J. Kermit Birchfield became a director of HPSC in December 1993. He currently serves as Chairman of Displaytech, Inc., a privately-held manufacturer of miniature high-resolution ferrite liquid crystal display screens and as a consultant for various businesses. From 1990 until 1994, Mr. Birchfield served as Senior Vice President, Secretary, and General Counsel with M/A-COM, Inc., a publicly-held manufacturer of semiconductors and communications equipment. Before joining M/A-COM, he was Senior Vice President for Legal and Governmental Affairs and General Counsel for the Georgia Pacific Corporation. Mr. Birchfield is a Managing Director of Century Partners, Incorporated, a privately-held investment and operating company. He is also a director of Intermountain Industries Inc. and its wholly-owned public utility subsidiary, Intermountain Gas Company, and Dairy Mart Convenience Stores, Inc.

Dollie A. Cole, a director of HPSC since 1991, has been involved for many years in the leadership of several business, charitable and civic organizations. She serves as Chairman of the Dollie Cole Corporation, a venture capital and industrial consulting firm. For seven years Ms. Cole was an owner and board member of Checker Motors and Checker Taxi until selling her interest in 1988. Ms. Cole was also Senior Editor of Curtis Publishing until 1977, and was director of Public Relations for Magnetic Video and Twentieth Century Fox Video until 1985. She serves as a consultant to the Solar and Electric 500 Company, and to Separation Dynamics, an international company involved in the energy and manufacturing industries. In addition to these business activities, Ms. Cole serves on the boards of Project Hope--the World Health Organization, the National Captioning Institute for the Hearing Impaired, the Smithsonian Institution and on the National Academy of Science--President's Circle Board.

Samuel P. Cooley became a director of HPSC in December 1993. From 1955 until his retirement in 1993, Mr. Cooley was employed with Shawmut Bank Connecticut, N.A., and its predecessors and affiliates, including Hartford National Bank and Connecticut National Bank. His most recent position was Executive Vice President and Senior Credit Approval Officer. Mr. Cooley is also a director of Lydall, Inc. and serves as a director or trustee of numerous nonprofit organizations in Connecticut.

Thomas M. McDougal, D.D.S., was elected a director of HPSC in 1991. He has been a practicing dentist for approximately 30 years. He is active in national, state and local dental organizations and has lectured extensively throughout the United States. He is a past President of the Dallas County Dental Society and is past Chairman of its Continuing Education Committee and its Banking, Nominating and Patient Relations Committee.

Lowell P. Weicker, Jr. was elected a director in December 1995. Mr. Weicker began his political career in 1962, when he was elected as a member of Connecticut's House of Representatives for the Town of Greenwich, serving three terms. Mr. Weicker served concurrently as First Selectman of Greenwich from 1964 to 1968. He was elected to the United States House of Representatives from Connecticut's 4th District in 1968 and was subsequently elected to the United States Senate in 1970, 1976 and 1982, serving until January 1989. In January 1991, Mr. Weicker was elected Governor of Connecticut, a position which he held until January 1995. He is presently a visiting professor at the University of Virginia. Mr. Weicker is also a director of UST Corp., Phoenix Home Life Mutual

Funds and Compuware Corp.

Each officer serves at the discretion of the Board of Directors. There are no family relationships among any of the directors and executive officers of the Company.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an Executive Committee, an Audit Committee and a Compensation Committee. The Executive Committee exercises all the powers of the Board of Directors in accordance

with the policy of the Company, to the extent permitted by Delaware law, during intervals between meetings of the Board of Directors. The Audit Committee reviews the Company's external and internal auditing procedures, reviews with the Company's independent auditors the scope and results of their audit for the year, reviews with the Company's management the plan, scope and results of the Company's operations, and studies and makes recommendations periodically to the Board of Directors on these and related matters. The Compensation Committee's functions are to be available for consultation on compensation matters with the Chairman of the Board, to review the salaries and other forms of compensation of officers of the Company and to make recommendations to the Board of Directors regarding the grant of stock options and restricted stock to officers, key employees and consultants, and regarding stock option and restricted stock matters generally. None of the members of the Audit Committee or the Compensation Committee is a past or current officer or employee of the Company. The Board of Directors does not maintain a nominating committee or a committee performing similar functions.

ELECTION OF DIRECTORS

The Company's Restated Certificate of Incorporation classifies the Board of Directors into three classes, with the members of the respective classes serving for staggered three-year terms. The Class I directors are Messrs. Weicker and McDougal; the Class II directors are Messrs. Biernat, Doherty and Cooley; and the Class III directors are Messrs. Everets and Birchfield and Ms. Cole. The terms of the directors comprising each class expire upon the election and qualification of directors at the annual meetings of stockholders to be held following the fiscal years of the Company ending December 31, 1998, 1996 and 1997, respectively. At each annual meeting of stockholders, nominees for director will be eligible for re-election or election for full three-year terms.

DIRECTOR COMPENSATION

The Company pays each non-employee director a fee of $5,000 per annum plus $2,500 per annum for each committee of the Board of Directors on which he or she serves and $500 for each meeting attended. In addition, the Company reimburses directors for their travel expenses incurred in attending meetings of the Board of Directors or its committees. Pursuant to the Company's 1995 Stock Incentive Plan (the "1995 Stock Plan"), each non-employee continuing director is granted 1,000 non-qualified stock options to purchase shares of Common Stock on the day of each annual meeting of stockholders during the term of the 1995 Stock Plan.

Mr. Weicker received a non-qualified stock option exercisable for 4,000 shares of Common Stock at $4.75 per share, the fair market value of Common Stock on the date of grant, at the time that he joined the Board of Directors. This option was not granted under any of the Company's stock option plans.

EXECUTIVE COMPENSATION

COMPENSATION SUMMARY

The following table sets forth certain information regarding all compensation received by the Company's Chief Executive Officer and the other two current executive officers (collectively, the "Named Executive Officers") for services rendered in all capacities during the Company's past three fiscal years.

SUMMARY COMPENSATION TABLE

<TABLE>
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	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS(1)(2)	SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION(3)
John W. Everets(4).....	1996	$ 239,200	$ 50,000	$ -0-	$ -0-	-0-	$ 15,688
Chairman of the Board,	1995	210,000	-0-	-0-	809,375	-0-	18,959
Chief Executive Officer	1994	210,000	125,000	96,636(5)	-0-	-0-	15,904
and Director							
Raymond R. Doherty(6).....	1996	197,300	33,000	-0-	-0-	-0-	14,738
President, Chief	1995	190,000	-0-	-0-	393,750	-0-	18,606
Operating Officer	1994	190,000	75,000	-0-	-0-	-0-	22,885
and Director							
Rene Lefebvre(7).....	1996	132,300	13,000	-0-	-0-	-0-	10,404
Vice President of	1995	125,000	-0-	-0-	109,375	-0-	10,905
Finance, Chief Financial	1994	78,731	15,000	-0-	-0-	30,000	1,790
Officer and Treasurer							

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(1) The Company's stockholders approved the 1995 Stock Incentive Plan (the "1995 Stock Plan") at the 1995 annual meeting of stockholders. The 1995 Stock Plan provides for the issuance of up to 550,000 options and/or grants of shares of restricted stock to key employees and non-employee directors of the Company. The 1995 Stock Plan is administered by the Compensation Committee of the Board of Directors. Upon the recommendation of the Compensation Committee, the Board of Directors adopted an amendment to the 1995 Stock Plan to provide service requirements for participation in the 1995 Stock Plan in addition to the performance conditions which were contained in the 1995 Stock Plan as originally adopted.

The 1995 Stock Plan, as amended (the "Amended 1995 Stock Plan"), provides that shares of restricted stock granted under the Amended 1995 Stock Plan shall vest for participants when (i) certain performance conditions are met (50% vest if and when during the five-year period from the date of grant (the "Performance Period") the closing price of a share of the Company's Common Stock, as reported on the Nasdaq National Market for a consecutive ten-day period, equals or exceeds 134.175% of the closing price on the grant date (the "Partial Performance Condition"), and the remaining 50% vest if and when during the Performance Period the closing price of a share of the Company's Common Stock, as reported on the Nasdaq National Market for a consecutive ten-day period, equals or exceeds 168.35% of the closing price on the grant date (the "Full Performance Condition")) and (ii) the holder of the restricted stock has completed five (5) years of continuous service from the grant date (the "Service Requirement").

The Partial Performance Condition for the shares of restricted stock granted to Messrs. Everets, Doherty and Lefebvre in 1995 is $5.90 per share and the Full Performance Condition is $7.37 per share. Upon a "change in control" of the Company (as defined in the Amended 1995 Stock Plan), all awards granted prior to such date become fully vested. Upon the termination of a participant's employment by the Company without "cause" (as defined in the Amended 1995 Stock Plan) or by reason of death or disability during the Performance Period, any awards for which the Partial Performance Condition or the Full Performance Condition shall have been satisfied no later than four months after the date of such termination of employment shall become fully vested and shall be deemed to satisfy the Service Requirement. The Partial Performance Condition for the restricted stock granted in 1995 to Messrs. Everets, Doherty and Lefebvre was met in 1996, but the shares of restricted stock held by these individuals remain subject to the Service Requirement.

(2) The amounts reported in this column represent the market price as reported on the Nasdaq National Market of the restricted stock awarded under the Amended 1995 Stock Plan on the grant date without diminution in value attributable to the restrictions on such stock. The aggregate non-vested restricted stock holdings at the end of fiscal 1996 were as follows: for Mr. Everets--185,000 shares (the value of these shares at the end of fiscal 1996 equaled $1,110,000, which is 137% of the value at the grant date); for Mr. Doherty--90,000 shares (the value of these shares at the end of fiscal 1996 equaled $540,000, which is 137% of the value at the grant date); and for Mr. Lefebvre--25,000 shares (the value of these shares at the end of fiscal 1996 equaled $150,000, which is 137% of the value at the grant date). Dividends on stock awards will be paid at the same rate as dividends, if any, are paid

to all stockholders.

(3) Includes term life insurance premiums paid by the Company and Company contributions to the Named Executive Officer's 401(k) retirement plan account, respectively, in the following amounts for fiscal 1996: Mr. Everets, $3,024 and $4,750; Mr. Doherty, $3,024 and $3,800; and Mr. Lefebvre, $756 and $2,646. Also includes the value of shares of Common Stock in the Company's Employee Stock Ownership Plan ("ESOP") allocated to Named Executive Officers in fiscal 1996 (for services rendered during fiscal 1995) in the following amounts: Mr. Everets, $7,914; Mr. Doherty $7,914; and Mr. Lefebvre, $7,002. The value of the allocated ESOP shares was calculated by using the December 31, 1996 closing price for the Company's Common Stock of $6.00 per share as reported on the Nasdaq National Market. The Company has not allocated shares of Common Stock to participants in its ESOP for services rendered during fiscal 1996 as of the date of this Prospectus.

(4) Mr. Everets' employment with the Company commenced in July 1993. His compensation is governed by an employment agreement with the Company dated as of July 19, 1996. See "Employment Agreements."

(5) Includes relocation and temporary living expenses of $81,806 paid in fiscal 1994 in connection with Mr. Everets' relocation to the Boston area.

(6) Mr. Doherty's compensation is governed by an employment agreement with the Company dated as of August 2, 1996. See "Employment Agreements."

(7) Mr. Lefebvre's employment with the Company commenced in May 1994. His compensation is governed by an employment agreement with the Company dated April 6, 1994. See "Employment Agreements."

EMPLOYMENT AGREEMENTS

JOHN W. EVERETS AND RAYMOND R. DOHERTY

As of July 19, 1996 and August 2, 1996, the Company entered into new employment agreements with John W. Everets and Raymond R. Doherty, respectively. The Company agreed to pay a base annual salary of $250,000 to Mr. Everets and $200,000 to Mr. Doherty as well as a bonus of up to 100% of base salary to each individual under an incentive plan developed by the Compensation Committee of the Board in consultation with management and approved by the full Board of Directors.

Each employment agreement has a three-year term and thereafter will automatically renew from year to year unless either party to such agreement gives notice of intention to terminate the agreement six months in advance of any anniversary. Either party to each employment agreement may terminate it at any time for any reason. In the event of a decision not to renew by either party or a termination by the Company which is not "for cause" (as defined in each agreement) with respect to either Mr. Everets or Mr. Doherty (or, in the case of Mr. Everets, in the event of voluntary termination), the Company will pay the employee his base monthly salary plus his maximum monthly bonus and normal employee benefits for the next 12 months. Upon a termination by the Company which is not "for cause," all of Mr. Everets' stock options will fully vest. Each employee has agreed not to compete with the business of the Company while receiving severance payments and to maintain in confidence all of the Company's confidential information. In the event of the employee's termination due to death or disability, the Company will pay the employee or his estate the employee's base monthly salary for six months from the date of death or disability. The

employee and his family will also be entitled to receive the employee's benefits during this six-month period.

If, within three years after a "change of control" of the Company (as defined in each agreement), either the Company terminates the employee other than "for cause" or the employee terminates his employment due to a "change in employment" (as defined in each agreement), the Company will pay the employee up to 2.99 times the employee's average annual compensation for the preceding five calendar years before the date of the change of control; the non-compete provisions will no longer apply; the employee's stock options will fully vest; and normal employee benefits will continue for 12 months. If, within three years after a "change of control," the employee terminates his employment for any reason other than a "change in employment," the Company will pay the employee his base monthly salary plus his maximum monthly bonus and normal employee benefits for 12 months.

RENE LEFEBVRE

On April 6, 1994, the Company entered into an employment agreement with Rene Lefebvre for employment commencing in May 1994. The Company agreed to pay

Mr. Lefebvre an initial base annual salary of $125,000 (which has since been increased to $135,000) as well as a bonus of up to 50% of base salary at the discretion of the Chief Executive Officer and subject to approval of the Compensation Committee of the Board of Directors. The Company also granted to Mr. Lefebvre options to purchase 30,000 shares of Common Stock, which vest over a five-year period in equal annual installments, at a price of $3.5625 per share, which was the fair market value of a share of Common Stock on the date of grant.

The employment agreement has a three-year term and thereafter will automatically renew from year to year unless either party to such agreement gives notice of intention to terminate the agreement 60 days in advance of any anniversary. Either party to Mr. Lefebvre's employment agreement may terminate it at any time for any reason. The Company is obligated to pay Mr. Lefebvre's salary for three months after termination, if it does not renew the agreement, and for six months after termination, if it otherwise terminates his employment other than "for cause" (as defined in his agreement). Mr. Lefebvre has agreed not to compete with the business of the Company while receiving severance payments and to maintain in confidence all of the Company's confidential information. In the event of a "change of control" of the Company (as defined in his agreement), Mr. Lefebvre's stock options will fully vest.

OPTION GRANTS IN LAST FISCAL YEAR

The Company made no option or SAR grants to the Named Executive Officers in its last fiscal year.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table provides information regarding the exercise of stock options by the Named Executive Officers during fiscal year 1996 and the value of unexercised "in-the-money" options at fiscal 1996 year-end. The columns showing the number of options exercised during fiscal year 1996 and the value realized thereby have been omitted because none of the Named Executive Officers exercised any options during fiscal year 1996.

AGGREGATED UNEXERCISED OPTIONS AND YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

NAME	NUMBER OF UNEXERCISED OPTIONS AT FISCAL 1996 YEAR-END EXERCISABLE/UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE MONEY OPTIONS AT FISCAL 1996 YEAR-END EXERCISABLE/UNEXERCISABLE (1)
<S>	<C>	<C>
John W. Everets	170,000/5,000	$ 561,250/$13,750
Raymond R. Doherty	132,000/18,000	$ 408,000/$60,750
Rene Lefebvre	18,000/12,000	$ 43,875/$29,250

</TABLE>

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(1) An "in-the-money" option is an option for which the exercise price to purchase the underlying stock is less than the December 31, 1996 market price per share of the Company's Common Stock as reported on the Nasdaq National Market ($6.00 per share); the value shown reflects stock price appreciation since the date of grant of the option.

STOCK OPTION AND STOCK INCENTIVE PLANS

The Company has outstanding options under three stock option plans which were terminated in May 1995 upon approval of the 1995 Stock Incentive Plan by the Company's stockholders at the 1995 annual meeting. As of December 31, 1996, the Company had 76,875 options to purchase Common Stock outstanding under its Employee Stock Option Plan dated March 23, 1983, as amended (the "1983 Plan"), 345,000 options to purchase Common Stock outstanding under its Stock Option Plan dated March 5, 1986 (the "1986 Plan") and 145,000 options to purchase Common Stock outstanding under its 1994 Stock Plan dated March 23, 1994 (the "1994 Plan"). Options exercisable under the 1983, 1986 and 1994 Plans at December 31, 1996 were 74,500, 306,000 and 65,667, respectively. As of December 31, 1996, the Company had 14,000 options to purchase Common Stock outstanding which were not granted pursuant to any plan; all of such options were exercisable at that date.

Options granted under the 1983 Plan are either incentive stock options or non-qualified options and were granted with an exercise price of no less than 100% or 85%, respectively, of the fair market value of the Common Stock of the Company on the date of grant. Under the 1986 Plan, only officers and directors of the Company and its subsidiaries were eligible to participate and only non-qualified stock options were granted. Key employees, directors of and consultants to the Company were eligible to participate in the 1994 Plan. Only non-qualified options were granted under the 1994 Plan and the option exercise price was in each case not less than 50% of the fair market value of the Common Stock on the date of grant.

The stockholders of the Company approved the Company's 1995 Stock Incentive Plan (the "1995 Stock Plan") at the 1995 annual meeting. The 1995 Stock Plan provides for the issuance of up to 550,000 options and/or grants of shares of restricted stock to key employees and non-employee directors. The 1995 Stock Plan is administered by the Compensation Committee of the Board of Directors. As of December 31, 1996, the Company had 61,000 options to purchase Common Stock outstanding under the 1995 Stock Plan, 11,000 of which were exercisable.

Pursuant to the recommendation of the Compensation Committee, the Board of Directors adopted an amendment to the 1995 Stock Plan to provide service requirements for participation in the 1995 Stock Plan in addition to the performance conditions which were contained in the 1995 Stock Plan as originally adopted. The 1995 Stock Plan, as amended (the "Amended 1995 Stock Plan"), provides that shares of restricted stock granted under the Amended 1995 Stock Plan shall vest for participants when (i) certain performance conditions are met (50% vest if and when during the five-year period from the date of grant (the "Performance Period") the closing price of a share of the Company's Common Stock, as reported on the Nasdaq National Market for a consecutive ten-day period, equals or exceeds 134.175% of the closing price on the grant date (the "Partial Performance Condition"), and the remaining 50% vest if and when during the Performance Period the closing price of a share of the Company's Common Stock, as reported

on the Nasdaq National Market for a consecutive ten-day period, equals or exceeds 168.35% of the closing price on the grant date (the "Full Performance Condition")) and (ii) the holder of the restricted stock has completed five (5) years of continuous service from the grant date (the "Service Requirement").

The Partial Performance Condition for the shares of restricted stock granted to Messrs. Everets, Doherty and Lefebvre in fiscal year 1995 is $5.90 per share and the Full Performance Condition is $7.37 per share. Upon a "change in control" of the Company (as defined in the Amended 1995 Stock Plan), all restricted stock awards granted prior to such date become fully vested. Upon the termination of a participant's employment by the Company without "cause" (as defined in the Amended 1995 Stock Plan) or by reason of death or disability during the Performance Period, any restricted stock awards for which the Partial Performance Condition or the Full Performance Condition shall have been satisfied no later than four months after the date of such termination of employment shall become fully vested and shall be deemed to satisfy the Service Requirement. The Partial Performance Condition for the restricted stock granted to Messrs. Everets, Doherty and Lefebvre was met in fiscal year 1995, but the shares of restricted stock held by these individuals remain subject to the Service Requirement.

Awards of 337,000 restricted shares of the Company's Common Stock were granted in May 1995. The Partial Performance Condition of these shares is $5.90 per share with respect to 332,000 shares and $6.04 per share with respect to 5,000 shares; the Full Performance Condition is $7.37 per share with respect to 332,000 shares and $7.58 with respect to 5,000 shares.

The Amended 1995 Stock Plan provides that with respect to options granted to key employees (except non-employee directors), the option term and the terms and conditions upon which the options may be exercised will be determined by the Compensation Committee of the Company's Board of Directors for each such option at the time it is granted (except as delegated to the Chief Executive Officer for non-executive officer grants). Options granted to key employees of the Company may be either incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and subject to the restrictions of that section on certain terms of such options) or non-qualified options, as designated by the Compensation Committee.

At December 31, 1996, there were options exercisable for an aggregate of 2,000 shares of Common Stock outstanding to key employees and options exercisable for an aggregate of 5,000 shares of Common Stock outstanding to non-employee directors of the Company, pursuant to the automatic formula grant under the Amended 1995 Stock Plan.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Board of Directors has approved, upon the recommendation of the Compensation Committee, the adoption by the Company of a Supplemental Executive Retirement Plan (the "SERP"). Under the SERP, which became effective on January 1, 1997, the Company will provide certain retirement income benefits to certain of its executive employees, as such employees are designated from time to time by the Board upon recommendation of the Chairman of the Board. Currently, the beneficiaries of the SERP are Messrs. Everets, Doherty and Lefebvre. The SERP will be administered by an Administrative Committee of one or more members as appointed by the Board, which members shall be the members of the Compensation Committee if no other appointment is in effect at any given time. The SERP is intended to be unfunded for purposes of the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended.

Benefits under the SERP are intended to supplement the retirement benefits received by executive employees through other Company programs, such as the ESOP and SESOP and 401(k) Plan (as such terms are defined herein) described below, as well as Social Security benefits attributable to Company-paid FICA taxes. Benefits under the SERP, payable upon normal retirement at age 65 (or upon early retirement at age 62) as an actuarial equivalent of a life annuity, are based upon age, length of service (up to a maximum of 15 credited years of service) and an average of the participant's three highest consecutive calendar years of compensation out of the five calendar years immediately preceding the normal or early retirement date or other date of termination of employment ("Average Final Compensation"). The SERP

provides for making payments to the executive in amounts equal to 65% of the employee's Average Final Compensation, offset by amounts deemed available under the 401(k) Plan and Social Security benefits, to the extent attributable to the Company's contribution and to Company-paid FICA taxes, respectively, as well as the deemed value of shares allocated to the employee under the Company's ESOP and SESOP. The amount deemed available under the Company's 401(k) Plan and the deemed value of shares in the ESOP and SESOP shall equal, respectively, (1) the amount of the Company's contributions to the 401(k) Plan accreted at a deemed simple annual interest rate of 7% and (2) the value of the HPSC shares allocated to the executive's account in the ESOP and SESOP as of the date of the executive's initial participation in the ESOP and SESOP, also accreted at a deemed simple annual interest rate of 7% until the date of the executive's termination of employment. Accrual and vesting of benefits are contingent on the executive's continued service as an employee of the Company, with accrual in equal amounts over the first 15 years of service and vesting over a period of 10 years, starting in the sixth year of service, provided that an executive's benefits will also fully accrue and vest upon a "change in control" of the Company (as defined in the SERP) unless such change in control is approved by at least a two-thirds vote of the incumbent Board of Directors. Limited service credit (up to a maximum of three years) is given for service before 1993 and full service credit is given for service between January 1, 1993 and the effective date of the SERP. For all periods prior to the effective date, service as either an employee of the Company or a member of its Board of Directors is credited. On and after the effective date, only service as an employee is credited. Benefits will be paid from the SERP only upon a participant's termination of employment and the occurrence of any one of the following: (i) attainment by the employee of his or her early or normal retirement age, (ii) the employee's death, (iii) if the Company's net worth decreases below $25 million, or (iv) if there is a change in control of the Company.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN BENEFIT TABLE(1)

<TABLE>
<CAPTION>

	YEARS OF SERVICE		
AVERAGE FINAL COMPENSATION	5	10	15+
<S>	<C>	<C>	<C>
$100,000	$16,250	$ 48,750	$ 65,000
150,000	24,375	73,125	97,500
200,000	32,500	97,500	130,000
250,000	40,625	121,875	162,500
300,000	48,750	146,250	195,000

400,000	65,000	195,000	260,000
500,000	81,250	243,750	325,000

</TABLE>

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(1) Amounts shown do not reflect offset for benefits received and attributable to the Company under the Company's 401(k) plan, employee stock ownership plans, and FICA contributions.

For the Named Executive Officers, the years of credited service and 1996 compensation as of December 31, 1996, were: Mr. Everets--7.0 years, $250,000; Mr. Doherty--7.0 years, $200,000; and Mr. Lefebvre--2.7 years, $135,000.

The SERP will be unfunded for purposes of the Employment Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code. However, the Company has purchased an annuity contract at an initial cost of $258,425 per year, the first payment of which was made in November 1996, to cover its obligations under the SERP. It is anticipated that the Company will recover all of its costs related to the SERP, other than potential earnings thereon. The Company is not obligated to continue the SERP, and may terminate the SERP at any time provided that no termination shall reduce any participant's vested benefits thereunder. Any disputes arising under the SERP shall be determined by binding arbitration.

EMPLOYEE STOCK OWNERSHIP PLANS

In December 1993, the Company established an Employee Stock Ownership Plan (the "ESOP") for the benefit of all eligible employees. The ESOP is invested primarily in Common Stock of the Company on behalf of the participating employees. The Company made contributions of $105,000 in fiscal year 1996 for the 1995 allocation to the ESOP, $110,000 in fiscal year 1995 for the 1994 allocation to the ESOP and $99,000 in fiscal year 1994 for the 1993 allocation to the ESOP.

Employees with five or more years of service with the Company from and after December 1993 at the time of termination of employment will be fully vested in their benefits under the ESOP. For a participant with fewer than five years of service from December 1993 through his or her termination date, his or her account balance will vest at the rate of 20% for each year of service. Upon the retirement or other termination of an ESOP participant, the shares of Common Stock in which he or she is vested, at the option of the participant, may be converted to cash or may be distributed to the participant. The unvested shares are allocated to the remaining ESOP participants. The Company has issued 300,000 shares of Common Stock to the ESOP in consideration of a Promissory Note in the principal amount of $1,050,000, payable in ten equal annual installments beginning September 1, 1994, with interest at prime plus 1%; 31,372 shares of Common Stock were allocated to participant accounts for fiscal year 1994 under the ESOP, 31,372 shares of Common Stock were allocated to participant accounts for fiscal year 1995 and 30,000 shares of Common Stock were allocated to participant accounts for fiscal year 1996.

In July 1994, the Company adopted a Supplemental Employee Stock Ownership Plan (the "SESOP") for the benefit of all eligible employees. Eligibility requirements are similar to the ESOP described above except that any amounts allocated under the SESOP will be allocated first to the accounts of certain highly compensated employees, to make up for certain limitations on Company contributions under the ESOP imposed by the Internal Revenue Code, and next to all eligible employees on a non-discriminatory basis. The Company has issued 350,000 shares of Common Stock to this plan in consideration of a Promissory Note in the principal amount of $1,225,000, payable in ten equal annual installments beginning September 1, 1995, with interest at prime plus 1%. As of December 31, 1996, no allocations of Common Stock had been made to participant accounts under the SESOP.

401(K) SAVINGS PLAN

The Company has established a Savings Plan pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plan"), available to substantially all employees, which allows participants to make contributions to the 401(k) Plan through salary deductions. The Company matches employee contributions up to a maximum of 2% of the employee's salary. Amounts contributed to the 401(k) Plan and any earnings or interest accrued thereon are generally not subject to federal income tax until distributed to the participant. Both employee and employer contributions to the 401(k) Plan vest immediately. The Company's contributions to the 401(k) Plan were $62,841 in fiscal year 1996, $49,419 in fiscal year 1995, and $37,975 in fiscal year 1994.

STOCK LOAN PROGRAM

On January 5, 1995 the Compensation Committee approved a Stock Loan Program whereby executive officers and other senior personnel of the Company earning more than $80,000 per year may borrow from the Company an amount equal to the cost of purchasing two shares of Common Stock, solely for the purpose of acquiring such stock, for each share of Common Stock purchased by the employee from sources other than Company funds. Such borrowings may not exceed $200,000 in any fiscal quarter of the Company, $200,000 per employee or $400,000 during the term of the loan program for all employees. All shares purchased with such loans are pledged to the Company as collateral for repayment of the loans. The loans are recourse, bear interest at a variable rate which is one-half of one percent above the Company's cost of funds, payable monthly in arrears, and are payable as to principal no later than five (5) years after the date of the loan. As of the date of this Prospectus, the Company has loans outstanding to executive officers in the following amounts secured by the number of shares of Common Stock listed: Mr. Everets,

$98,000, secured by 26,133 shares; Mr. Doherty, $37,500, secured by 10,000 shares; and Mr. Lefebvre, $37,500, secured by 10,000 shares. None of the loans to the Named Executive Officers has been repaid as of December 31, 1996, other than monthly interest payments thereon. The largest aggregate amount of outstanding indebtedness under the Stock Loan Program since its inception has been $218,000.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of the Compensation Committee are Ms. Cole (Chair) and Messrs. Birchfield and Cooley. None of these individuals is or has been an employee of the Company. No executive officer of the Company serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

CERTAIN TRANSACTIONS

STOCK LOAN PROGRAM

On January 5, 1995 the Compensation Committee approved a Stock Loan Program whereby executive officers and other senior personnel of the Company earning more than $80,000 per year may borrow from the Company an amount equal to the cost of purchasing two shares of Common Stock, solely for the purpose of acquiring such stock, for each share of Common Stock purchased by the employee from sources other than Company funds. Such borrowings may not exceed $200,000 in any fiscal quarter of the Company, $200,000 per employee or $400,000 during the term of the loan program for all employees. All shares purchased with such loans are pledged to the Company as collateral for repayment of the loans. The loans are recourse, bear interest at a variable rate which is one-half of one percent above the Company's cost of funds, payable monthly in arrears, and are payable as to principal no later than five (5) years after the date of the loan. As of the date of this Prospectus, the Company has loans outstanding to executive officers in the following amounts secured by the number of shares of Common Stock listed: Mr. Everets, $98,000, secured by 26,133 shares; Mr. Doherty, $37,500, secured by 10,000 shares; and Mr. Lefebvre, $37,500, secured by 10,000 shares. None of the loans to the Named Executive Officers has been repaid as of December 31, 1996, other than monthly interest payments thereon. The largest aggregate amount of outstanding indebtedness under the Stock Loan Program since its inception has been $218,000.

REPURCHASE OF SHARES FORMERLY HELD BY HEALTHCO INTERNATIONAL, INC.

On November 1, 1994, the Company executed an agreement with certain secured creditors of Healthco International, Inc. ("Healthco") under which the Company made a cash payment of approximately $1.8 million and issued a note payable of $4.5 million to such creditors to (i) settle net liabilities of approximately $1.3 million due to Healthco and (ii) purchase the 1,225,182 shares of the Company's Common Stock. The secured creditors also released the Company from any claims that may arise out of the bankruptcy of Healthco. Before its bankruptcy, Healthco had pledged the shares of the Company's Common Stock to secure its obligations to the secured creditors. In July 1995, the shares were released from the pledge agreement upon the Company's completion of payment of the note. The Company retired 1,125,182 of these shares and holds 100,000 of these shares in its treasury.

CONSULTING AGREEMENT BETWEEN MR. EVERETS AND ADVEST, INC.

In January 1990, in connection with Mr. Everets' termination of his employment with Advest, Inc. ("Advest"), one of the Underwriters, Mr. Everets agreed to provide consulting services on a limited basis to Advest on various matters. Since that date, Mr. Everets has received $1,000 per month from Advest for such services. The agreement has no fixed term and is terminable by either party at any time without notice.

PRINCIPAL STOCKHOLDERS

The following table sets forth as of March 1, 1997 certain information with respect to the beneficial ownership of the Common Stock by: (i) each person or entity known by the Company to beneficially own 5% or more of the Common Stock; (ii) each director of the Company; (iii) each of the Named Executive Officers; and (iv) all directors and executive officers of the Company as a group. The information in the table and in the related notes has been furnished by or on behalf of the indicated owners. Unless otherwise noted, the Company believes the persons and entities referred to in this table have sole voting and investment power with respect to the shares listed in this table. The percentage owned is calculated with respect to each person by treating shares issuable to such person within 60 days of March 1, 1997 as outstanding, in accordance with rules of the Securities and Exchange Commission ("SEC"). The Company had 4,657,930 shares of Common Stock outstanding as of March 1, 1997.

<TABLE>
<CAPTION>

NAME (AND ADDRESS OF OWNER OF MORE THAN 5%)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP OF COMMON STOCK (1)(2)	PERCENT OF CLASS
<S>	<C>	<C>
John W. Everets..... 60 State Street, 35th Floor Boston, MA 02109-1803	461,733(3)(4)(5)(6)	9.6%
Tweedy, Browne Company, L.P..... 52 Vanderbilt Avenue New York, NY 10017	385,562(7)	8.3%
Harder Management Company, Inc..... Somerset Court 281 Winter Street, Suite 340 Waltham, MA 02154	364,390(8)	7.8%
Fidelity Management and Research Corporation..... 82 Devonshire Street Boston, MA 02109-3605	352,500(9)	7.6%
Hollybank Investments, LP..... One Financial Center, Suite 1600 Boston, MA 02111	352,000(10)	7.6%
John W. Everets and Raymond R. Doherty..... as Trustees of the HPSC, Inc. Supplemental Employee Stock Ownership Plan and Trust 60 State Street, 35th Floor Boston, MA 02109-1803	350,000(11)	7.5%
Dimensional Fund Advisors, Inc..... 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	342,900(12)	7.4%
John W. Everets and Raymond R. Doherty..... as Trustees of the HPSC, Inc. Employee Stock Ownership Plan 60 State Street, 35th Floor Boston, MA 02109-1803	300,000(13)	6.4%
Raymond R. Doherty.....	245,280(3)(4)(6)	5.1%
Rene Lefebvre.....	66,766(4)(6)	1.4%

Joseph A. Biernat	10,000	*
J. Kermit Birchfield	40,667(14)	*
Dollie A. Cole	42,500	*
Samuel P. Cooley	11,000	*
Thomas M. McDougal	27,000	*
Lowell P. Weicker, Jr.	5,900(15)	*
All Directors and Executive Officers as a group (9 persons)	910,846(3)(6)	17.9%

</TABLE>

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* Percent of class less than 1%.

(1) Includes shares of the Company's Common Stock which the named security holder has the right to acquire within 60 days of December 31, 1996 through the exercise of options granted by the Company to the named individuals or group as follows: Messrs. Biernat, Birchfield and Cooley, 10,000 shares each; Ms. Cole and Dr. McDougal, 27,000 shares each; Mr. Weicker, 5,000 shares; Mr. Everets, 175,000 shares; Mr. Doherty, 132,000 shares; Mr. Lefebvre, 24,000 shares; and all such persons collectively, 420,000 shares.

(2) Includes allocated shares under the HPSC, Inc. Employee Stock Ownership Plan (the "ESOP") of 6,033 for Mr. Everets, 8,030 for Mr. Doherty, 2,766 for Mr. Lefebvre and 16,829 for all executive officers and directors as a group.

(3) Excludes the 300,000 shares held in the ESOP for the benefit of the employee participants (other than the shares allocated to the respective ESOP accounts of Messrs. Doherty and Everets listed in Note (2) above) and the 350,000 shares held in the HPSC, Inc. Supplemental Employee Stock Ownership Plan and Trust (the "SESOP") for the benefit of the employee participants. Although Messrs. Doherty and Everets are the trustees of both the ESOP and SESOP and accordingly share voting power with respect to all unallocated shares and share dispositive power with respect to all shares in the ESOP and the SESOP, they disclaim beneficial ownership of all such shares, other than the shares allocated to their respective ESOP accounts listed in Note (2) above.

(4) Includes 26,133 shares, 10,000 shares and 10,000 shares, respectively, for Messrs. Everets, Doherty and Lefebvre, purchased under the Stock Loan Program described in "Management--Executive Compensation--Stock Loan Program" and "Certain Transactions--Stock Loan Program." All such shares are pledged to the Company pursuant to the Stock Loan Program.

(5) Includes 100 shares held by Mr. Everets' son, A. Hale W. Everets. Mr. Everets disclaims beneficial ownership of such shares.

(6) Includes 185,000, 90,000 and 25,000 restricted shares granted to Messrs. Everets, Doherty and Lefebvre, respectively, on May 12, 1995, as described in "Management--Executive Compensation-- Summary Compensation Table."

(7) Based solely upon information reported on Schedule 13D as filed with the SEC. Tweedy, Browne Company, L.P. ("TBC"), TBK Partners, L.P. ("TBK") and Vanderbilt Partners, L.P. ("Vanderbilt") filed an Amendment No. 5 to its Schedule 13D with the SEC on February 18, 1997. TBC is the beneficial owner of 360,562 shares of the Company's Common Stock. TBK and Vanderbilt own directly 15,000 and 10,000 shares of the Company's Common Stock, respectively. The aggregate number of shares of the Company's Common Stock of which TBC, TBK and Vanderbilt could be deemed to be beneficial owners is 385,562. TBC has investment discretion with respect to 360,562 shares and sole power to dispose or direct the disposition of all of such shares. TBC has shared power to vote or direct the vote of 331,465 shares. TBK has the sole power to vote or direct the voting of and to dispose or direct the disposition of the 15,000 shares it holds. Vanderbilt has the sole power to vote or direct the voting of and dispose or direct the disposition of the 10,000 shares it holds. The general partners of TBC and Vanderbilt are Christopher H. Browne, William H. Browne and John D. Spears. The general partners of TBK are Christopher H. Browne, William H. Browne, Thomas P. Knapp and John D. Spears. The general partners of TBC, by reason of their positions as such, may be deemed to have shared power to dispose of or to

direct the disposition of 360,562 shares and shared power to vote or to direct the vote of 331,465 shares. Each of the general partners of TBK and Vanderbilt, by reason of his position as such, may be deemed to have shared power to vote or direct the vote of and to dispose or direct the disposition of the 15,000 shares held by TBK and the 10,000 shares held by Vanderbilt, respectively.

(8) Harder Management Company, Inc. ("Harder") filed a Schedule 13G with the SEC reporting that it is a registered investment adviser and that the 364,390 shares of the Company's Common Stock held by Harder is held on behalf of its clients in accounts over which Harder has complete investment discretion. Harder disclaims beneficial ownership of the 364,390 shares except in its capacity as an investment adviser.

(9) Based solely upon information reported on Schedule 13G as filed with the SEC. Fidelity Management and Research Corporation ("FMRC") filed an Amendment No. 1 to its Schedule 13G with the SEC on February 14, 1997 for the year ended December 31, 1996 reporting that it is a registered investment adviser and as such, has sole power to dispose or to direct the disposition of 352,500 shares of Common Stock of the Company. FMRC reports that it has no voting authority with respect to such shares.

(10) Hollybank Investments, LP ("Hollybank") reports that Dorsey R. Gardner, Hollybank's general partner, has sole voting power with respect to an additional 30,580 shares of Common Stock of the Company held in his name. Mr. Gardner disclaims beneficial ownership, except to the extent of his partnership interest, in the 352,000 shares of Company Common Stock held by Hollybank.

(11) None of the 350,000 shares have been allocated to the accounts of participants in the SESOP. Messrs. Doherty and Everets disclaim beneficial ownership of all such shares.

(12) Based solely on information reported on Schedule 13G as filed with the SEC. Dimensional Fund Advisors, Inc. ("Dimensional") filed an Amendment No. 6 to its Schedule 13G with the SEC in February 1997 reporting that it is a registered investment adviser and is deemed to have beneficial ownership of the 342,900 shares of Common Stock of the Company held by it, all of which shares are owned by advisory clients of Dimensional. Officers of Dimensional also serve as officers of DFA Investment Dimensions Group Inc. (the "Fund") and The DFA Investment Trust Company (the "Trust"), each an open-end managment investment company registered under the Investment Company Act of 1940. In their capacities as officers of the Fund and the Trust, these officers vote 74,800 shares which are owned by the Fund and 43,800 shares which are owned by the Trust, all of which shares are included in the 342,900 shares over which Dimensional is deemed to have sole dispositive power.

(13) 89,654 of these shares have been allocated to the accounts of ESOP participants and 210,346 shares are unallocated. Messrs. Doherty and Everets disclaim beneficial ownership of all such shares, other than the shares allocated to their respective ESOP accounts listed in Note (2) above.

(14) Includes 3,000 shares held by Mr. Birchfield's spouse. Mr. Birchfield disclaims beneficial ownership of such shares.

(15) Includes 200 shares held by Mr. Weicker's spouse. Mr. Weicker disclaims beneficial ownership of such shares.

DESCRIPTION OF NOTES

The Notes will be issued pursuant to an indenture (the "Indenture") to be dated as of March , 1997, by and between HPSC and State Street Bank and Trust Company, as trustee (the "Trustee"). The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The following

summary of certain provisions of the Indenture is a summary only, does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture. A copy of the Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture.

GENERAL

The Notes will mature on , 2007. Interest on the Notes will accrue at the rate of % per annum from the date of issuance or from the most recent Interest Payment Date to which interest has been paid or provided for, payable semi-annually on 1 and 1 of each year, commencing 1, 1997, to the Persons in whose names such Notes are registered at the close of business on the 15 or 15 immediately preceding such Interest Payment Date. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Principal of, premium, if any, and interest on the Notes will be payable, and the Notes may be presented for registration of transfer or exchange, at the office or agency of HPSC maintained for such purpose, which office or agency shall be maintained in the City of Boston, Massachusetts. At the option of HPSC, payment of interest may be made by check mailed to the Holders of the Notes at the addresses set forth upon the registry books of HPSC. No service charge will be made for any registration of transfer or exchange of Notes, but HPSC may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Until otherwise designated by HPSC, HPSC's office or agency will be the corporate trust office of the Trustee maintained for such purpose. The Notes will be issued only in fully registered form, without coupons, in denominations of $1,000 and integral multiples thereof.

RANKING; SUBORDINATION OF THE NOTES

The Notes are unsecured, general obligations of HPSC, limited in aggregate principal amount to $23.0 million. The payment of the principal of, premium (if any) and interest on the Notes is subordinated in right of payment, as set forth in the Indenture, to the payment when due of all Secured Portfolio Debt of HPSC, including, without limitation, Indebtedness under the Revolver Agreement and Savings Bank Indebtedness. In addition, none of HPSC's existing or future Subsidiaries has guaranteed or will guarantee the Indebtedness under the Notes. Accordingly, the Indebtedness under the Notes will effectively be "structurally subordinated" to any Indebtedness of any Subsidiary of HPSC. At December 31, 1996, after giving effect to the sale of the Notes and the application of the estimated net proceeds therefrom as described herein under "Use of Proceeds", the outstanding Secured Portfolio Debt of the Company would have been $98.2 million, of which $74.3 million would have been Indebtedness of Subsidiaries of HPSC. In addition, under the recourse provisions of the agreements evidencing sales of financing contracts, the Company had a contingent obligation of approximately $16.7 million at December 31, 1996 to repurchase the Customer Receivables securing such agreements and/or make payments on such receivables under certain circumstances, including delinquencies of the underling debtors. Upon the occurrence of a triggering event under the recourse provisions of such agreements, such obligation to repurchase and/or make payments on such receivables would constitute Secured Portfolio Debt. Although the Indenture contains limitations on the amount of additional Funded Recourse Debt which the Company may incur, the Indenture contains no restrictions on the amount of Secured Portfolio Debt which the Company may incur and, under certain circumstances, the amount of additional Funded Recourse Debt permitted to be incurred could be substantial. See "Certain Covenants--LIMITATION ON INCURRENCE OF FUNDED RECOURSE DEBT AND DISQUALIFIED CAPITAL STOCK" below.

Indebtedness of HPSC that is Secured Portfolio Debt will rank senior to the Notes in accordance with the provisions of the Indenture. The Notes will in all respects rank (i) PARI PASSU with any and all other

existing unsecured Funded Recourse Debt of HPSC and (ii) senior in right of payment with all future unsecured Funded Recourse Debt of HPSC. HPSC has agreed in the Indenture that it will not incur, directly or indirectly, any additional unsecured Funded Recourse Debt which is subordinate or junior in ranking in any respect to any Indebtedness of HPSC unless such unsecured Funded Recourse Debt is expressly subordinated in right of payment to the Notes. Unsecured Indebtedness is not deemed to be subordinate or junior to Secured Indebtedness merely because it is unsecured. HPSC does not currently have outstanding any

indebtedness that is subordinate or junior in right of payment to the Notes. In the event of the bankruptcy, liquidation, reorganization or other dissolution of HPSC, there may not be sufficient assets remaining to satisfy the holders of the Notes after satisfying the claims of any holders of Secured Portfolio Debt and Indebtedness of any existing or future subsidiaries of HPSC.

Upon any payment or distribution of assets of HPSC or upon a total or partial liquidation or dissolution or reorganization of or similar proceeding relating to HPSC or its property, the holders of Secured Portfolio Debt will be entitled to receive payment in full of the Secured Portfolio Debt before Holders of Notes are entitled to receive any payment and, until the Secured Portfolio Debt is paid in full, any payment or distribution to which Holders of Notes would be entitled but for the subordination provisions of the Indenture will be made to holders of the Secured Portfolio Debt as their interest may appear. If a distribution is made to Holders of Notes that due to the subordination provisions should not have been made to them, such Holders of Notes are required to hold the distribution in trust for the holders of Secured Portfolio Debt and pay it over to them as their interests may appear.

If payment of the Notes is accelerated because of an Event of Default, HPSC shall promptly notify the holders of the Designated Secured Portfolio Debt (or their Representative) of the acceleration. If any Designated Secured Portfolio Debt is outstanding, HPSC may not pay the Notes until five days after such holders or the Representative of the Designated Secured Portfolio Debt receive notice of such acceleration and, thereafter, may pay the Notes only if the subordination provisions of the Indenture otherwise permit payment at that time.

HPSC may not pay principal of, premium (if any) or interest on, the Notes or make any deposit pursuant to the provisions described under "Legal Defeasance and Covenant Defeasance" below and may not otherwise purchase or retire any Notes if any Secured Portfolio Debt is not paid when due. However, payment from the money or the proceeds of U.S. Government Obligations held in any defeasance trust described under "Legal Defeasance or Covenant Defeasance" below is not subordinated to any Secured Portfolio Debt or subject to the restrictions described herein. In addition, the Company may pay the Notes without regard to the foregoing if HPSC and the Trustee receive written notice approving such payment from the Representative of any such Secured Portfolio Debt which is not paid when due.

By reason of such subordination provisions contained in the Indenture, in the event of insolvency (i) creditors of HPSC who are holders of Secured Portfolio Debt may recover ratably more than holders of the Notes, (ii) funds which would otherwise be payable to the holders of the Notes will be paid to holders of Secured Portfolio Debt (or their representatives) to the extent necessary to pay such Secured Portfolio Debt in full and (iii) HPSC may be unable to meet its obligations fully with respect to the Notes or such other indebtedness and obligations in respect thereof.

REDEMPTION

SINKING FUND

On or after , 2002, the Company is required to redeem on 1, 1, 1 and 1 of each year (each, a "Sinking Fund Payment Date"), a portion of the aggregate principal amount of the Notes as set forth below (each, a "Sinking Fund Payment") at a Redemption Price equal to 100% of

the aggregate principal amount of the Notes so redeemed, plus accrued but unpaid interest to the Redemption Date:

<TABLE>
<CAPTION>

SINKING FUND PAYMENT DATE	PRINCIPAL AMOUNT TO BE REDEEMED
<S>	<C>

</TABLE>

The principal amount of Notes to be redeemed may at the option of HPSC be reduced in inverse order of maturity by an amount equal to the sum of (i) the principal amount of Notes theretofore issued and acquired at any time by HPSC and delivered to the Trustee for cancellation and not theretofore made the basis

for the reduction of a Sinking Fund Payment and (ii) the principal amount of Notes at any time redeemed and paid pursuant to the provisions set forth below under the heading "OPTIONAL REDEMPTION," or which shall at any time have been duly called for redemption (otherwise than through operation of the Sinking Fund) and the Redemption Price shall have been deposited in trust for that purpose and which theretofore have not been made the basis for the reduction of a Sinking Fund Payment.

OPTIONAL REDEMPTION

HPSC will not have the right to redeem any Notes prior to 1, 2002. The Notes will be redeemable at the option of HPSC, in whole or in part, otherwise than through operation of the Sinking Fund, at any time on or after 1, 2002, at the following redemption prices (expressed as percentages of the principal amount) if redeemed during the 12-month period commencing 1, of the years indicated below, in each case together with accrued and unpaid interest thereon to the Redemption Date:

<TABLE>
<CAPTION>

YEAR	PERCENTAGE
<S>	<C>

</TABLE>

Except as described above and as set forth below under "--Certain Covenants--REPURCHASE OF NOTES AT THE OPTION OF THE HOLDER UPON A CHANGE OF CONTROL and--REPURCHASE OF NOTES UPON DEATH OF HOLDER," HPSC is not required to make any mandatory redemption with respect to the Notes.

SELECTION AND NOTICE

In the case of a partial redemption, the Trustee shall select the Notes or portions thereof for redemption on a pro rata basis, by lot or in such other manner it deems appropriate and fair. The Notes may be redeemed in part, but only in multiples of $1,000. Notice of any redemption, whether through operation of the Sinking Fund or otherwise, will be sent by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Holder of each Note to be redeemed to such Holder's last address as then shown upon the registry books of the Registrar. Any notice which relates to a Note to be redeemed in part only must state the portion of the principal amount equal to the unredeemed portion thereof and must state, among other things, that on and after the date of redemption, upon surrender of such Note, a new Note or Notes in a principal amount equal to the unredeemed portion thereof will be issued. On and after the date of redemption, interest will cease to accrue on the Notes or

portions thereof called for redemption (subject to the right of Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such date of redemption).

CERTAIN COVENANTS

REPURCHASE OF NOTES AT THE OPTION OF THE HOLDER UPON A CHANGE OF CONTROL

The Indenture provides that in the event that a Change of Control (as defined below) has occurred, each Holder of Notes will have the right, at such Holder's option, pursuant to an irrevocable and unconditional offer by HPSC (the "Change of Control Offer"), to require HPSC to repurchase all or any part of such Holder's Notes (provided, that the principal amount of such Notes must be $1,000 or an integral multiple thereof) on a date determined by HPSC (the "Change of Control Purchase Date") that is no later than 45 Business Days after the occurrence of such Change of Control, at a cash price (the "Change of Control Purchase Price") equal to 101% of the principal amount thereof, together with accrued and unpaid interest to the Change of Control Purchase Date. The Change of Control Offer shall be made within 15 Business Days following a Change of Control and shall remain open for 20 Business Days (or such later date as may be required by applicable law, rule or regulation) following the commencement (the "Change of Control Offer Period") thereof. Upon expiration of the Change of Control Offer Period, HPSC shall purchase all Notes properly tendered in response to the Change of Control Offer and such offer shall terminate.

As used herein, a "Change of Control" means (i) any sale, merger or consolidation with or into any Person or any transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of HPSC, on a consolidated basis, in one transaction or in a series of related transactions, if, immediately after giving effect to such transaction, any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting

power in the aggregate normally entitled to vote in the election of directors, managers or trustees, as applicable, of the transferee or surviving entity, (ii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of Capital Stock of HPSC then outstanding normally entitled to vote in elections of directors or (iii) during any period of 12 consecutive months after the Issue Date, individuals who at the beginning of any such 12-month period constituted the Board of Directors of HPSC (together with any new directors whose election by such Board or whose nomination for election by the shareholders of HPSC was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election, recommendation, or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of HPSC then in office.

On or before the Change of Control Purchase Date, HPSC will (i) accept for payment Notes or portions thereof properly tendered pursuant to the Change of Control Offer and (ii) deposit with the Paying Agent cash sufficient to pay the Change of Control Purchase Price (together with accrued but unpaid interest) of all Notes so tendered. Promptly following the Change of Control Purchase Date, HPSC will deliver to the Trustee the Notes so accepted, together with an Officers' Certificate listing the Notes or portions thereof being purchased by HPSC. The Paying Agent will promptly mail to the Holders of Notes so accepted payment in an amount equal to the Change of Control Purchase Price (together with accrued but unpaid interest), and the Trustee will promptly authenticate and mail or deliver to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered. Any Notes not so accepted will be promptly mailed or delivered by HPSC to the Holder thereof. HPSC will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The phrase "all or substantially all" of the assets of HPSC will likely be interpreted under applicable state law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" of the assets of HPSC has occurred, in which case a Holder's ability to obtain the benefit of a Change of Control Offer may be impaired.

The Revolver Agreement contains, and other Indebtedness that may be incurred in the future could contain, prohibitions on certain events that would constitute a Change in Control and on a repurchase of the Notes upon a Change in Control. Moreover, the exercise by the Holders of their right to require HPSC to repurchase the Notes could cause a default under such Indebtedness even if the Change of Control itself does not, due to the prohibition on repurchases and the financial effect of such repurchase on HPSC. The breach of any such prohibitions or any such default could result in a default and subsequent acceleration of any such Indebtedness and the enforcement of available remedies thereunder. In addition, HPSC's ability to pay cash to the Holders of Notes upon a repurchase may be limited by HPSC's then existing financial resources.

Any Change of Control Offer will be made in compliance with all applicable laws, rules and regulations, including, if applicable, Regulation 14E under the Exchange Act and the rules thereunder and all other applicable federal and state securities laws.

The Change of Control purchase feature of the Notes may make more difficult or discourage a takeover of HPSC, and, thus, the removal of incumbent management. The Change of Control purchase feature resulted from negotiations between HPSC and the Underwriters.

REPURCHASE OF NOTES UPON DEATH OF HOLDER

Upon the death of any Holder of Notes, HPSC will repurchase such Holder's Notes on request, if (i) the Notes have been registered in the Holder's name since their date of issuance or for a period of six months prior to the date of such Holder's death, whichever is less, (ii) the repurchase payments with respect to such Holder's Notes will not exceed $25,000 in aggregate principal amount in any calendar year, (iii) HPSC will not, after giving effect to such payment, have made repurchase payments on Notes of deceased Holders in an aggregate principal amount exceeding $250,000 in any calendar year (if such aggregate principal amount exceeds $250,000, the Trustee will repay such Notes up to $250,000 in aggregate principal amount in the order in which such requests for repurchase were received), (iv) either the Company or the Trustee has been notified in writing of the request for repurchase within one year after the Holder's death, and if less than all of such Holder's Notes are repurchased pursuant to such initial request, either HPSC or the Trustee has been notified in writing of subsequent requests for repurchase of additional Notes of such Holder within one year after any such preceding notice, (v) HPSC is not, after giving effect to such payment, in default under any Indebtedness and (vi) HPSC

is not subject to any law, regulation, agreement or administrative directive preventing such repurchase. The Revolver contains a prohibition on any repurchase of the Notes without the consent of the holders of 66 2/3% of the outstanding principal amount under the Revolver. Notes for which such repurchase is requested shall, subject to the limitations described above, be repaid at 100% of the principal amount thereof, together with accrued but unpaid interest to the repurchase date, within 30 days following receipt by HPSC of the following: (A) a written request for payment signed by a duly authorized representative of the deceased Holder, which shall indicate the name of the deceased Holder, the date of death of the deceased Holder and the principal amount of Notes to be repurchased, (B) the certificates, if any, representing the Notes to be repurchased and (C) evidence satisfactory to HPSC and the Trustee of the death of the Holder and evidence of authority of the representative to the extent required by the Trustee. Authorized representatives of a deceased Holder shall include executors, administrators or other legal representatives of an estate, trustees of a trust, joint owners of Notes owned in joint tenancy or tenancy by the entirety, custodians, conservators, guardians, attorneys-in-fact and other persons generally recognized as having legal authority to act on behalf of others.

The death of a person owning a Note in joint tenancy or tenancy by the entirety with another or others shall be deemed the death of the Holder of the Note, and the entire principal amount of the Note so held shall be subject to repurchase, together with accrued but unpaid interest thereon to the repurchase date. The death of a person owning a Note by tenancy in common shall be deemed the death of a Holder of a Note only with respect to the deceased Holder's interest in the Note so held by tenancy in common, except that in the event a Note is held by husband and wife as tenants in common, the death of either shall be deemed the death of the Holder of the Note, and the entire principal amount of the Note so held shall be subject to repurchase. The death of a person who, during his or her lifetime, was entitled to substantially

all of the beneficial interests of ownership of a Note, will be deemed the death of the Holder thereof for purposes of this provision, regardless of the registered Holder, if such beneficial interest can be established to the satisfaction of the Trustee. Such beneficial interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers (or Gifts) to Minors Act, community property or other joint ownership arrangements between a husband and wife and trust arrangements where one person has substantially all of the beneficial ownership interests in the Note during his or her lifetime.

LIMITATION ON INCURRENCE OF FUNDED RECOURSE DEBT AND DISQUALIFIED CAPITAL STOCK

(a) The Indenture provides that, except as described below, HPSC will not, and will not permit any of its Subsidiaries to, directly or indirectly, issue, assume, guaranty, incur, become directly or indirectly liable with respect to (including as a result of an Acquisition), or otherwise become responsible for, contingently or otherwise (individually and collectively, to "incur" or, as appropriate, an "incurrence"), any Funded Recourse Debt (including Acquired Recourse Debt) or any Disqualified Capital Stock; PROVIDED that (i) HPSC may, and may permit any of its Subsidiaries to, incur Funded Recourse Debt (including Acquired Recourse Debt) or any Disqualified Capital Stock if (A) no Default or Event of Default shall have occurred and be continuing at the time of, or would occur after giving effect on a pro forma basis to, such incurrence of Funded Recourse Debt or Disqualified Capital Stock and the application of proceeds therefrom and (B) on the date of such incurrence (the "Incurrence Date"), the Consolidated Interest Coverage Ratio of HPSC for the Reference Period immediately preceding the Incurrence Date, after giving effect on a pro forma basis to such incurrence of such Funded Recourse Debt or Disqualified Capital Stock and, to the extent set forth in the definition of Consolidated Interest Coverage Ratio, the use of proceeds therefrom, would be at least 1.55 to 1.0 and (ii) HPSC may, and may permit any of its Subsidiaries to, incur any Permitted Recourse Debt (including, without limitation, Secured Portfolio Debt).

(b) The Indenture provides that HPSC will not, directly or indirectly, incur any unsecured Funded Recourse Debt unless such unsecured Funded Recourse Debt is subordinated in right of payment to payment of the Notes upon terms and conditions no less favorable to the holders of the Notes than the subordination provisions contained in the Indenture.

(c) The Indenture provides that HPSC will not, and will not permit any of its Subsidiaries to, directly or indirectly, incur any unsecured Funded Recourse Debt which by its terms (or by the terms of any agreement governing such unsecured Funded Recourse Debt) is subordinated to any other Indebtedness of

HPSC unless such unsecured Funded Recourse Debt is also by its terms (or by the terms of any agreement governing such Funded Recourse Debt) made expressly subordinate to the Notes to the same extent and in the same manner as such unsecured Funded Recourse Debt is subordinated pursuant to subordination provisions that are most favorable to the holders of any other Indebtedness of HPSC. Unsecured Indebtedness is not deemed to be subordinate or junior to Secured Indebtedness merely because it is unsecured.

(d) Indebtedness of any Person which is outstanding at the time such Person becomes a Subsidiary of HPSC or is merged with or into or consolidated with HPSC or a Subsidiary of HPSC shall be deemed to have been incurred at the time such Person becomes such a Subsidiary of HPSC or is merged with or into or consolidated with HPSC or a Subsidiary of the Company, as applicable.

LIMITATION ON RESTRICTED PAYMENTS

The Indenture provides that HPSC will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment if, after giving effect to such Restricted Payment on a pro forma basis, (1) a Default or an Event of Default shall have occurred and be continuing, (2) HPSC is not permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio in the covenant "Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock" or (3) the aggregate amount of all Restricted Payments made by HPSC and its Subsidiaries, including after giving effect to such proposed Restricted Payment, from and after the Issue Date, would exceed the sum of (a) $2.5 million, plus (b) 50% of the aggregate Consolidated Net Income of HPSC for the period (taken as one accounting period), commencing on the first day of the first full fiscal quarter commencing after the Issue Date, to and including the last day of the fiscal quarter ended immediately

prior to the date of each such calculation (or, in the event Consolidated Net Income for such period is a deficit, then minus 100% of such deficit), plus (c) 100% of the aggregate Net Cash Proceeds received by HPSC and not applied in connection with a Qualified Exchange from the issue or sale by HPSC after the Issue Date of its Qualified Capital Stock or its debt securities that have been converted into Qualified Capital Stock (other than an issue or sale to a Subsidiary of HPSC), including the Net Cash Proceeds received by HPSC upon the exercise, exchange or conversion of such securities into Qualified Capital Stock, plus (d) the Net Cash Proceeds received by HPSC or any of its Subsidiaries from its investment in, and the sale, disposition or other liquidation of, any Restricted Investment.

The foregoing clauses (2) and (3) of the immediately preceding paragraph, however, will not prohibit (v) a Qualified Exchange; (w) the payment of any dividend on Qualified Capital Stock within 60 days after the date of its declaration if such dividend could have been made on the date of such declaration in compliance with the foregoing provisions; (x) any redemption or repurchase or payment on account of Capital Stock of HPSC permitted to be made under (i) the Restricted Stock Plan or (ii) the Stock Option Plan, in an amount equal to the sum of the exercise prices paid to HPSC by the holder of such Capital Stock upon the exercise of such stock options; (y) (i) any redemption or repurchase by HPSC of its Capital Stock, (ii) any contribution or dividend paid by HPSC to the ESOP or (iii) any loan made by HPSC to the ESOP, in each case (A) only to the extent made in the ordinary course of business consistent with past practice and pursuant to the terms of the ESOP and the provisions of ERISA and the Code and (B) not to exceed in the aggregate $300,000 per calendar year; and (z) any contribution or dividend paid by the ESOP, in each case only to the extent used by the ESOP (i) to pay administrative expenses of the ESOP in an amount not to exceed $100,000 per year or (ii) to repay Indebtedness of the ESOP owed to HPSC or its Subsidiaries. The full amount of any Restricted Payment made pursuant to the foregoing clauses (w) and (x) of the immediately preceding sentence, however, will be deducted in the calculation of the aggregate amount of Restricted Payments available to be made which is referred to in clause (3) of the immediately preceding paragraph.

LIMITATION ON DIVIDENDS AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES

The Indenture provides that HPSC will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, assume or suffer to exist any consensual restriction on the ability of any Subsidiary of HPSC to pay dividends or make other distributions to or on behalf of, or to pay any obligation to or on behalf of, or otherwise to transfer assets or property to, or make or pay loans or advances to or on behalf of, HPSC or any Subsidiary of HPSC, except (a) restrictions imposed by the Notes or the Indenture, (b) restrictions imposed by applicable law, (c) existing restrictions under specified Indebtedness

outstanding on the Issue Date or under any Acquired Recourse Debt not incurred in violation of the Indenture or any agreement relating to any property, asset, or business acquired by HPSC or any of its Subsidiaries, which restrictions, in each case, existed at the time of acquisition, were not put in place in connection with or in anticipation of such acquisition and are not applicable to any Person, other than to the Person acquired, or to any property, asset or business, other than the property, assets and business so acquired, (d) any such restriction or requirement imposed by Indebtedness of HPSC and its Subsidiaries under the Revolver Agreement (including any Indebtedness issued to refinance, refund or replace such Indebtedness in whole or in part, including any extended maturity or increase in the amount thereof), provided such restriction or requirement is no more restrictive than that imposed by the Revolver Agreement in effect as of the Issue Date, (e) restrictions with respect solely to a Subsidiary of HPSC imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, provided such restrictions apply solely to the Capital Stock or assets of such Subsidiary which are being sold, (f) in connection with and pursuant to permitted Refinancings, replacements of restrictions imposed pursuant to clause (c) of this paragraph that are not more restrictive than those being replaced and do not apply to any other Person or assets than those that would have been covered by the restrictions in the Indebtedness so refinanced, (g) any such restriction or requirement imposed by non-recourse or limited-recourse Indebtedness of a special purpose Subsidiary of HPSC which was or is incurred solely in connection with securitization of Customer Receivables in the ordinary course of business consistent with past practice and (h) any Lien permitted by the covenant "Limitation on Liens."

LIMITATION ON LIENS

The Indenture provides that HPSC will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their respective Non-Receivable Assets, whether now owned or hereinafter acquired, securing any Funded Recourse Debt of HPSC unless the Notes are equally and ratably secured; PROVIDED that (i) the foregoing restrictions shall not prohibit HPSC or its Subsidiaries from incurring Permitted Liens and (ii) if such Funded Recourse Debt is by its terms expressly subordinate to the Notes, the Lien securing such Funded Recourse Debt shall be subordinate and junior to the Lien securing the Notes with the same relative priority as such subordinated Funded Recourse Debt shall have with respect to the Notes.

LIMITATION ON TRANSACTIONS WITH AFFILIATES

The Indenture provides that HPSC will not, and will not permit any of its Subsidiaries to, enter into any contract, agreement, arrangement or transaction with any Affiliate (an "Affiliate Transaction") or any series of related Affiliate Transactions, unless such Affiliate Transaction is made in good faith, the terms of such Affiliate Transaction are fair and reasonable to HPSC or such Subsidiary, as the case may be, and are on terms at least as favorable as the terms which could be obtained by HPSC or such Subsidiary, as the case may be, in a comparable transaction made on an arm's-length basis with Persons who are not Affiliates; provided, however, that the foregoing restrictions will not apply to Exempted Affiliate Transactions.

Without limiting the foregoing, any Affiliate Transaction or series of related Affiliate Transactions (i) involving consideration to either party in excess of $2.0 million, must be evidenced by a resolution of a committee of non-employee directors of HPSC who are disinterested with respect to such transaction (an "Independent Committee"), set forth in an Officers' Certificate addressed and delivered to the Trustee, certifying that (a) the terms of such Affiliate Transaction are fair and reasonable to HPSC or such Subsidiary, as the case may be, and no less favorable to HPSC or such Subsidiary, as the case may be, than could have been obtained in an arm's-length transaction with a non-Affiliate and (b) such Affiliate Transaction has been approved by a majority of the members of an Independent Committee, and (ii) involving consideration to either party in excess of $5.0 million must be evidenced by a resolution of an Independent Committee in accordance with the foregoing clause (i) and, prior to the consummation thereof, a written favorable opinion as to the fairness of such transaction to HPSC or such Subsidiary, as the case may be, from a financial point of view from an independent investment banking firm of national reputation; provided, however, that the foregoing restrictions will not apply to Exempted Affiliate Transactions.

LIMITATION ON MERGER, SALE OR CONSOLIDATION

The Indenture provides that HPSC will not, directly or indirectly, consolidate with or merge with or into another Person or sell, lease, convey or transfer all or substantially all of its assets (computed on a consolidated basis), whether in a single transaction or a series of related transactions, to

another Person or group of affiliated Persons, unless (i) either (a) HPSC is the continuing entity or (b) the resulting, surviving or transferee entity is a corporation organized under the laws of the United States, any state thereof or the District of Columbia and expressly assumes by supplemental indenture all of the obligations of HPSC in connection with the Notes and the Indenture; (ii) no Default or Event of Default shall exist or shall occur immediately after giving effect on a pro forma basis to such transaction; (iii) immediately after giving effect to such transaction on a pro forma basis, the Consolidated Net Worth of the consolidated resulting, surviving or transferee entity is at least equal to the Consolidated Net Worth of HPSC immediately prior to such transaction; and (iv) immediately after giving effect to such transaction on a pro forma basis, the consolidated resulting, surviving or transferee entity would immediately thereafter be permitted to incur at least $1.00 of additional Funded Recourse Debt pursuant to the Consolidated Interest Coverage Ratio set forth in the covenant "Limitation on Incurrence of Additional Funded Recourse Debt and Disqualified Capital Stock."

Upon any consolidation or merger or any transfer of all or substantially all of the assets of HPSC in accordance with the foregoing, the successor corporation formed by such consolidation or into which

HPSC is merged or to which such transfer is made, shall succeed to, and be substituted for, and may exercise every right and power of, HPSC under the Indenture with the same effect as if such successor corporation had been named therein as HPSC, and when a successor corporation duly assumes all of the obligations of HPSC pursuant to the Indenture and the Notes, HPSC shall be released from the obligations under the Notes and the Indenture except with respect to any obligations that arise from, or are related to, such transaction.

LIMITATION ON LINES OF BUSINESS

The Indenture provides that neither HPSC nor any of its Subsidiaries shall directly or indirectly engage to any substantial extent in any line or lines of business activity other than that which, in the reasonable good faith judgment of the Board of Directors of HPSC, is a Related Business.

LIMITATION ON STATUS AS INVESTMENT COMPANY

The Indenture prohibits HPSC and its Subsidiaries from being required to register as an "investment company" (as that term is defined in the Investment Company Act of 1940, as amended), or from otherwise becoming subject to regulation as an investment company.

REPORTS

The Indenture provides that whether or not HPSC is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, HPSC shall deliver to the Trustee and each Holder of Notes, within ten days after it is or would have been required to file such with the Commission, annual and quarterly financial statements substantially equivalent to financial statements that would have been included in reports filed with the Commission, if HPSC were subject to the requirements of Section 13 or 15(d) of the Exchange Act, including, with respect to annual information only, a report thereon by HPSC's certified independent public accountants as such would be required in such reports to the Commission, and, in each case, together with management's discussion and analysis of financial condition and results of operations which would be so required. In addition, whether or not required by the rules and regulations of the Commission, HPSC will file a copy of all such information and reports with the Commission for public availability (unless the Commission will not accept such a filing).

EVENTS OF DEFAULT AND REMEDIES

The Indenture defines an Event of Default as (i) the failure by HPSC to pay any installment of interest on the Notes as and when the same becomes due and payable and the continuance of any such failure for 15 days, (ii) the failure by HPSC to pay all or any part of the principal of, or premium, if any, on the Notes when and as the same becomes due and payable at maturity, upon redemption or repurchase, by acceleration or otherwise, including, without limitation, payment of the Change of Control Purchase Price, (iii) the failure by HPSC to comply with the provisions described under the covenant "Limitation on Merger, Sale or Consolidation," (iv) the failure by HPSC to observe or perform any other covenant or agreement contained in the Notes or the Indenture and, subject to certain exceptions, the continuance of such failure for a period of 30 days after written notice is given to HPSC by the Trustee or to HPSC and the Trustee by the Holders of at least 25% in aggregate principal amount of the Notes outstanding, (v) certain events of bankruptcy, insolvency or reorganization in respect of HPSC or any of its Subsidiaries, (vi) a default in any Indebtedness of HPSC or any of its Subsidiaries with an aggregate principal amount in excess of $1 million (a) resulting from the failure to pay principal of, premium, if

any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness or (b) as a result of which the maturity of such Indebtedness has been accelerated prior to its stated maturity, or (vii) the failure by HPSC or any of its Subsidiaries to pay final judgments aggregating in excess of $1.0 million if (A) any creditor has commenced an enforcement proceeding with respect to such final judgements or (B) such final judgments remain undischarged for a period (during which execution shall not be effectively stayed) of 30 days after their entry.

If an Event of Default occurs and is continuing (other than an Event of Default specified in clause (vi) above relating to HPSC or any Subsidiary), then in every such case, unless the principal of all of the Notes shall have already become due and payable, either the Trustee or the Holders of 25% in aggregate principal amount of the Notes then outstanding, by notice in writing to HPSC (and to the Trustee if given by Holders), may declare all principal and accrued interest thereon to be due and payable immediately. If an Event of Default specified in clause (v) above relating to HPSC or any Subsidiary occurs, all principal and accrued interest thereon will be immediately due and payable on all outstanding Notes without any declaration or other act on the part of Trustee or the Holders. Holders of a majority in aggregate principal amount of Notes generally are authorized to rescind such acceleration if all existing Events of Default (other than the non-payment of the principal of, premium, if any, and interest on the Notes which have become due solely by such acceleration) have been cured or waived, except a default with respect to any provision which cannot be modified or amended by majority approval.

Prior to the declaration of acceleration of the maturity of the Notes, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may waive on behalf of all the Holders any default, except a default in the payment of principal of, premium on, or interest on any Note not yet cured or a default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Note affected. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

The Indenture provides that HPSC may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes ("Legal Defeasance"). Such Legal Defeasance means that HPSC shall be deemed to have paid and discharged the entire Indebtedness represented, and the Indenture shall cease to be of further effect as to all outstanding Notes, except as to (i) rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust funds described in the following paragraph; (ii) HPSC's obligations with respect to such Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust; (iii) the rights, powers, trust, duties, and immunities of the Trustee, and HPSC's obligations in connection therewith; and (iv) the Legal Defeasance and Covenant Defeasance (as defined) provisions of the Indenture. In addition, HPSC may, at its option and at any time, elect to have the obligations of HPSC released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described in the Indenture under "Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance, (i) HPSC must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, U.S. legal tender, noncallable government securities or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on such Notes on the stated date for payment thereof or on the redemption date of such principal or installment of principal of, premium, if any, or interest on such Notes, and the Holders of Notes must have a valid, perfected, first priority security interest in such trust; (ii) in the case of Legal Defeasance, HPSC shall have delivered to the Trustee an opinion of counsel in the U.S. reasonably acceptable to the Trustee

confirming that (A) HPSC has received from, or there has been published by the Internal Revenue Service, a ruling or (B) since the date of the Indenture, there has been a change in the applicable Federal

income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders of such Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such Legal Defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; (iii) in the case of Covenant Defeasance, HPSC shall have delivered to the Trustee an opinion of counsel in the U.S. reasonably acceptable to such Trustee confirming that the Holders of such Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such Covenant Defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit; (v) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which HPSC or any of its Subsidiaries is a party or by which any of them is bound; (vi) HPSC shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by HPSC with the intent of preferring the Holders of such Notes over any other creditors of HPSC or with the intent of defeating, hindering, delaying or defrauding any other creditors of HPSC or others; and (vii) HPSC shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that the conditions precedent provided for in, in the case of the Officers' Certificate, (i) through (vi) and, in the case of the opinion of counsel, clauses (i) (with respect to the validity and perfection of the security interest), (ii) (if applicable), (iii) and (v) of this paragraph have been complied with. The Revolver Agreement prohibits the Company from making the payments required for defeasance without the consent of the holders of 66 2/3% of the outstanding principal amount under the Revolver.

AMENDMENTS AND SUPPLEMENTS

The Indenture contains provisions permitting HPSC and the Trustee to enter into a supplemental indenture for certain limited purposes without the consent of the Holders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, HPSC and the Trustee are permitted to amend or supplement the Indenture or any supplemental indenture or modify the rights of the Holders; provided that no such modification may, without the consent of each Holder affected thereby: (i) change the Stated Maturity of or the Change of Control Purchase Date on any Note, or reduce the principal amount thereof or the rate (or extend the time for payment) of interest thereon or any premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or reduce the Change of Control Purchase Price or alter the redemption provisions or the provisions under the covenants "Repurchase of Notes at the Option of the Holder Upon a Change of Control" or "Repurchase of Notes Upon Death of Holder" in a manner adverse to the Holders, (ii) make a change that would adversely affect the contractual ranking of the Notes, (iii) reduce the percentage in principal amount of the outstanding Notes, the consent of whose Holders is required for any such amendment, supplemental indenture or waiver provided for in the Indenture or (iv) modify any of the waiver provisions, except to increase any required percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each outstanding Note affected thereby; PROVIDED that no such amendment or supplement to the subordination provisions of the Indenture, or indenture or indentures supplemental thereto which add any provision to or change in any manner or eliminate any of the subordination provisions of the Indenture will be effective unless such amendment, supplement or indenture or indentures supplemental thereto has been approved in writing by the Representative or Representatives of all Designated Secured Portfolio Debt then outstanding.

PAYMENTS FOR CONSENT

The Indenture prohibits HPSC and any of its Subsidiaries from, directly or indirectly, paying or causing to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any Notes for or as an inducement

to any consent, waiver or amendment of any terms or provisions of the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders of the Notes which so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

NO PERSONAL LIABILITY OF STOCKHOLDERS, OFFICERS, DIRECTORS

The Indenture provides that no direct or indirect stockholder, employee, officer or director, as such, past, present or future of HPSC or any successor entity shall have any personal liability in respect of the obligations of HPSC under the Indenture or the Notes by reason of his, her or its status as such stockholder, employee, officer or director.

GOVERNING LAW

The Indenture provides that it and the Notes will be governed by and construed in accordance with the laws of the State of New York, as applied to contracts made and performed within the State of New York.

CONCERNING THE TRUSTEE

State Street Bank and Trust Company is the Trustee under the Indenture. State Street Bank and Trust Company is a Massachusetts corporation.

The Indenture contains certain limitations on the right of the Trustee, should it be or become a creditor of HPSC, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee is permitted to engage in other transactions with HPSC; however, if it acquires any conflicting interest (as defined), it must eliminate such conflict or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee. However, the Trustee may refuse to follow any direction that conflicts with applicable laws or the Indenture, is unduly prejudicial to the rights of other Holders of the Notes or would involve the Trustee in personal liability. The Indenture will provide that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its powers, to use the degree of care of a prudent person in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the Holders, unless they shall have offered to the Trustee satisfactory indemnity.

CERTAIN DEFINITIONS

"ACFC" means American Commercial Finance Corporation, a Delaware corporation, together with its successors and permitted assigns.

"Acquired Recourse Debt" means Funded Recourse Debt or Disqualified Capital Stock of any Person existing at the time such Person becomes a direct or indirect Subsidiary of HPSC or is merged or consolidated into or with HPSC or one of its Subsidiaries.

"Acquisition" means the purchase or other acquisition of any Person or substantially all the assets of any Person by any other Person, whether by purchase, merger, consolidation or other transfer, and whether or not for consideration.

"Affiliate" means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with HPSC. For purposes of this definition, the term "control" means the power

to direct the management and policies of a Person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract or otherwise, provided that a beneficial owner of 10% or more of the total voting power normally entitled to vote in the election of directors, managers or trustees, as applicable, shall for such purposes be deemed to constitute control.

"Average Life" means, as of the date of determination, with respect to any security or instrument, the quotient obtained by dividing (i) the sum of the product of (a) the number of years from the date of determination to the date or dates of each successive scheduled principal (or redemption) payment of such security or instrument, multiplied by (b) the amount of each such respective principal (or redemption) payment, by (ii) the sum of all such principal (or redemption) payments.

"Beneficial Owner" for purposes of the definition of Change of Control has

the meaning attributed to it in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date), whether or not applicable, except that a "person" shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in Boston, Massachusetts are authorized or obligated by law or executive order to close.

"Capitalized Lease Obligation" means rental obligations under a lease that are required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligations shall be the capitalized amount of such obligations, as determined in accordance with GAAP.

"Capital Stock" means, (i) with respect to any Person formed as a corporation, any and all shares, interests, rights to purchase (other than convertible or exchangeable Indebtedness), warrants, options, participations or other equivalents of or interests (however designated) in stock issued by that corporation and (ii) with respect to any Person formed other than as a corporation, any and all partnership or other equity interests of such Person.

"Cash Equivalent" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) maturing within one year after the date of acquisition, (ii) time deposits, certificates of deposit, bankers' acceptances and commercial paper issued by the parent corporation of any domestic commercial bank of recognized standing having capital and surplus in excess of $1 billion, (iii) commercial paper issued by any other issuer which at the time of purchase is rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation ("S&P") or at least P-1 or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's"), (iv) securities commonly known as "short-term bank notes" issued by any commercial bank denominated in U.S. Dollars which at the time of purchase is rated at least A-2 or the equivalent thereof by S&P or at least P-2 or the equivalent thereof by Moody's, (v) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (ii) above entered into with any commercial bank meeting the qualifications specified in clause (ii) above and (vi) shares of any money market fund, or similar fund, in each case having assets in excess of $1 billion, which invests predominantly in investments of the type described in clauses (i), (ii), (iii), (iv) or (v) above.

"Consolidated EBITDA" means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period adjusted to add thereto (to the extent deducted from net revenues in determining Consolidated Net Income), without duplication, the sum of consolidated income tax expense for such period, (ii) consolidated depreciation and amortization expense for such period, (iii) non-cash charges of such Person and its Consolidated Subsidiaries during such period less the amount of all cash payments made during such period to the extent such payments relate to non-cash charges that were added back in determining Consolidated EBITDA for such period, (iv) Consolidated Interest Expense for such period and (v) to the extent not excluded from the Consolidated Net Income of such Person for such

period, losses (determined on a consolidated basis in accordance with GAAP) which are either extraordinary (as determined in accordance with GAAP) or are unusual or nonrecurring.

"Consolidated Interest Coverage Ratio" of any Person on any date of determination (the "Transaction Date") means the ratio, on a pro forma basis, of (a) the aggregate amount of Consolidated EBITDA of such Person attributable to continuing operations and businesses (exclusive of amounts, whether positive or negative, attributable to operations and businesses permanently discontinued or disposed of) for the Reference Period to (b) the aggregate Consolidated Interest Expense of such Person (exclusive of amounts attributable to operations and businesses permanently discontinued or disposed of, but only to the extent that the obligations giving rise to such Consolidated Interest Expense would no longer be obligations contributing to such Person's Consolidated Interest Expense subsequent to the Transaction Date) during the Reference Period; provided, that for purposes of such calculation, (i) Acquisitions which occurred during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date (including any Consolidated EBITDA associated with such Acquisition) shall be assumed to have occurred on the first day of the Reference Period, (ii) transactions giving rise to the need to calculate the Consolidated Interest Coverage Ratio shall be assumed to have occurred on the

first day of the Reference Period, (iii) the incurrence or repayment of any Indebtedness or issuance of any Disqualified Capital Stock during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date (and the application of the proceeds therefrom to the extent used to refinance or retire other Indebtedness), other than under a revolving credit or similar facility to the extent that the proceeds were used to finance working capital requirements in the ordinary course of business, shall be assumed to have occurred on the first day of such Reference Period and (iv) the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness or dividends on any Disqualified Capital Stock bearing a floating interest (or dividend) rate shall be computed on a pro forma basis as if the rate in effect on the Transaction Date had been the applicable rate for the entire period, unless such Person or any of its Subsidiaries is a party to a Hedging and Interest Swap Obligation (which shall remain in effect for the 12-month period immediately following the Transaction Date) that has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) shall be used.

"Consolidated Interest Expense" of any Person means, for any period, the aggregate amount (without duplication and determined in each case in accordance with GAAP) of (a) interest expensed or capitalized, paid, accrued, or scheduled to be paid or accrued (including, in accordance with the following sentence, interest attributable to Capitalized Lease Obligations) of such Person and its Consolidated Subsidiaries during such period, including (i) original issue discount and noncash interest payments or accruals on any Indebtedness, (ii) the interest portion of all deferred payment obligations and (iii) all commissions, discounts and other fees and charges owed with respect to bankers' acceptances and letters of credit financing and currency and Hedging and Interest Swap Obligations, in each case to the extent attributable to such period and (b) the amount of dividends accrued or payable (other than in additional shares of such Preferred Stock) by such Person or any of its Consolidated Subsidiaries in respect of Preferred Stock (other than by Subsidiaries of such Person to such Person or such Person's Consolidated Subsidiaries). For purposes of this definition, (x) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by HPSC to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP, (y) interest expense attributable to any Indebtedness represented by the guaranty of such Person or a Subsidiary of such Person of an obligation of another Person shall be deemed to be the interest expense attributable to the Indebtedness guaranteed, and (z) dividends in respect of Preferred Stock shall be deemed to be an amount equal to the actual dividends paid divided by one minus the applicable actual combined Federal, state, local and foreign income tax rate of HPSC and its Consolidated Subsidiaries (expressed as a decimal).

"Consolidated Net Income" means, with respect to any Person for any period, the net income (or loss) of such Person and its Consolidated Subsidiaries (determined on a consolidated basis in accordance with GAAP) for such period, adjusted to exclude (only to the extent included in computing such net income (or loss) and without duplication): (a) net gains (but not net losses) from the sale, lease, transfer or other disposition of property or assets not in the ordinary course of business; (b) net gains (but not net losses)

which are either extraordinary (as determined in accordance with GAAP) or are either unusual or nonrecurring, (c) the net income, if positive, of any other Person accounted for by the equity method of accounting, except to the extent of the amount of any dividends or distributions actually paid in cash to such Person or a Consolidated Subsidiary of such Person during such period, but in any case not in excess of such Person's PRO RATA share of such Person's net income for such period, (d) the net income, if positive, of any Person acquired in a pooling-of-interests transaction for any period prior to the date of such acquisition, (e) the net income, if positive, of any of such Person's Consolidated Subsidiaries in the event and solely to the extent that the declaration or payment of dividends or similar distributions is not at the time permitted by operation of the terms of its charter or bylaws or any other agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Consolidated Subsidiary, (f) all gains (but not losses) from currency exchange transactions not in the ordinary course of business consistent with past practice, and (g) any non-cash expense determined in accordance with GAAP in connection with a transaction between the Company and the ESOP.

"Consolidated Net Worth" of any Person at any date means the aggregate consolidated stockholders' equity of such Person (plus amounts of equity attributable to Preferred Stock) and its Consolidated Subsidiaries, as would be shown on the consolidated balance sheet of such Person prepared in accordance with GAAP, adjusted to exclude (to the extent included in calculating such

equity), (a) the amount of any such stockholders' equity attributable to Disqualified Capital Stock or treasury stock of such Person and its Consolidated Subsidiaries, (b) all upward revaluations and other write-ups in the book value of any asset of such Person or a Consolidated Subsidiary of such Person subsequent to the Issue Date and (c) all investments in Subsidiaries that are not Consolidated Subsidiaries and in Persons that are not Subsidiaries.

"Consolidated Subsidiary" means, for any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which are consolidated for financial statement reporting purposes with the financial statements of such Person in accordance with GAAP.

"Customer" means any Person for whom HPSC or any of its Subsidiaries finances property, equipment, practice acquisition, goods, leasehold improvements or working capital requirements.

"Customer Receivable" means any obligation of any kind or nature, however denominated, to HPSC or any of its Subsidiaries (i) incurred by Customers in the ordinary course of the respective business of HPSC and its Subsidiaries or (ii) arising from the purchase or acquisition by HPSC or any of its Subsidiaries of any lease, promissory note, account receivable, loan or similar financial arrangement, or any right or asset reasonably related to any of the foregoing.

"Designated Secured Portfolio Debt" means (a) the Indebtedness under the Revolver Agreement and (b) any other Secured Portfolio Debt which (i) at the date of determination has an aggregate principal amount outstanding of, or under which at the date of determination the holders thereof are committed to lend up to, at least $10,000,000 and (ii) is specifically designated by HPSC in the instrument governing such Secured Portfolio Debt as "Designated Secured Portfolio Debt" for purposes of the Indenture.

"Disqualified Capital Stock" means (a) except as set forth in (b), with respect to any Person, Capital Stock of such Person that, by its terms or by the terms of any security into which it is then convertible, exercisable or exchangeable, is, or upon the happening of an event or the passage of time would be, required to be redeemed or repurchased (including at the option of the holder thereof) by such Person or any of its Subsidiaries, in whole or in part, on or prior to the Stated Maturity of the Notes and (b) with respect to any Subsidiary of any Person (including with respect to any Subsidiary of HPSC), any Capital Stock of such Subsidiary other than any common stock with no preference, privileges, or redemption or repayment provisions.

"ESOP" means, collectively, the HPSC, Inc. Employee Stock Ownership Plan and the HPSC, Inc. Supplemental Employee Stock Ownership Plan, and any successor employee stock ownership plans having terms similar to the foregoing plans, as amended from time to time by a resolution of the Board of Directors of HPSC or a duly authorized committee thereof.

"Exempted Affiliate Transaction" means (a) transactions solely between HPSC and any of its Wholly-Owned Subsidiaries or solely among Wholly-Owned Subsidiaries of HPSC, (b) transactions permitted under the terms of the covenant "Limitation on Restricted Payments", (c) customary employee compensation and retirement arrangements approved by a majority of independent (as to such transactions) members of the Board of Directors of HPSC, (d) reasonable fees and compensation paid to, and indemnities to, and directors and officers and ERISA-based fiduciary liability insurance provided on behalf of, officers, directors, agents or employees of HPSC or any of its Subsidiaries or the ESOP or any trustee thereof, in each case in the ordinary course of business and as determined in good faith by the Board of Directors of HPSC and (e) any guarantee by HPSC or any of its Subsidiaries of any Indebtedness of HPSC and/or any Wholly-Owned Subsidiary of HPSC (but not of any other Person).

"Funded Recourse Debt" means, without duplication, any Indebtedness of HPSC or any Subsidiary of HPSC which by its terms matures at or is extendable or renewable at the sole option of the obligor without requiring the consent of the obligee to a date more then one year after the date of the creation or incurrence of such obligation; provided, however, that Funded Recourse Debt shall not include any Non-Recourse Indebtedness of HPSC or any Subsidiary of HPSC.

"GAAP" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession as in effect on the Issue Date.

"Hedging and Interest Swap Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Indebtedness" of any Person means, without duplication; (a) all liabilities and obligations, contingent or otherwise, of any such Person, (i) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (ii) evidenced by bonds, notes, debentures or similar instruments, (iii) representing the balance deferred and unpaid of the purchase price of any property or services, except (other than accounts payable or other obligations to trade creditors which have remained unpaid for greater than 90 days past their original due date, unless contested in good faith) those incurred in the ordinary course of its business that would constitute ordinarily a trade payable to trade creditors, (iv) evidenced by bankers' acceptances or similar instruments issued or accepted by banks, (v) for the payment of money relating to a Capitalized Lease Obligation, or (vi) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit; (b) all net obligations of such Person under Hedging and Interest Swap Obligations; (c) all liabilities and obligations of others of the kind described in the preceding clauses (a) or (b) that such Person has guaranteed or that is otherwise its legal liability or which are secured by any assets or property of such Person; and (d) all immediately enforceable obligations to purchase, redeem or acquire any Capital Stock of such Person (other than, in the case of HPSC or any of its Subsidiaries, obligations under the Restricted Stock Plans or the Stock Option Plans).

"Investment" by any Person in any other Person means (without duplication); (a) the acquisition (whether by purchase, merger, consolidation or otherwise) by such Person (whether for cash, property, services, securities or otherwise) of Capital Stock, bonds, notes, debentures, partnership or other ownership interests or other securities, including any options or warrants, of such other Person or any agreement to make any such acquisition; (b) the making by such Person of any deposit with, or advance, loan or other extension of credit to, such other Person (including the purchase of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such other Person) or any commitment to make any such advance, loan or extension (but excluding accounts receivable or deposits arising in the ordinary course of business); (c) other than guarantees of Indebtedness of HPSC or any Subsidiary to the extent permitted by the covenant "Limitation on Incurrence of Additional Funded

Recourse Debt and Disqualified Capital Stock," the entering into by such Person of any guarantee of, or other credit support or contingent obligation with respect to, Indebtedness or other liability of such other Person; and (d) the making of any capital contribution by such Person to such other Person.

"Issue Date" means the date of first issuance of the Notes under the Indenture.

"Net Cash Proceeds" means the aggregate amount of Cash and Cash Equivalents received by HPSC in the case of a sale of Qualified Capital Stock, plus in the case of any issuance of Qualified Capital Stock by HPSC upon any exercise, exchange or conversion of securities (including options, warrants, rights and convertible or exchangeable debt) of HPSC that were issued for cash on or after the Issue Date, the amount of cash originally received by HPSC upon the issuance of such securities (including options, warrants, rights and convertible or exchangeable debt) less, in each case, the sum of all payments, fees, commissions and reasonable and customary expenses (including, without limitation, the fees and expenses of legal counsel and investment banking fees and expenses) incurred in connection with such sale of Qualified Capital Stock.

"Non-Receivable Asset" means any asset, property or right of HPSC or any of its Subsidiaries, other than any Customer Receivable, or asset related to such Customer Receivable, such as inventory, records, intellectual property and proceeds of Customer Receivables.

"Non-Recourse Indebtedness" means Indebtedness or that portion of Indebtedness (i) as to which neither HPSC nor any of its Subsidiaries (a) provide credit support (including any undertaking, agreement or instrument which would constitute Indebtedness), (b) is directly or indirectly liable or (c) constitutes the lender and (ii) with respect to which no default would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of HPSC or any Subsidiary to declare a default on such other Indebtedness or cause the payment therefor to be accelerated or payable prior to its stated maturity.

"Permitted Lien" means any of the following:

(a) Liens existing on the Issue Date;

(b) Liens imposed by governmental authorities for taxes, assessments or other charges not yet subject to penalty or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of HPSC in accordance with GAAP;

(c) statutory Liens of carriers, warehousemen, mechanics, materialmen, landlords, repairmen or other like Liens arising by operation of law in the ordinary course of business provided that (i) the underlying obligations are not overdue for a period of more than 30 days or (ii) such Liens are being contested in good faith and by appropriate proceedings and adequate reserves with respect thereto are maintained on the books of HPSC in accordance with GAAP;

(d) Liens securing the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, zoning, similar restrictions and other similar encumbrances or title defects which, singly or in the aggregate, do not in any case materially detract from the value of the property, subject thereto (as such property is used by HPSC or any of its Subsidiaries) or interfere with the ordinary conduct of the business of HPSC or any of its Subsidiaries;

(f) Liens arising by operation of law in connection with judgments, only to the extent, for an amount and for a period not resulting in an Event of Default with respect thereto;

(g) pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation;

(h) Liens on the property or assets of a Person existing at the time such Person becomes a Subsidiary or is merged with or into HPSC or a Subsidiary, provided in each case that such Liens were

in existence prior to the date of such acquisition, merger or consolidation, were not incurred in anticipation thereof and do not extend to any other assets;

(i) Liens on property or assets existing at the time of the acquisition thereof by HPSC or any of its Subsidiaries, provided that such Liens were in existence prior to the date of such acquisition and were not incurred in anticipation thereof;

(j) Liens securing Refinancing Indebtedness incurred to refinance any Indebtedness that was previously so secured in a manner no more adverse to the Holders of the Notes than the terms of the Liens securing such refinanced Indebtedness;

(k) Liens securing Secured Portfolio Debt;

(l) Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations permitted to be incurred under clause (c) of the definition of "Permitted Recourse Debt;"

(m) Liens in favor of HPSC or any Subsidiary; and

(n) Liens securing the Notes.

"Permitted Recourse Debt" means any of the following:

(a) Indebtedness of HPSC evidenced by the Notes pursuant to the Indenture up to the amounts specified therein as of the Issue Date;

(b) Indebtedness of HPSC and its Subsidiaries under the Revolver Agreement (including any Indebtedness issued to refinance, refund or replace such Indebtedness in whole or in part, including any extended maturity or increase in the amount thereof);

(c) Indebtedness of HPSC and its Subsidiaries (in addition to Indebtedness permitted by any other clause of this paragraph) in an aggregate amount outstanding at any time (including any Indebtedness issued

to refinance, replace or refund such Indebtedness in whole or in part) of up to $1.5 million;

(d) Refinancing Indebtedness of HPSC and its Subsidiaries incurred with respect to any Indebtedness or Disqualified Capital Stock, as applicable, described in clause (ii) of the proviso contained in the description of the covenant "Limitation on Incurrence of Funded Recourse Debt and Disqualified Capital Stock" or described in clause (e) of this definition of "Permitted Recourse Debt";

(e) Indebtedness of HPSC owed to any Wholly-Owned Subsidiary, and Indebtedness of any Subsidiary of HPSC owed to any other Wholly-Owned Subsidiary or to HPSC; provided that any such obligations of HPSC owed to any Wholly-Owned Subsidiary shall be unsecured and subordinated in all respects to HPSC's obligations pursuant to the Notes; and, provided, further, that if any Wholly-Owned Subsidiary ceases to be a Wholly-Owned Subsidiary of HPSC or if HPSC or any Wholly-Owned Subsidiary transfers such Indebtedness to any Person (other than to HPSC or another Wholly-Owned Subsidiary), such events, in each case, shall constitute the incurrence of such Indebtedness by HPSC or such Wholly-Owned Subsidiary, as the case may be, at the time of such event;

(f) Indebtedness of HPSC and its Subsidiaries existing on the Issue Date;

(g) Indebtedness of HPSC and its Subsidiaries incurred solely in respect of bankers acceptances, letters of credit, surety bonds and performance bonds (in each case to the extent that such incurrence does not result in the incurrence of any obligation for the payment of borrowed money of others) issued (i) in connection with the incurrence or refinancing of Secured Portfolio Debt and (ii) in the ordinary course of business consistent with past practice;

(h) Indebtedness of HPSC and its Subsidiaries represented by Hedging and Interest Swap Obligations entered into in the ordinary course of business consistent with past practice and related to Indebtedness of HPSC and its Subsidiaries otherwise permitted to be incurred pursuant to the Indenture; and

(i) Secured Portfolio Debt.

"Purchase Money Indebtedness" means Indebtedness of HPSC or its Subsidiaries to the extent that (i) such Indebtedness is incurred in connection with the acquisition of specified assets and property (the "Subject Assets") for the business of HPSC or the Subsidiaries, including Indebtedness which existed at the time of the acquisition of such Subject Asset and was assumed in connection therewith, and (ii) the Liens securing such Indebtedness are limited to the Subject Asset.

"Qualified Capital Stock" means any Capital Stock of HPSC that is not Disqualified Capital Stock.

"Qualified Exchange" means any legal defeasance, redemption, retirement, repurchase or other acquisition of Capital Stock or Subordinated Indebtedness of HPSC issued on or after the Issue Date with the Net Cash Proceeds received by HPSC from the substantially concurrent (i.e., within 60 days) sale (other than to a Subsidiary of HPSC or the ESOP) of Qualified Capital Stock or any issuance of Qualified Capital Stock in exchange for any Capital Stock or Subordinated Indebtedness issued on or after the Issue Date.

"Reference Period" with regard to any Person means the four full fiscal quarters (or such lesser period during which such Person has been in existence) ended immediately preceding any date upon which any determination is to be made pursuant to the terms of the Notes or the Indenture.

"Refinancing Indebtedness" means Indebtedness or Disqualified Capital Stock (a) issued in exchange for, or the proceeds from the issuance and sale of which are used substantially concurrently to repay, redeem, defease, refund, refinance, discharge or otherwise retire for value, in whole or in part, or (b) constituting an amendment, modification or supplement to, or a deferral or renewal of (each of (a) and (b) above is a "Refinancing"), any Indebtedness or Disqualified Capital Stock in a principal amount or, in the case of Disqualified Capital Stock, liquidation preference, not to exceed (after deduction of reasonable and customary fees and expenses incurred in connection with the Refinancing) the lesser of (i) the principal amount or, in the case of Disqualified Capital Stock, liquidation preference, of the Indebtedness or Disqualified Capital Stock so refinanced and (ii) if such Indebtedness being refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such Refinancing; provided, that (A) such Refinancing Indebtedness of any Subsidiary of HPSC shall

only be used to refinance outstanding Indebtedness or Disqualified Capital Stock of such Subsidiary, (B) Refinancing Indebtedness shall (x) not have an Average Life shorter than the Indebtedness or Disqualified Capital Stock to be so refinanced at the time of such Refinancing and (y) in all respects, be no less subordinated or junior, if applicable, to the rights of Holders of the Notes than was the Indebtedness or Disqualified Capital Stock to be refinanced and (C) such Refinancing Indebtedness shall have no installment of principal (or redemption payment) scheduled to come due earlier than the scheduled maturity of any installment of principal of the Indebtedness or Disqualified Capital Stock to be so refinanced which was scheduled to come due prior to the Stated Maturity.

"Related Business" means the business conducted by HPSC and its Subsidiaries as of the Issue Date and any and all businesses that in the good faith judgment of the Board of Directors of HPSC are related businesses.

"Restricted Investment" means any Investment other than:

(a) Investments in Customer Receivables;

(b) Investments in Cash Equivalents;

(c) Investments existing on the Issue Date;

(d) Investments in HPSC or a Wholly-Owned Subsidiary;

(e) Investments in any Person engaged in a Related Business if, as a consequence of such Investment, (i) such Person becomes a Wholly-Owned Subsidiary or (ii) such Person is merged, consolidated or amalgamated with or into, or conveys substantially all of its assets to HPSC or a Wholly-Owned Subsidiary;

(f) Investments consisting of loans or advances to employees of HPSC or any of its Subsidiaries (i) for moving, entertainment, travel and other similar expenses in the ordinary course of business not exceeding $250,000 outstanding in the aggregate at any one time or (ii) pursuant to the HPSC Stock

Loan Program not exceeding $400,000 (or such greater amount as may be permitted under Federal Reserve regulations from time to time) outstanding in the aggregate at any one time;

(g) Investments made as a result of the receipt of non-cash consideration in connection with the sale, lease, disposal, pledge, encumbrance or other transfer of Customer Receivables;

(h) Investments not otherwise specified in clauses (a) through (g) above not exceeding $1 million outstanding in the aggregate at any one time; and

(i) Investments not otherwise specified in clauses (a) through (h) above which are from time to time permitted to be made by HPSC or any of its Subsidiaries under Section 8.3 (or any successor provision) of the Revolver Agreement.

"Restricted Payment" means, with respect to any Person, (a) the declaration or payment of any dividend or other distribution in respect of any Capital Stock of such Person or any Subsidiary of such Person, (b) any payment on account of the purchase, redemption or other acquisition or retirement for value of Capital Stock of such Person or any Subsidiary of such Person, (c) other than with the proceeds from the substantially concurrent (i.e., within 60 days) sale of, or in exchange for, Refinancing Indebtedness, any purchase, redemption or other acquisition or retirement for value of, any payment in respect of any amendment of the terms of or any defeasance of, any Subordinated Indebtedness of such Person or any Affiliate or Subsidiary of such Person, directly or indirectly, by such Person or any Subsidiary of such Person prior to the scheduled maturity, any scheduled repayment of principal, or any scheduled sinking fund payment, as the case may be, of such Subordinated Indebtedness and (d) any Restricted Investment by such Person; provided, however, that the term "Restricted Payment" does not include (i) any dividend, distribution or other payment on or with respect to, or on account of the purchase, redemption or other acquisition or retirement for value of, Capital Stock of an issuer to the extent payable solely in shares of Qualified Capital Stock of such issuer or (ii) any dividend, distribution or other payment to HPSC or to any of its Wholly-Owned Subsidiaries by HPSC or any of its Subsidiaries.

"Restricted Stock Plans" shall mean collectively, (i) HPSC's 1995 Stock Incentive Plan and (ii) comparable plans providing for the issuance of Capital Stock of HPSC to officers, directors and employees of HPSC and its Subsidiaries having terms similar to the foregoing, each as amended from time to time by a resolution of the Board of Directors of HPSC or a duly authorized committee

thereof.

"Revolver Agreement" means the credit agreement dated as of December 12, 1996, as amended on the Issue Date, by and among HPSC and ACFC, certain financial institutions, and The First National Bank of Boston, as agent, providing for an aggregate $95.0 million revolving credit facility, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such credit agreement and/or related documents may by HPSC be amended, restated, supplemented, renewed, replaced or otherwise modified from time to time whether or not with the same agent, trustee, representative lenders or holders and irrespective of any changes in the terms and conditions thereof. Without limiting the generality of the foregoing, the term "Revolver Agreement" shall include any amendment, amendment and restatement, renewal, extension, restructuring, supplement or modification to any Revolver Agreement by HPSC and all refundings, refinancings and replacements of any such Revolver Agreement by HPSC, including any agreement (i) extending the maturity of any Indebtedness incurred thereunder or contemplated thereby, (ii) adding or deleting borrowers or guarantors thereunder, so long as borrowers and issuers thereunder include HPSC and its successors and assigns, (iii) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"Savings Bank Indebtedness" of HPSC or any Subsidiary means Indebtedness to a savings bank or other financial institution which Indebtedness is (i) created, incurred, assumed or guaranteed by HPSC or such Subsidiary of HPSC in order to finance one or more Customer Receivables created in the ordinary course of business of HPSC or such Subsidiary and (ii) secured by a lien on such Customer Receivable(s).

"Secured Portfolio Debt" of HPSC or any Subsidiary means (a) any Indebtedness, including principal, interest (including, without limitation, interest accruing after the commencement of any bankruptcy case or proceedings whether or not allowed as a claim in such case or proceeding), fees, collateral protection

expenses and enforcement costs, of HPSC or such Subsidiary under the Revolver Agreement, (b) Savings Bank Indebtedness and (c) any other Indebtedness of HPSC or such Subsidiary, whether outstanding on the Issue Date or thereafter created, incurred, assumed or guaranteed by HPSC or such Subsidiary, which Indebtedness described in clause (c) is (i) created, incurred, assumed or guaranteed by HPSC or such Subsidiary of HPSC in order to finance one or more Customer Receivables created in the ordinary course of business of HPSC or such Subsidiary and (ii) secured by a Lien on such Customer Receivable(s).

"Senior Indebtedness" of HPSC or any Subsidiary means any Indebtedness of HPSC or such Subsidiary, whether outstanding on the Issue Date or thereafter created, incurred, assumed or guaranteed by HPSC or such Subsidiary, other than Indebtedness as to which the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such Indebtedness is subordinated or junior to the Notes. Notwithstanding the foregoing, however, in no event shall Senior Indebtedness include (a) Indebtedness to any Subsidiary of HPSC or any officer, director or employee of HPSC or any Subsidiary of HPSC or (b) Indebtedness incurred in violation of the terms of the Indenture.

"Sinking Fund" means the method provided for in the Indenture and the Notes of amortizing the aggregate principal amount of the Notes.

"Stated Maturity," when used with respect to any Note, means , 2007.

"Stock Option Plans" shall mean collectively, (i) HPSC's 1995 Stock Incentive Plan and (ii) comparable plans providing for the issuance of options to purchase Capital Stock of HPSC to officers, directors and employees of HPSC and its Subsidiaries having terms similar to the foregoing, each as amended from time to time by a resolution of the Board of Directors of HPSC or a duly authorized committee thereof.

"Subordinated Indebtedness" means Indebtedness of HPSC that is (i) subordinated in right of payment to the Notes in any respect or (ii) any Indebtedness which is expressly subordinate to Senior Indebtedness and has a stated maturity on or after the Stated Maturity.

"Subsidiary," with respect to any Person, means (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person, or (ii) any other Person (other than a corporation described in clause (i) above) in which such Person, one or more Subsidiaries of such Person, or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof has at least majority ownership interest. Notwithstanding the foregoing, an Unrestricted Subsidiary shall not constitute a Subsidiary of HPSC or any of HPSC's Subsidiaries.

"Wholly-Owned Subsidiary" means a Subsidiary of HPSC of which all of the outstanding Capital Stock or other ownership interests shall at the time be owned by HPSC or by one or more Wholly-Owned Subsidiaries of HPSC or by HPSC and one or more Wholly-Owned Subsidiaries of HPSC.

BOOK-ENTRY, DELIVERY AND FORM; CERTIFICATED NOTES

The Notes will initially be issued in the form of one or more registered notes in global form (the "Global Notes"). Each Global Note will be deposited on the Issue Date with, or on behalf of, The Depository Trust Company ("DTC" or the "Depository") and registered in the name of Cede & Co., as nominee of the Depository.

DTC has advised HPSC that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a member of the Federal Reserve System, (iii) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (iv) a "Clearing Agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants (collectively, the "Participants") and facilitates the clearance and settlement of securities transactions between Participants through electronic book-entry changes to the accounts of its Participants, thereby eliminating the need for physical transfer and delivery of certificates. The Depository's Participants include securities brokers and dealers (including the Initial Purchasers), banks and trust companies (collectively, the "Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either

directly or indirectly. Beneficial owners may elect to hold Notes purchased by them through the Depository. Persons who are not Participants may beneficially own securities held by or on behalf of the Depository only through Participants or Indirect Participants.

HPSC expects that pursuant to procedures established by the Depository (i) upon deposit of the Global Notes, the Depository will credit the accounts of Participants designated by the Underwriters with an interest in the Global Notes and (ii) ownership of the Notes evidenced by the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depository (with respect to the interests of Participants), the Participants and the Indirect Participants. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own and that security interests in negotiable instruments can only be perfected by delivery of certificates representing the instruments. Consequently, the ability to transfer Notes or to pledge the Notes as collateral will be limited to such extent.

So long as the Depository or its nominee is the registered owner of a Global Note, the Depository or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by the Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note will not be entitled to have Notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any directions, instructions or approvals to the Trustee thereunder. As a result, the ability of a person having a beneficial interest in Notes represented by a Global Note to pledge such interest to persons or entities that do not participate in the Depository's system or to otherwise take actions with respect to such interest, may be affected by the lack of a physical certificate evidencing such interest.

Accordingly, each person owning a beneficial interest in a Global Note must rely on the procedures of the Depository and, if such beneficial owner is not a Participant or an Indirect Participant, on the procedures of the Participant through which such beneficial owner owns its interest, to exercise any rights of a Holder under the Indenture or such Global Note. HPSC understands that under existing industry practice, in the event HPSC requests any action of Holders or

a person that is an owner of a beneficial interest in a Global Note desires to take any action that the Depository, as the Holder of such Global Note, is entitled to take, the Depository would authorize the Participants to take such action and the Participants would authorize beneficial owners owning through such Participants to take such action or would otherwise act upon the instructions of such beneficial owners. Neither HPSC nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by the Depository, or for maintaining, supervising or reviewing any records of the Depository relating to such Notes.

Payments with respect to the principal of, premium, if any, interest on any Notes represented by a Global Note registered in the name of the Depository or its nominee on the applicable record date will be payable by the Trustee to or at the direction of the Depository or its nominee in its capacity as the registered Holder of the Global Note representing such Notes under the Indenture. Under the terms of the Indenture, HPSC and the Trustee may treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither HPSC nor the Trustee has or will have any responsibility or liability for the payment of such amounts to beneficial owners of the Notes (including principal, premium, if any, and interest), or to immediately credit the accounts of the relevant Participants with such payment, in amounts proportionate to their respective holdings in principal amount of beneficial interest in the Global Note as shown on the records of the Depository. Payments by the Participants and the Indirect Participants to the beneficial owners of the Notes will be governed by standing instructions and customary practice and will be the responsibility of the participants or the Indirect Participants.

CERTIFICATED NOTES

If (i) HPSC notifies the Trustee in writing that the Depository is no longer willing or able to act as a depository and HPSC is unable to locate a qualified successor within 90 days or (ii) HPSC, at its option,

notifies the Trustee in writing that it elects to cause the issuance of Notes in definitive form under the Indenture, then, upon surrender by the Depository of its Global Note, Certificated Notes will be issued to each person that the Depository identifies as the beneficial owner of the Notes represented by the Global Note. In addition, subject to certain conditions, any person having a beneficial interest in a Global Note may, upon request to the Trustee, exchange such beneficial interest for Certificated Notes. Upon any such issuance, the Trustee is required to register such Certificated Notes in the name of such person or persons (or the nominee of any thereof), and cause the same to be delivered thereto.

Neither HPSC nor the Trustee shall be liable for any delay by the Depository or any participant or Indirect Participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from the Depository for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

SETTLEMENT AND PAYMENT

The Indenture will require that payments in respect of the Notes represented by the Global Note (including principal, premium, if any, and interest) be made by wire transfer of immediately available funds to the accounts specified by the Depositary or its nominee. With respect to Notes represented by Certificated Notes, however, HPSC will make all payments of principal, premium, if any, and interest by mailing a check to each such Holder's registered address. Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearing-house or next-day funds.

TRUSTEE AND REGISTRAR

The trustee and registrar for the Company's Notes is State Street Bank and Trust Company, of Boston, Massachusetts.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The Second Amended and Restated Credit Agreement (referred to herein as the Revolver) by and among the Company, The First National Bank of Boston, individually and as Managing Agent, NationsBank, N.A., individually and as Agent, and certain other lending banks (the "Banks"), contains numerous operating and financial covenants that impose limitations on the Company's ability to operate its business. These covenants include restrictions on indebtedness, liens and investments of the Company; prohibitions on dividends,

mergers or consolidations and disposition of assets of the Company; requirements relating to certain receivables, reserve and delinquency ratios; and limitations on capital expenditures. The Revolver also permits the Banks, upon an Event of Default by the Company (as defined in the Revolver Agreement), to declare all amounts owed by the Company under the Revolver immediately due and payable. The Revolver currently expires in December 1997 and provides for borrowing by the Company of up to $95 million, approximately $40 million of which was outstanding as of December 31, 1996. The net proceeds from the offering of the Notes will be used by the Company to repay, in part, amounts outstanding under the Revolver.

CERTAIN NEGATIVE COVENANTS

RESTRICTIONS ON INDEBTEDNESS. The Company has covenanted and agreed that, so long as any obligation is outstanding under the Revolver, it will not, and will not permit any of its subsidiaries to, incur, assume or guarantee any indebtedness other than (i) indebtedness under the Revolver, (ii) current liabilities incurred in the ordinary course of business, (iii) taxes and other governmental charges, (iv) subordinated debt, (v) lease obligations not exceeding $1 million at any time outstanding, (vi) indebtedness of subsidiaries to the Company, as long as the subsidiary has executed a guaranty in favor of the Banks and Agent secured by a perfected first priority security interest in all assets of the debtor subsidiary, (vii) indebtedness under the asset sales agreements with the savings banks, subject to certain conditions, (viii) indebtedness incurred by Bravo under the credit agreement pertaining to the securitization facility and (ix) certain other pre-existing or ordinary course indebtedness.

RESTRICTIONS ON LIENS. For so long as the Revolver remains outstanding, the Company has agreed that it will not and will not permit its subsidiaries to (i) create or incur any lien, encumbrance, mortgage, pledge, charge, restriction or other security interest on its property or assets or the income or profits therefrom, (ii) transfer any property or assets, or income or profits therefrom, to pay for other indebtedness or priority obligations, (iii) acquire property or assets upon a conditional sale or other title retention or a purchase money security agreement, (iv) allow to remain unpaid for more than 30 days any indebtedness that may be given priority over general creditors, or (v) sell, assign, pledge or otherwise transfer any accounts, contract rights, general intangibles, chattel paper or instruments, with or without recourse. However, the Company may create or incur liens on property of the subsidiaries in favor of the Company to secure indebtedness owed to the Company by the Subsidiaries, liens to secure taxes and other governmental charges, liens in favor of the Agent for the benefit of the Banks under the Revolver, liens on margin stock, liens granted by Bravo in connection with the securitization facility, and liens on Company assets granted to certain savings banks in connection with loans against and sales of the Company's contract receivables.

RESTRICTIONS ON INVESTMENTS. For so long as the Revolver remains outstanding, the Company and its subsidiaries may not permit to exist or remain outstanding any investments other than (i) one-year, marketable direct or guaranteed obligations of the United States, (ii) demand deposits, certificates of deposit, bankers acceptances and time deposits of United States banks with total assets over $1 billion, (iii) commercial paper securities rated at least P1 by Moody's Investors Services, Inc. or A1 by Standard and Poor's or short-term bank notes rated at least P2 or A2, (iv) investments in the Company's subsidiaries so long as such entities remain subsidiaries, the aggregate amount of investments made by the Company and its subsidiaries in ACFC does not exceed $15 million in fiscal 1997 and the aggregate investment by the Company in Credident does not exceed $100,000 in any fiscal year, (v) promissory notes received for asset dispositions, (vi) advances to employees for moving, entertainment, travel and similar business expenses, not to exceed $250,000 in the aggregate at any time outstanding, (vii) investments made pursuant to the Stock Purchase Agreement and (viii) other investments not exceeding $1 million.

RESTRICTIONS ON CORPORATE POWERS. For so long as the Revolver remains outstanding, the Company may not make any distributions to its shareholders, including (i) dividends on, and purchase, redemption or other retirement of, shares of capital stock of the Company, (ii) return of capital to its shareholders, or (iii) any other distribution on or in respect of any shares of any class of Company capital stock. In addition, the Company and its subsidiaries may not be party to any merger or consolidation or asset or stock acquisition, other than in the ordinary course of business, may not dispose of any assets other than in the ordinary course of business, and may not transfer a material amount of Customer Receivables (as defined in the Revolver Agreement) without the prior written approval of the Banks. The Company also may not engage in any sale and leaseback transaction, and may not amend, supplement or otherwise modify the terms of any subordinated debt agreement or prepay or repurchase any subordinated debt or indebtedness outstanding under the securitizations with Funding I and Bravo or the asset transactions with the savings banks listed above in "Funding Sources--Savings Bank Loans and Asset Sales." The Company may not sell, assign or otherwise dispose of, or grant

options with respect to, the capital stock of Funding I. Neither HPSC nor ACFC may change the character of its business or its credit policy if such change would impair the collectibility of any outstanding financing contract.

FINANCIAL COVENANTS

The Revolver also imposes several financial and operating requirements and limitations on the Company, including (i) maintenance of a minimum consolidated tangible net worth; (ii) a limitation on capital expenditures of $700,000 in the aggregate; (iii) a limitation on lease obligations of $5 million in the aggregate; (iv) a permitted ratio of indebtedness plus security deposits received on accounts receivable to consolidated tangible net worth plus subordinated debt; (v) permitted reissued customer receivables as a percentage of gross customer receivables; (vi) permitted delinquent customer receivables as a percentage of gross customer receivables; (vii) minimum reserves as a percentage of contractually delinquent customer receivables at the end of any fiscal quarter; (viii) minimum allowance for doubtful accounts of both the Company and ACFC as a percentage of net investment in leases and notes; (ix) minimum average collections at the end of any three month period as a percentage of billings; (x) a ratio of consolidated earnings before interest and taxes to consolidated total interest expense; and (xi) maximum aggregate accounts receivable by any single equipment supplier as a percentage of total accounts receivable.

EVENTS OF DEFAULT

Events of Default by the Company under the Revolver Agreement include: (i) failure to pay principal or interest on loans under the Revolver as it becomes due and payable; (ii) failure to comply with covenants under the Revolver; (iii) false representation or warranty under the Revolver; (iv) failure to pay any obligation under any other borrowing arrangement or lease agreement which could require acceleration of all obligations thereunder; (v) commencement of proceedings in bankruptcy, including dissolution or liquidation; (vi) acceleration of payment, prepayment or repurchase of debt under the securitization arrangements with Funding I and Bravo, subject to certain limitations; (vii) certain violations under the Employee Retirement Income Security Act of 1974, as amended; (viii) a change of control of the Company; (ix) any default or event of default under the Company's credit agreement with Springfield Institution for Savings; and (x) ceasing to hold 100% of the capital stock of ACFC.

There can be no assurance that the Company will be able to continue to comply with all of its obligations under the Revolver. Any failure to comply with such obligations which leads to an Event of Default under the Revolver would have a material adverse effect on the Company's business, operating results and financial condition. In July and August 1996, the level of delinquencies under certain of the Company's financing transactions triggered a payment restriction event under Funding I, which event was considered a technical default under the previous Revolver agreement. This default subsequently was waived by the Banks; however, a payment restriction event is not unusual during the later stages of a static pool securitization and may occur again before Funding I is fully paid out. The current Revolver provides that such a payment restriction event will not constitute a default unless it continues for at least six months. There can be no assurance that the Company will be able to secure further waivers from the Banks in the event of a subsequent payment restriction event that constitutes a default under the Revolver. See "Risk Factors--Dependence on Funding Sources; Restrictive Covenants," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Funding Sources."

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, Advest, Inc. and Legg Mason Wood Walker, Incorporated (the "Underwriters"), have severally agreed to purchase from the Company the following respective principal amounts of Notes at face value less the underwriting discounts and commissions set forth on the cover page of this Prospectus:

<TABLE>
<CAPTION>

UNDERWRITER	PRINCIPAL AMOUNT
<S>	<C>
Advest, Inc.	$ 10,000,000
Legg Mason Wood Walker, Incorporated	10,000,000
Total	$ 20,000,000

</TABLE>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent including the absence of any material adverse change in the Company's business and the receipt of certain certificates, opinions and letters from the Company, its counsel and independent auditors. The nature of the Underwriters' obligation is that they are committed to purchase all Notes offered hereby if any of such Notes are purchased.

The Company has been advised by the Underwriters that the Underwriters propose to offer the Notes to the public at face value as set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of % . The Underwriters may allow, and such dealers may reallow, a concession not in excess of % to certain other dealers. After the offering of the Notes hereby, the offering price and other selling terms may be changed by the Underwriters.

The Company has granted to the Underwriters an option, exercisable not later than 30 days after the date of this Prospectus, to purchase up to $3,000,000 principal amount of Notes, at face value less the underwriting discounts set forth on the cover page of this Prospectus. To the extent that the Underwriters exercise this option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof which the principal amount of Notes to be purchased by it shown in the above table bears to the total principal amount of Senior Notes offered hereby. The Company will be obligated, pursuant to the option, to sell such Notes to the Underwriters. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of Notes offered hereby. If purchased, the Underwriters will offer such additional senior notes on the same terms as those on which the $20,000,000 principal amount of Notes are being offered.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the Underwriters may be required to make in respect thereof.

The Underwriters have advised the Company that they do not intend to confirm sales to any account over which they exercise discretionary authority.

The Company has no plans to list the Notes on any securities exchange. The Company has been advised by each of the Underwriters that each presently intends to make a market in the Notes, although neither is obliged to do so. Any such market making activity may be discontinued at any time, for any reason, without notice. If both Underwriters cease to act as a market maker for the Notes for any reason, there can be no assurance that another firm or person will make a market therein. There can be no assurance that an active market for the Notes will develop, or, if developed, at what prices the Notes will trade.

LEGAL MATTERS

The validity of the Notes being offered hereby will be passed upon for the Company by Hill & Barlow, a Professional Corporation, Boston, Massachusetts. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.

EXPERTS

The consolidated financial statements of HPSC, Inc. as of and for the year ended December 31, 1996 included in this Prospectus have been audited by Deloitte & Touche LLP ("Deloitte & Touche"), independent auditors, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements as of December 31, 1995 and for the fiscal years ended December 31, 1995 and December 31, 1994 included in this Prospectus, have been so included in reliance on the report of Coopers & Lybrand L.L.P. ("Coopers & Lybrand"), independent accountants, given on the authority of said firm as experts in auditing and accounting.

Coopers & Lybrand resigned as independent accountants for the Company on June 12, 1996. None of the reports of Coopers & Lybrand on the financial statements of the Company for either of the past two fiscal years contained an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope or accounting principles. During the Company's two most recent fiscal years and the subsequent interim period preceding the resignation of Coopers & Lybrand, there were no disagreements with Coopers & Lybrand on any

matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Coopers & Lybrand, would have caused it to make reference to the subject matter of the disagreement in connection with its report. None of the reportable events listed in Item 304(a)(1)(v) of Regulation S-K occurred with respect to the Company during the Company's two most recent fiscal years and the subsequent interim period preceding the resignation of Coopers & Lybrand.

On June 19, 1996, the Company engaged Deloitte & Touche as its independent accountants.

ADDITIONAL INFORMATION

The Company intends to furnish to the holders of the Notes unaudited quarterly financial statements and annual reports containing consolidated financial statements audited by an independent accounting firm.

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Notes offered hereby. This Prospectus, which constitutes part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder.

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, files reports, proxy statements and other information with the Commission (collectively, "Exchange Act Filings").

The Registration Statement, including exhibits and schedules thereto, as well as the Company's Exchange Act Filings, may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, DC 20549, and at the Commission's regional offices at Seven World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and copies may be obtained at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. The Commission also maintains a Web site on the Internet that contains reports, proxy and information statements and other information regarding registrants such as the Company that file electronically with the Commission. The address of such site is: http://www.sec.gov. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

HPSC, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of HPSC, Inc.:

We have audited the accompanying consolidated balance sheet of HPSC, Inc. and subsidiaries as of December 31, 1996, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. 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 audit.

We conducted our audit 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 that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of HPSC, Inc. and subsidiaries as of December 31, 1996, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Boston, Massachusetts

February 28, 1997

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of HPSC, Inc.:

We have audited the accompanying consolidated balance sheet of HPSC, Inc. as of December 31, 1995, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 1995. 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 that 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 HPSC, Inc. as of December 31, 1995, and the consolidated results of its operations and its

cash flows for each of the two years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note A to the financial statements, the Company adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosure," effective January 1, 1995.

Coopers & Lybrand L.L.P.

Boston, Massachusetts

March 25, 1996

HPSC, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
<S>	<C>	<C>
ASSETS		
Cash and Cash Equivalents	$ 2,176	$ 861
Restricted Cash	6,769	5,610
Investment in Leases and Notes:		
Lease contracts and notes receivable due in installments	160,049	128,687
Notes receivable	18,688	12,002
Estimated residual value of equipment at end of lease term	9,259	9,206
Less unearned income	(34,482)	(25,875)
Less allowance for losses	(4,082)	(4,482)
Less security deposits	(4,522)	(3,427)
Deferred origination costs	4,312	3,805
Net investment in leases and notes	149,222	119,916
Other Assets:		
Other assets	3,847	3,294
Refundable income taxes	1,203	1,088
Total Assets	$ 163,217	$ 130,769
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving Credit Borrowings	$ 40,000	39,000
Senior Notes	76,737	49,523
Accounts Payable and Accrued Liabilities	5,916	3,537
Accrued Interest	450	339
Estimated Recourse Liabilities	480	30
Income Taxes:		
Currently payable	300	368
Deferred	5,002	4,613
Total Liabilities	$ 128,885	97,410
Stockholders' Equity:		
Preferred Stock, $1.00 par value; authorized 5,000,000 shares; Issued--None	--	--

Common Stock, $.01 par value; 15,000,000 shares authorized; and issued 4,786,530 in 1996 and 1995	48	48
Treasury Stock (at cost) 128,600 shares in 1996 and 100,000 in 1995	(587)	(410)
Additional paid-in capital	12,305	11,311
Retained earnings	25,351	24,476
	37,117	35,425
Less deferred compensation and receivables	(2,785)	(2,066)
Total Stockholders' Equity	34,332	33,359
Total Liabilities and Stockholder's Equity	$ 163,217	$ 130,769

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

HPSC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
<S>	<C> 1996	<C> 1995	<C> 1994
Revenues			
Earned income on leases and notes	$ 17,515	$ 12,871	$ 11,630
Gain on sales of leases and notes	1,572	53	--
Provision for losses	(1,564)	(1,296)	(754)
Net Revenues	17,523	11,628	10,876
Operating and Other (Income) Expenses			
Selling, general and administrative	8,059	5,984	6,970
Interest expense	8,146	5,339	3,514
Interest income on cash balances	(261)	(375)	(358)
Loss on write-off of foreign currency translation adjustment	--	601	--
Income before Income Taxes	1,579	79	750
Provision for Income Taxes	704	204	300
Net Income (Loss)	$ 875	$ (125)	$ 450
Net Income (Loss) per Share	$ .22	$ (.03)	$ .09
Shares Used to Compute Net Income (Loss) per Share	4,067,236	3,881,361	4,989,391

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

HPSC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(IN THOUSANDS EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	DEFERRED COMPENSATION AND RECEIVABLES	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
	SHARES	AMOUNT						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 25, 1993	4,923,571	$ 49	$13,645	$24,151	$ --	$--	$(224)	$ 37,621
Issuance of Common Stock	824	--	3	--	--	--	--	3
Net Income	--	--	--	450	--	--	--	450
Purchase of Treasury Stock	--	--	--	--	(5,023)	--	--	(5,023)
Issuance of Common Stock to ESOP & SESOP	650,000	7	2,268	--	--	(2,275)	--	--
ESOP Compensation	--	--	--	--	--	99	--	99
Foreign currency translation adjustments	--	--	--	--	--	--	(328)	(328)
Balance at December 31, 1994	5,574,395	56	15,916	24,601	(5,023)	(2,176)	(552)	32,822
Issuance of Common Stock	317	--	--	--	--	--	--	--
Net Loss	--	--	--	(125)	--	--	--	(125)
Retirement of Treasury Stock	(1,125,182)	(12)	(4,601)	--	4,613	--	--	--
Restricted Stock Awards	337,000	4	(4)	--	--	--	--	--
ESOP Compensation	--	--	--	--	--	110	--	110
Foreign currency translation adjustments	--	--	--	--	--	--	(49)	(49)
Recognized in current period upon liquidation of foreign subsidiary	--	--	--	--	--	--	601	601
Balance at December 31,1995	4,786,530	48	11,311	24,476	(410)	(2,066)	--	33,359
Net Income	--	--	--	875	--	--	--	875
Restricted Stock Awards	--	--	994	--	--	(994)	--	--
Purchase of Treasury Stock	--	--	--	--	(177)	--	--	(177)
Restricted Stock Compensation		--	--			365		365
ESOP Compensation	--	--	--	--	--	105	--	105
Notes Receivable from Officers and Employees	--	--	--	--	--	(195)	--	(195)
Balance at December 31, 1996	4,786,530	$ 48	$12,305	$25,351	$ (587)	$(2,785)	$--	$ 34,332

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

HPSC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities			
Net income (loss)	$ 875	$ (125)	$ 450

Adjustments to reconcile net income to net cash provided by operating activities:			
Foreign currency translation adjustments	--	601	--
Depreciation and amortization	2,862	2,340	1,872
Deferred income taxes	389	(926)	(1,093)
Restricted stock compensation	365	--	--
Gain on sale of receivables	(1,572)	(53)	--
Provision for losses on lease contracts and notes receivable	1,564	1,296	754
Increase (decrease) in accrued interest	111	46	(3,141)
Increase (decrease) in accounts payable and accrued liabilities	2,379	1,087	(2,898)
(Decrease) increase in accrued income taxes	(68)	348	(290)
Decrease (increase) in refundable income taxes	(115)	358	827
(Increase) decrease in other assets	(110)	(458)	921
Cash provided by (used in) operating activities	6,680	4,514	(2,598)
Cash Flows from Investing Activities			
Origination of lease contracts and notes receivable due in installments	(90,729)	(63,945)	(29,710)
Portfolio receipts, net of amounts included in income	38,445	37,524	43,727
Proceeds from sales of lease contracts and notes receivable due in installments	24,344	1,630	6,958
Net increase in notes receivable	(6,730)	(7,570)	(4,370)
Net increase (decrease) in security deposits	1,095	788	(221)
Net increase in other assets	(834)	(844)	(700)
Loans to employees	3	(198)	(9)
Cash (used in) provided by investing activities	(34,406)	(32,615)	15,675
Cash Flows from Financing Activities			
Repayment of senior notes and subordinated debt	(26,019)	(23,385)	(98,976)
Proceeds from issuance of senior notes, net of debt issue costs	52,973	28,422	69,033
Repayment of notes payable-treasury stock purchase	--	(4,500)	--
Net proceeds from demand and revolving notes payable to banks	1,000	25,570	9,370
Purchase of treasury stock	(177)	--	(523)
Increase (decrease) in restricted cash	1,159	2,326	(7,936)
Proceeds from issuance of common stock	--	--	3
Repayment of employee stock ownership plan promissory note	105	110	99
Other	--	--	(328)
Cash provided by (used in) financing activities	29,041	28,543	(29,258)
Net increase (decrease) in cash and cash equivalents	1,315	442	(16,181)
Cash and cash equivalents at beginning of year	861	419	16,600
Cash and cash equivalents at end of year	$ 2,176	$ 861	$ 419
Supplemental disclosures of cash flow information:			
Interest paid	$ 7,719	$ 4,510	$ 6,630
Income taxes paid	765	1,423	2,018

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

HPSC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS--HPSC, Inc. ("HPSC") and its consolidated subsidiaries (the "Company") provide credit primarily to healthcare professionals throughout the United States.

The Company leases dental, ophthalmic, chiropractic, veterinary, podiatry and other medical equipment utilized in the healthcare professions. The Company does not carry any inventory. The Company acquires the financed equipment from

vendors at their customary selling price to other customers. All leases are classified as direct financing leases.

The Company also finances the acquisition of healthcare practices by healthcare professionals and provides financing on leasehold improvements, office furniture and equipment and certain other costs involved in opening or maintaining a healthcare provider's office. In connection with sales of leases and notes receivable, the Company may retain the rights to service the assets sold and receive a service fee in connection with such activities. In addition, through its wholly-owned subsidiary, ACFC, the Company provides asset-based financing to commercial enterprises.

CONSOLIDATION--The accompanying consolidated financial statements include HPSC, Inc. and the following wholly-owned subsidiaries: HPSC Funding Corp. I ("Funding I"), a special purpose corporation formed in connection with a securitization transaction in 1993; Credident, Inc. ("Credident") the Company's Canadian subsidiary; American Commercial Finance Corporation ("ACFC"), an asset-based lender focused primarily on accounts receivable and inventory financing at variable rates; and HPSC Bravo Funding Corp. ("Bravo"), a special purpose corporation formed in connection with securitizations in 1995 and 1996. All intercompany transactions have been eliminated.

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A significant area requiring the use of management estimates is the allowance for losses on lease and notes receivable, including the recourse provisions related to lease and note receivables sold. Actual results could differ from those estimates.

REVENUE RECOGNITION--The Company finances equipment only after a customer's credit has been approved and a financing agreement for the transaction has been executed. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. When a transaction is initially activated, the Company records the minimum payments and the estimated residual value, if any, associated with the transaction. An amount equal to the sum of the payments due plus residual less the cost of the transaction is recorded as unearned income. The unearned income is recognized as revenue over the life of the transaction using the interest method in essentially all cases. Recognition of revenue on these assets is suspended no later than when a transaction becomes 145 days delinquent. Also included in earned income are fee income from service charges on portfolio accounts, gains and losses on residual transactions plus miscellaneous income items net of initial direct cost amortization.

SALES OF LEASES AND NOTES RECEIVABLE--The Company sells leases and notes receivable to third parties. Gains on sales of leases and notes are recognized at the time of the sale in an amount equal to the present value of the anticipated future cash flows, net of initial direct costs, expenses and estimated credit losses under certain recourse provisions of the related sale agreements. Generally, the Company retains the servicing of lease receivables sold. Servicing fees specified in the sale agreements, which approximate

market-rate servicing fees, are deferred and recognized as revenue in proportion to the estimated periodic servicing costs.

DEFERRED ORIGINATION COSTS--The Company capitalizes initial direct costs that relate to the origination of leases and notes receivable. These initial direct costs are comprised of certain specific activities related to processing requests for financing. Deferred origination costs are amortized over the life of the receivable as an adjustment of yield.

ALLOWANCE FOR LOSSES--The Company records an allowance for losses in its portfolio. The extent of the allowance is based on a specific analysis of potential loss accounts, delinquencies and historical loss experiences. An account is specifically reserved for or written off when deemed uncollectible.

The Company occasionally repossesses equipment from lessees who have defaulted on their obligations to the Company. There was no such equipment held for sale at December 31, 1996 or December 31, 1995.

Effective January 1, 1995, the Company adopted prospectively, SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosure." These standards, which do not apply to the Company's lease contracts, apply to the Company's practice acquisition and asset-based loans, the two major risk classifications used to aggregate loans for purposes of SFAS No. 114. The standards require that a loan be classified and accounted for as an impaired loan when it is probable that the Company will be unable to collect all principal and interest due on the loan in accordance with the loan's original contractual terms.

Impaired practice acquisition and asset-based loans are valued based on the present value of expected future cash flows, using the interest rate in effect at the time the loan was placed on nonaccrual status. A loan's observable market value or collateral value may be used as an alternative valuation technique. Impairment exists when the recorded investment in a loan exceeds the value of the loan measured using the above-mentioned valuation techniques. Such impairment is recognized as a valuation reserve, which is included as a part of the Company's allowance for losses. The Company had no impaired loans at December 31, 1996 or 1995.

ACCOUNTING FOR STOCK-BASED COMPENSATION--In October 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123, "Accounting for Stock-Based Compensation." This standard was effective January 1, 1996. The standard encourages, but does not require, adoption of a fair value-based accounting method for stock-based compensation arrangements and would supersede the provisions of Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees." An entity may continue to apply APB No. 25 provided the entity discloses its pro forma net income and earnings per share as if the fair value-based method had been applied in measuring compensation cost. The Company continues to apply APB No. 25 and has disclosed the pro forma information required by SFAS No. 123.

ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES--Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS No. 125), effective for the Company on January 1997, provides new methods of accounting and reporting for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 127 has delayed the effective date of certain sections of SFAS No. 125 until January 1, 1998. The Company's adoption of the appropriate sections of SFAS No. 125 is not expected to have a material effect on the Company's financial position or results of operations.

NOTE A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES--The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Current tax liabilities or assets are recognized, through charges or credits to the current tax provision, for the estimated taxes payable or refundable for the current year. Net deferred tax liabilities or assets are recognized, through charges or credits to the deferred tax provision, for the estimated future tax effects, based on enacted tax rates, attributable to temporary differences. Deferred tax liabilities are recognized for temporary differences that will result in amounts taxable in the future, and deferred tax assets are recognized for temporary differences and tax benefit carryforwards that will result in amounts deductible or creditable in the future. The effect of enacted changes in tax law, including changes in tax rates, on these deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. A deferred tax valuation reserve is established if it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized. Changes in the deferred tax valuation reserve are recognized through charges or credits to the deferred tax provision.

FOREIGN CURRENCY TRANSLATION--The Company accounts for translation of foreign currency in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" (SFAS No. 52). Over a number of years, the accounts of the Company's Canadian subsidiary, Credident, when translated into US dollars, lost value as a result of the decline in the Canadian dollar in relation to the U.S. dollar. In accordance with SFAS No. 52, the cumulative amount of such translation losses had been presented as a reduction of stockholders' equity. The Company discontinued its Canadian operations in 1994, and during 1995, the Company substantially liquidated its investment in Credident. In accordance with SFAS No. 52, upon substantial liquidation in 1995, the cumulative exchange losses were reflected in the income statement and eliminated as a separate component of stockholders' equity. During 1996, such translation adjustments, which were not significant, were reflected in current operations.

NET INCOME (LOSS) PER SHARE--Earnings per share computations are based on the weighted average number of common and common share equivalents outstanding. The weighted average number of common and common share equivalents outstanding do not include unallocated shares under the Company's ESOP and SESOP plans, unvested restricted stock awards and treasury stock. Fully diluted and primary income per share are the same for each of the periods presented.

CASH AND CASH EQUIVALENTS--The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

INTEREST RATE CONTRACTS--The Company utilizes interest rate contracts to reduce the interest rate risk associated with the Company's variable rate borrowings. The Company has established a control environment which includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not hold or issue derivative financial instruments for trading purposes. The differentials to be received or paid under contracts designated as hedges are recognized in income as they accrue over the life of the contracts as adjustments to interest expense.

PROPERTY AND EQUIPMENT--Office furniture, equipment and capital leases are recorded at cost and depreciated using the straight-line method over a period of three to five years. Leasehold improvements are amortized over the shorter of the life of the lease or the asset. Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain or loss is reflected in income. Net property, plant and equipment is included in other assets and was not material at December 31, 1996 and 1995.

NOTE A. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED COMPENSATION AND RECEIVABLES--Deferred compensation includes notes receivable from the Company's Employee Stock Ownership Plan ("ESOP") and Supplemental Employee Stock Ownership Plan ("SESOP"), deferred compensation related to restricted stock awards and, at December 31, 1996, receivables from officers and employees under the Stock Loan Program (see Note G). Deferred compensation and receivables consist of the following:

<TABLE>
<CAPTION>

(IN THOUSANDS)	1996	1995	1994
<S>	<C>	<C>	<C>
ESOP	$ 736	$ 841	$ 951
SESOP	1,225	1,225	1,225
Restricted Stock	629	--	--
Receivables from Officers and Employees	195	--	--
Total	$ 2,785	$ 2,066	$ 2,176

</TABLE>

NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES--On November 1, 1994, the Company executed an agreement with certain secured creditors of Healthco International, Inc. ("Healthco") under which it settled all existing and potential claims between the Company and Healthco and purchased 1,225,182 shares of stock. In 1994, the Company made a cash payment of $1,785,000 and issued a note payable of $4,500,000 to the secured creditors of Healthco to (i) settle net liabilities of $1,262,000 due to Healthco and (ii) to purchase the 1,225,182 shares of stock.

In 1996, the Company recognized $365,000 in compensation expense relating to restricted stock awards under its 1995 Stock Incentive Plan (Note G).

RECLASSIFICATIONS--Certain amounts in the 1995 and 1994 consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE B. LEASES AND NOTES RECEIVABLE

The Company considers its finance portfolio assets to consist of two general categories of assets based on such assets' relative risk.

The first category of assets consists of the Company's lease contracts and notes receivable due in installments, which comprise approximately 87.7% of the Company's net investment in leases and notes at December 31, 1996 (90.1% at December 31, 1995). Substantially all of such contracts and notes are due from licensed medical professionals, principally dentists, who practice in individual or small group practices. Such contracts and notes are at fixed interest rates and have terms ranging from 12 to 84 months. The Company believes that leases and notes entered into with medical professionals are generally "small-ticket," homogeneous transactions with similar risk characteristics. Except for the amounts described in the following paragraph related to asset-based lending, all of the Company's historical provision for losses, charge offs, recoveries and allowance for losses have related to its lease contracts and notes due in installments.

The second category of assets consists of the Company's notes receivable, which comprise approximately 12.3% of the Company's net investment in leases and notes at December 31, 1996 (9.9% at December 31, 1995). Such notes receivable consist of commercial, asset-based, revolving lines of credit to small and medium size manufacturers and distributors, at variable interest rates, and typically have terms of two years. The Company began commercial lending activities in mid-1994. Through December 31, 1996, the Company has not had any charge offs of commercial notes receivable. The provision for losses related

NOTE B. LEASES AND NOTES RECEIVABLE (CONTINUED)

to the commercial notes receivable was $146,000, $95,000 and $43,000 on 1996, 1995 and 1994, respectively. The amount of the allowance for losses related to the commercial notes receivable was $284,000 and $138,000 at December 31, 1996 and 1995, respectively.

A summary of activity in the Company's allowance for losses which relates to the Company's investment in leases and notes for each of the years in the three-year period ended December 31, 1996 is as follows:

<TABLE>
<CAPTION>

(IN THOUSANDS)	1996	1995	1994
<S>	<C>	<C>	<C>
Beginning balance	$ (4,482)	$ (4,595)	$ (6,897)
Provision for losses	(1,114)	(1,266)	(754)
Charge offs	1,609	1,504	3,350
Recoveries	(95)	(125)	(294)
Balance, end of year	$ (4,082)	$ (4,482)	$ (4,595)

</TABLE>

The Company's receivables are exposed to credit risk. To reduce the risk to the Company, stringent underwriting policies in approving leases and notes are closely monitored by management.

The total contractual balances of delinquent lease contracts and notes receivable due in installments over 90 days past due amounted to $5,763,000 at December 31, 1996 compared to $4,964,000 at December 31, 1995. An account is initially considered delinquent when not paid within thirty days of the billing due date.

The Company's agreements with its customers, except for notes receivable related to ACFC (approximately $18,688,000 in 1996 and $12,002,000 in 1995), are non-cancelable and provide for a full payout at a fixed financing rate with a fixed payment schedule over a term of three to seven years. Scheduled future receipts on lease contracts and notes receivable due in installments, including interest and excluding the residual value of the equipment and ACFC receivables, as of December 31 are as follows:

<TABLE>

<CAPTION>
(IN THOUSANDS):

<S>	<C>
1997	$ 50,156
1998	$ 37,740
1999	$ 31,221
2000	$ 22,941
2001 and thereafter	$ 17,991

</TABLE>

NOTE C. SALES OF LEASE AND NOTES RECEIVABLE

In November 1995, the Company received a total of approximately $1,500,000 in connection with a sale of notes receivable due in installments. In 1996, the Company sold additional leases and notes receivable due in installments, received a total of $24,344,000 in initial proceeds and is scheduled to receive $4,074,000 in future payments from such sales. The related sales agreements are subject to certain covenants that, among other matters, may require the Company to repurchase the assets sold and/or make payments under certain circumstances, primarily on the failure of the underlying debtors to pay when due (the "recourse provisions"). At the time of sale, the Company recognizes its estimated liability under the recourse provisions. In connection with the sale of leases and notes during 1996 and 1995, the Company recognized estimated recourse liability of $450,000 and $30,000 respectively. The Company has contingent obligations to repurchase leases and notes due in installments, which had an outstanding balance of

NOTE C. SALES OF LEASE AND NOTES RECEIVABLE (CONTINUED)

$16,696,000 at December 31, 1996. In addition, under the sales agreements the Company continues to service the assets sold. The Company deferred approximately $395,000 and $20,000 in service fee income from sale transactions in 1996 and 1995, respectively, which will be recognized as revenue in proportion to the estimated future periodic servicing costs. The Company recognized approximately $15,000 of such revenue in 1996. Gains of approximately $1,572,000 and $53,000 were recognized by the Company in 1996 and 1995, respectively, related to sales of notes and leases.

NOTE D. REVOLVING CREDIT BORROWINGS AND OTHER DEBT

Debt of the Company as of December 31, 1996 and December 31, 1995 is summarized below.

<TABLE>
<CAPTION>

(IN THOUSANDS)	1996	1995
<S>	<C>	<C>
Revolving credit arrangement Due Dec. 31, 1997	$ 40,000	$ 39,000
Senior Notes:		
Senior Notes (Funding I)		
Due Dec., 1999	6,861	20,150
Senior Notes (Bravo)		
Due Nov., 2000 through Aug., 2001	67,524	26,303
Senior Notes (SIS)		
Due Mar., 2001	2,352	3,070

Total Senior Notes	76,737	49,523
Total	$ 116,737	$ 88,523

</TABLE>

REVOLVING CREDIT ARRANGEMENT--In May 1995, the Company executed an Amended and Restated Revolving Loan agreement with the First National Bank of Boston as Managing Agent (the "Revolving Loan Agreement"), increasing availability under this arrangement to $50,000,000. The Revolving Loan Agreement was amended in December 1995 to increase availability to $60,000,000 and to extend the term to December 31, 1996. In December, 1996, the Revolving Loan Agreement was further amended to increase availability to $95,000,000 and extend the term to December 30, 1997. Under the Revolving Loan Agreement, the Company may borrow at variable rates of prime or in Eurodollar loans at LIBOR plus 1.25% to 1.75%, dependent upon certain performance covenants. Such rates on the outstanding borrowings were 7.5% and 8.0% at December 31, 1996 and 1995, respectively. In connection with the arrangement, all HPSC and ACFC assets, including ACFC stock but excluding assets collateralized under the senior notes, have been pledged as collateral. The Revolving Loan Agreement has not been historically hedged, and is not hedged at December 31, 1996, and is, therefore, exposed to upward movements in interest rates. Management believes that the Company's liquidity is adequate to meet current obligations and future projected levels of financings, and to carry on normal operations. The Company will continue to seek to raise additional capital from bank and non-bank sources, and from selective use of asset-sale transactions in the future. The Company expects that it will be able to obtain additional capital at competitive rates, but there can be no assurance that it will be able to do so.

In July and August of 1996, the level of delinquencies of the contracts held in Funding I rose above certain levels, as defined in the operative documents, and triggered a payment restriction event. This restriction had the effect of "trapping" any cash distribution that the Company otherwise would have been eligible to receive. The event was considered a technical default under the Revolving Loan Agreement, which default was waived by the lending banks. In September 1996, delinquency levels improved and the

payment restrictions were removed. A payment restriction is not unusual during the later stages of a static pool securitization and may occur again before Funding I is fully paid out. The default provisions of the Revolving Credit Agreement were amended on December 12, 1996 to conform to the default provisions of the Funding I agreements. As a result, a payment restriction event under Funding I will not constitute a default under the Revolving Loan Agreement unless such event continues for at least six months.

SENIOR NOTES (FUNDING I)--The Company borrowed $70,000,000 in a receivable-backed securitization transaction ("Securitization") on December 27, 1993. Under the terms of the Securitization, the Company formed a wholly-owned, special-purpose subsidiary, Funding I, to which the Company sold or contributed certain of its equipment lease contracts, conditional sales agreements, leasehold improvement loans, equipment residual rights and rights to underlying equipment ("Collateral"). Funding I subsequently issued $70,000,000 of secured notes ("Notes"), bearing interest at a fixed rate of 5.01%, secured by the Collateral. The Notes are rated "AAA" by Standard & Poor's. Monthly payments of interest and principal on the Notes are made through the application of regularly scheduled monthly receivable payments on the Collateral. The Company is the servicer of the Collateral portfolio, subject to its meeting certain covenants. The required monthly payments of interest and principal to holders of the Notes are unconditionally guaranteed by Municipal Bond Investor Assurance Corporation pursuant to the terms of a Note guarantee insurance policy.

As of December 31, 1996 and 1995, Funding I had gross receivables of approximately $9,758,000 and $26,984,000, respectively, which were pledged as Collateral. The Agreement also provides for restrictions on cash balances under certain conditions relating to default and delinquency ratios applicable to the Collateral. At December 31, 1996 and 1995, restricted cash amounted to approximately $4,014,000 and approximately $4,693,000, respectively.

Note payments to investors, based on projected cash flows from the Collateral, for the years 1997 through 1999 are expected to be as follows: $5,328,000, $1,307,000, and $226,000, respectively. However, the agreement also contains a provision that requires early termination and payment to investors when the restricted cash contains an amount equal to investor balances. This event may occur during 1997.

SENIOR NOTES (BRAVO)--As of January 31, 1995, the Company, along with its wholly-owned, special-purpose subsidiary, HPSC Bravo Funding Corp. ("Bravo") had available borrowings of $50,000,000 under a revolving credit facility structured and guaranteed by Capital Markets Assurance Corporation ("CapMAC"). Under the terms of the facility, Bravo, to which the Company sells and may continue to sell or contribute certain of its portfolio assets, pledges its interests in these assets to a commercial-paper conduit entity. Bravo incurs interest at variable rates in the commercial paper market and enters into interest rate swap agreements to assure fixed rate funding. In November 1996, the facility was amended to increase available borrowing to $100,000,000 and to allow up to $30,000,000 of the facility to be used for sales of financing contracts.

Monthly settlements of principal and interest payments are made from the collection of payments on Bravo's transactions. The terms of the facility restrict the use of certain collected cash. Such restricted cash amounted to approximately $2,755,000 and $917,000 at December 31, 1996 and 1995, respectively. Additional sales to Bravo from HPSC may be made subject to certain covenants regarding Bravo's portfolio performance and borrowing base calculations.

The Company is the servicer of the Bravo portfolio, subject to its meeting certain covenants. The required monthly payments of principal and interest to purchasers of the commercial paper are guaranteed by CapMAC pursuant to the terms of the agreement.

NOTE D. REVOLVING CREDIT BORROWINGS AND OTHER DEBT (CONTINUED)

In the normal course of its business, the Company enters into interest rate swap contracts to hedge its interest rate risk related to its variable rate notes payable. Under such interest rate swap contracts, the Company pays a fixed rate of interest and receives a variable rate from the counterparty. Credit risk is the possibility that a loss may occur if a counterparty to a transaction fails to perform according to the terms of the contract. The notional amount of interest rate contracts is the amount upon which interest and other payments under the contract are based.

At December 31, 1996, the Company had approximately $67,524,000 outstanding under the loan portion of this facility and, in connection with these borrowings, had 14 separate interest rate swap agreements with the Bank of Boston with a total notional value of approximately $65,231,000. The Company had utilized approximately $6,991,000 of the sale pool and in connection with such sale, had one interest rate swap agreement with a total notional value of

approximately $6,713,000.

At December 31, 1995, the Company had approximately $26,303,000 outstanding under the loan facility. In connection with these borrowings, the Company had six interest rate swap agreements with a notional value of approximately $27,500,000.

The amounts of borrowings outstanding under the loan portion of the Bravo facility, the notional amount of swaps outstanding related to such loans and the effective interest rate under the swaps, assuming payments are made as scheduled will be as follows:

(IN THOUSANDS EXCEPT FOR %)	BORROWINGS	SWAPS	RATE
<S>	<C>	<C>	<C>
December 31, 1996	$ 67,524	$ 65,231	6.29%
December 31, 1997	$ 46,493	$ 46,576	6.28%
December 31, 1998	$ 28,255	$ 29,152	6.24%
December 31, 1999	$ 13,593	$ 14,338	6.19%
December 31, 2000	$ 4,155	$ 4,553	6.16%
December 31, 2001	$ 675	$ 854	6.14%

SENIOR NOTES (SIS)--In April 1995, the Company entered into a secured, fixed rate, fixed term loan agreement with Springfield Institution for Savings under which the Company borrowed $3,500,000 at 9.5% subject to certain recourse and performance covenants.

Certain debt/securitization agreements contain restrictive covenants which, among other things, include minimum net worth, interest coverage ratios, capital expenditures, and portfolio performance guidelines. At December 31, 1996, the Company was in compliance with the provisions of its debt covenants.

The scheduled maturities of the Company's revolving credit borrowings and other debt at December 31, 1996 are as follows (in thousands):

<S>	<C>
1997	$ 67,004
1998	$ 20,248
1999	$ 15,534
2000	$ 9,770
2001	$ 3,508
Thereafter	$ 673

NOTE E. LEASE COMMITMENTS

The Company leases various office locations under noncancelable lease arrangements that have terms of from three to five years and that generally provide renewal options from one to five years. Rent expense under all operating leases was $391,000, $318,000, and $198,000 for 1996, 1995 and 1994,

respectively.

Future minimum lease payments for commitments exceeding twelve months under non-cancelable operating leases as of December 31, 1996, are as follows (in thousands):

1997	$ 324
1998	$ 324
1999	$ 146
2000	-0-
2001 & thereafter	-0-

NOTE F. INCOME TAXES

Deferred income taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

The components of income (loss) before income taxes are as follows (in thousands):

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1996	1995	1994
Domestic	$ 1,699	$ 154	$ 891
Foreign	(120)	(75)	(141)
Income (loss) before income taxes	$ 1,579	$ 79	$ 750

Income taxes consist of the following:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1996	1995	1994
Federal:			
Current	$ 251	$ 832	$ 808
Deferred	310	(569)	(530)
State			
Current	64	426	635
Deferred	79	(357)	(563)
Foreign			
Current	--	(128)	(50)
Deferred	--	--	--
Provision (credit) for income taxes	$ 704	$ 204	$ 300

NOTE F. INCOME TAXES (CONTINUED)

Deferred income taxes arise from the following:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1996	1995	1994
Operating method	142	$ (2,501)	$ (3,498)
Alternative minimum tax credit	--	609	2,147
Other	247	966	258
	$ 389	$ (926)	$ (1,093)

A reconciliation of the statutory federal income tax rate and the effective tax rate as a percentage of pre-tax income for each year is as follows:

	YEAR ENDED DECEMBER 31, 1996	1995	1994
Statutory rate	34.0%	34.0%	34.0%
State taxes net of US federal income tax benefit	6.0	55.7	5.2
Effect of prior year foreign tax recovery	--	(162.0)	--
Foreign loss not benefited	2.6	22.7	--
Non-deductible write-off of foreign currency translation adjustment	--	258.5	--
Other	2.0	49.3	.8
	44.6%	258.2%	40.0%

The items which comprise a significant portion of deferred tax liabilities as of December 31, 1996 and December 31, 1995 are as follows:

(IN THOUSANDS)	1996	1995
Operating method	$ 5,146	$ 5,004
Other	(144)	(391)
Deferred income taxes	$ 5,002	$ 4,613

At December 31, 1996 consolidated retained earnings included $260,000 of

unremitted earnings from the Company's foreign subsidiary. In the event of repatriation, the Company does not anticipate any significant additional income taxes.

NOTE G. STOCK OPTION AND STOCK INCENTIVE PLANS

STOCK OPTION PLANS--The Company had three stock option plans in place which provided for the granting of options to purchase up to 801,875 shares of common stock: the Employee Stock Option Plan dated March 23, 1983, as amended (the "1983 Plan"), the Stock Option Plan dated March 5, 1986 (the "1986 Plan") and the 1994 Stock Plan dated March 23, 1994 (the "1994 Plan"). These three plans were terminated in May 1995 upon the approval of the 1995 Stock Incentive Plan discussed below.

Options granted under the 1983 Plan are either incentive stock options or non-qualified options and were granted at no less than 85% of the fair market value of the Common Stock on the date of grant. Officers and directors of the Company and its subsidiaries were eligible to participate under the 1986 Plan

NOTE G. STOCK OPTION AND STOCK INCENTIVE PLANS (CONTINUED)

and only non-qualified stock options were granted under the 1986 Plan. Options under the Plan were granted at an exercise price equal to the market price on the date of grant. Key employees, directors of and consultants to the Company were eligible to participate in the 1994 Plan. Only non-qualified options were granted under the 1994 Plan and the option exercise price was in each case not less than 50% of the fair market value of the Common Stock on the date of grant. Options vest over five years of service.

1995 STOCK INCENTIVE PLAN--The Company has outstanding stock options and awards of restricted stock under its 1995 Stock Incentive Plan dated March 8, 1995, as amended March 14, 1996, (the "1995 Stock Plan") pursuant to which 550,000 shares of Common Stock are reserved. A total of 138,000 shares of the Company's Common Stock remained available for grants of options or awards of restricted stock under the 1995 Stock Plan at December 31, 1996.

1995 STOCK PLAN--RESTRICTED STOCK--The 1995 Stock Plan provides that restricted shares of Common Stock awarded under the plan will remain unvested until certain performance and service conditions are both met.

The performance condition is met with respect to 50% of the restricted shares if and when during the five-year period after the date of grant ("the Performance Period") the closing price of the Company's Common Stock, as reported on the Nasdaq National Market System for a consecutive ten-day period, equals at least 134.175% of the closing price on the grant date (the "Partial Performance Condition"). The performance condition is met with respect to the remaining 50% of the restricted shares if and when during the Performance Period the closing price of the Company's Common Stock, as reported on the Nasdaq National Market System for a consecutive ten-day period, equals at least 168.35% of the closing price on the grant date (the "Full Performance Condition").

The service condition is met with respect to all restricted shares (provided that the applicable performance condition has also been met) by the holder's continuous service for the Company throughout the Performance Period provided that such holder shall also have completed five (5) years of continued service

with the Company from the date of grant. Upon a change of control of the Company (as defined in the 1995 Stock Plan), all restricted stock awards granted prior to such change of control become fully vested.

Upon the termination of a holder's employment by the Company without cause or by reason of death or disability during the Performance Period, any restricted stock awards for which the applicable performance condition is satisfied no later than four months after the date of such termination of employment shall become fully vested.

Awards of 337,000 restricted shares of the Company's Common Stock were made in May 1995. The Partial Performance Condition of these shares is $5.90 per share with respect to 332,000 shares and $6.04 with respect to 5,000 shares, and the Full Performance Condition is $7.37 per share with respect to 332,000 shares and $7.58 with respect to 5,000 shares. Additional paid in capital and deferred compensation of $994,000 was recorded when the performance criteria was achieved with respect to 50% of the restricted shares in June 1996. Compensation expense of $365,000 was recognized in 1996 and the remaining deferred compensation will be recognized over the remaining term of the service condition.

1995 STOCK PLAN--STOCK OPTIONS--The 1995 Stock Plan provides that with respect to options made to key employees (except non-employee directors), the option term and the terms and conditions upon which the options may be exercised will be determined by the Compensation Committee of the Company's Board of Directors for each such option at the time it is granted (except so delegated to the chief executive officer for non-executive officer grants). Options granted to key employees of the Company may be either

incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986 and subject to the restrictions of that section on certain terms of such options) or non-qualified options, as designated by the Compensation Committee.

With respect to automatic options to non-employee directors of the Company (which must be non-qualified options), the 1995 Stock Plan specifies the option term and the terms and conditions upon which the options may be exercised. Each non-employee director who is such at the conclusion of any regular annual meeting of the Company's stockholders while the 1995 Stock Plan is in effect and who will continue to serve on the Board of Directors is granted such automatic options to purchase 1,000 shares of the Company's Common Stock at a price equal to the closing price of the Common Stock, as reported on the Nasdaq National Market System, on the date of grant of the option. Each automatic option is exercisable immediately in full or for any portion thereof and remains exercisable for ten years after the date of grant, unless terminated earlier (as provided in the Plan) upon or following termination of the holder's service as a director.

OTHER OPTION GRANTS--At December 31, 1996, there were options exercisable for an aggregate of 10,000 shares of Common Stock outstanding to a consultant and options exercisable for an aggregate of 4,000 shares of Common Stock outstanding to a non-employee director of the Company.

The following table summarizes stock option and restricted stock activity:

<TABLE>
<CAPTION>

<S>	OPTIONS		
	<C> NUMBER OF OPTIONS	<C> WEIGHTED AVERAGE EXERCISE PRICE	<C> RESTRICTED STOCK
Outstanding at January 1, 1994	471,875	$ 2.96	
Granted	190,000	$ 3.70	
Exercised			
Expired			
Forfeited	(25,000)	$ 3.25	
Outstanding at December 31, 1994	636,875	$ 3.17	--
Granted	25,000	$ 4.33	337,000
Exercised			
Expired			
Forfeited	(50,000)	$ 3.56	
Outstanding at December 31, 1995	611,875	$ 3.19	337,000
Granted	60,000	$ 5.15	
Exercised			
Expired			
Forfeited	(30,000)	$ 3.31	
Outstanding at December 31, 1996	641,875	$ 3.36	337,000

</TABLE>

NOTE G. STOCK OPTION AND STOCK INCENTIVE PLANS (CONTINUED)

The following table sets forth information regarding options outstanding at December 31, 1996:

<TABLE>
<CAPTION>

RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	NUMBER OF OPTIONS CURRENTLY EXERCISABLE	WEIGHTED AVERAGE OPTIONS GRANTED EXERCISABLE PRICE	WEIGHTED AVERAGE OPTIONS EXERCISABLE PRICE	WEIGHTED AVERAGE REMAINING LIFE (YEARS)
<S>	<C>	<C>	<C>	<C>	<C>
2.63--3.25	391,875	356,500	$ 2.87	$ 2.86	6.10
3.38--4.00	175,000	89,667	$ 3.75	$ 3.76	7.42
4.50--4.88	59,000	18,000	$ 4.70	$ 4.72	8.78
6.13--6.63	16,000	7,000	$ 6.40	$ 6.19	9.16
2.63--6.63	641,875	471,167	$ 3.37	$ 3.15	6.29

</TABLE>

The weighted average grant date fair values of options granted for the years ending December 31, 1996 and 1995 were $3.07 and $4.24, respectively.

STOCK PURCHASE PLAN--Under the Stock Purchase Plan, eligible employees were granted options to acquire, through authorized payroll deductions, shares of common stock. The Stock Purchase Plan provided for options to be granted twice each year, on the first day of a six-month payment period, with exercise of the

option to take place on the last business day of each such payment period at a purchase price of the lesser of 85% of the fair market value of the shares on the option grant date or on the option exercise date. The Stock Purchase Plan was terminated upon the approval of the Stock Incentive Plan in May, 1995. During 1995 and 1994, 317 and 824 shares, respectively, were issued under the Stock Purchase Plan.

NOTES RECEIVABLE FROM OFFICERS AND EMPLOYEES (STOCK LOAN PROGRAM)--On January 5, 1995, the Compensation Committee approved a Stock Loan Program whereby executive officers and other senior personnel of the Company earning more than $80,000 per year may borrow from the Company an amount equal to the cost of purchasing two shares of Common Stock, solely for the purpose of acquiring such stock, for each share of Common Stock purchased by the employee from sources other than Company funds. Such borrowings may not exceed $200,000 in any fiscal quarter of the Company, $200,000 per employee or $400,000 during the term of the loan program for all employees. The loans are recourse, bear interest at a variable rate which is one-half of one percent above the Company's cost of funds, payable monthly in arrears, and are payable as to principal no later than five years after the date of the loan. All shares purchased with such loans are pledged to the Company as collateral for repayment of the loans.

PRO FORMA DISCLOSURE--As described in Note A, the Company uses the intrinsic value method to measure compensation expense associated with the grants of stock options or awards to employees. Had the Company used the fair value method to measure compensation, reported net income and earnings per share would have been as follows (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Income before income taxes	$ 1,598	$ (64)
Provision for income taxes	735	204
Net income (loss)	$ 863	$ (140)
Net income (loss) per share	$ 0.21	$ (0.04)

</TABLE>

NOTE G. STOCK OPTION AND STOCK INCENTIVE PLANS (CONTINUED)

For purposes of determining the above disclosure requires by Statement of Financial Accounting Standards No. 123, the fair value of options on their grant date was measured using the Black/Scholes option pricing model. Key assumptions used to apply this pricing model were as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Risk-free interest rate	6.0%	6.7%
Expected life of option grants	10 years	10 years
Expected volatility of underlying stock	36.4%	46.6%

</TABLE>

The pro forma presentation only includes the effects of grants made subsequent to January 1, 1995.

NOTE H. EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OWNERSHIP PLAN--In December 1993, the Company established a stock bonus type of Employee Stock Ownership Plan ("ESOP") for the benefit of all eligible employees. The ESOP is expected to be primarily invested in common stock of the Company on behalf of the employees. ESOP contributions are at the discretion of the Company's Board of Directors and are determined annually. However, it is the Company's present intention to make contributions sufficient to repay the ESOP's Promissory Note on a level funding basis over a 10-year period. The Company measures the expense related to such contributions based on the original cost of the stock which was originally issued to the ESOP. Shares of stock which were issued to the ESOP are allocated to the participants based on a calculation of the ratio of the annual contribution amount to the original principal of the Promissory Note. The Company made contributions of $105,000 in 1996, $110,000 in 1995, and $99,000 in 1994.

Employees with five or more years of service with the Company from and after December 1993 at the time of termination of employment will be fully vested in their benefits under the ESOP. For a participant with fewer than five years of service from December 1993 through his or her termination date, his or her account balance will vest at the rate of 20% for each year of employment. Upon the retirement or other termination of an ESOP participant, the shares of common stock in which he or she is vested, at the option of the participant, may be converted to cash or may be distributed. The unvested shares are allocated to the remaining participants. The Company has issued 300,000 shares of Common Stock to this plan in consideration of a Promissory Note in the principal amount of $1,050,000. As of December 31, 1996, 89,654 shares of Common Stock have been allocated to participant accounts under the ESOP and 210,346 shares remain unallocated. The market value of unallocated share was $1,262,076.

SUPPLEMENTAL EMPLOYEE STOCK OWNERSHIP PLAN--In July, 1994, the Company adopted a Supplemental Employee Stock Ownership Plan ("SESOP") for the benefit of all eligible employees. Eligibility requirements are similar to the ESOP discussed above except that any amounts allocated under the SESOP would first be allocated to the accounts of certain highly compensated employees to make up for certain limitations on Company contributions under the ESOP required by the 1993 Tax Act and next to all eligible employees on a non-discriminatory basis. The Company has issued 350,000 shares of Common Stock to this plan in consideration for a Promissory Note in the principal amount of $1,225,000. SESOP contributions are at the discretion of the Company's Board of Directors's and are determined annually. No contributions have been made nor have any allocations yet been made to participant accounts.

SAVINGS PLAN--The Company has established a Savings Plan covering substantially all full-time employees, which allows participants to make contributions by salary deductions pursuant to Section 401(k) of the Internal Revenue Code. The Company matches employee contributions up to a maximum of

NOTE H. EMPLOYEE BENEFIT PLANS (CONTINUED)

2% of the employee's salary. Both employee and employer contributions are vested immediately. The Company's contributions to the Savings Plan were $62,841 in 1996, $49,419 in 1995 and $37,975 in 1994.

NOTE I. PREFERRED STOCK PURCHASE RIGHTS PLAN

Pursuant to a rights agreement between the Company and the First National Bank of Boston, as rights agent, dated August 3, 1993, the Board of Directors declared a dividend on August 3, 1993 of one preferred stock purchase right ("Right") for each share of the Company's common stock (the "Shares") outstanding on or after August 13, 1993. The Right entitles the holder to purchase one one-hundredth of a share of Series A Preferred Stock, which fractional share is substantially equivalent to one share of Common Stock, at an exercise price of $20. The Rights will not be exercisable or transferable apart from the Common Stock until the earlier to occur of (i) 10 days following a public announcement that a person or affiliated group has acquired 15 percent or more of the outstanding Common Stock (such person or group, an "Acquiring Person"), or (ii) 10 business days after an announcement or commencement of a tender offer which would result in a person or group's becoming an Acquiring Person, subject to certain exceptions. The Rights beneficially owned by the Acquiring Person and its affiliates become null and void upon the Rights becoming exercisable.

If a person becomes an Acquiring Person or certain other events occur, each Right entitles the holder, other than the Acquiring Person, to purchase common stock (or one one-hundredths of a share of Preferred Stock, in the discretion of the Board of Directors) having a market value of two times the exercise price of the Right. If the Company is acquired in a merger or other business combination, each exercisable Right entitles the holder, other than the Acquiring Person, to purchase Common Stock of the acquiring company having a market value of two times the exercise price of the Right.

At any time after a person becomes an Acquiring Person and prior to the acquisition by such person of 50% or more of the outstanding Common Stock, the Board of Directors may direct the Company to exchange the Rights held by any person other than an Acquiring Person at an exchange ratio of one share of Common Stock per Right. The Rights may be redeemed by the Company, subject to approval of the Board of Directors, for one cent per Right in accordance with the provisions of the Rights Plan. The Rights have no voting or dividend privileges.

NOTE J. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS No. 107"), requires the Company to disclose the estimated fair values for certain of its financial instruments. Financial instruments include items such as loans, interest rate contracts, notes payable, and other items as defined in SFAS No. 107.

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Quoted market prices are used when available; otherwise, management estimates fair value based on prices of financial instruments with similar characteristics or using valuation techniques such as discounted cash flow models. Valuation techniques involve uncertainties and require assumptions and judgments regarding prepayments, credit risk and discount rates. Changes in these assumptions will result in different valuation estimates. The fair values presented would not necessarily be realized in an immediate sale; nor are there plans to settle liabilities prior to contractual maturity. Additionally, SFAS No. 107 allows companies to use a wide range of valuation techniques; therefore, it may be difficult to compare the Company's fair value information to other companies' fair value information.

NOTE J. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents a comparison of the carrying value and estimated fair value of the Company's financial instruments at December 31, 1996:

IN THOUSANDS	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial assets:		
Cash and cash equivalents	$ 2,176	$ 2,176
Restricted cash	$ 6,769	$ 6,769
Net investment in leases and notes	$ 149,222	$ 149,222
Financial liabilities:		
Notes payable	$ 116,737	$ 116,130
Interest rate contracts	$ -0-	$ (336)

The following table presents a comparison of the carrying value and estimated fair value of the Company's financial instruments at December 31, 1995:

IN THOUSANDS	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial assets:		
Cash and cash equivalents	$ 861	$ 861
Restricted cash	$ 5,610	$ 5,610
Net investment in leases and notes	$ 119,916	$ 119,916
Financial liabilities:		
Notes payable	$ 88,523	$ 88,523

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash, cash equivalents and restricted cash: For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Net investment in leases and notes: The estimated fair value of net investment in leases and notes approximates carrying value. Loans at rates similar to those in the current portfolio could be made to borrowers with similar credit ratings and for similar remaining maturities. For nonaccrual practice acquisition and asset-based loans, fair value is estimated by discounting management's estimate of future cash flows with a discount rate commensurate with the risk associated with such assets.

Notes payable: The fair market value of the Company's senior notes is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity. At December 31, 1995, the Company's senior notes, as shown on the

accompanying balance sheet, reflect their approximate fair market value.

Interest rate contracts: The fair value of interest rate contracts is estimated based on the estimated amount necessary to terminate the agreements. At December 31, 1995, this amount was not material to the financial statements.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON OR BY ANYONE IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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$20,000,000

[LOGO]

% SENIOR SUBORDINATED
NOTES DUE 2007

PROSPECTUS

ADVEST, INC.

LEGG MASON WOOD WALKER
INCORPORATED

, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses payable by the Company in connection with the sale of the Notes being registered hereby. All the amounts shown are estimated, except the SEC registration fee and the NASD filing fee.

<TABLE>

<S>	<C>
SEC registration fee	$ 6,970
NASD filing fee	2,800
Blue Sky fees and expenses	5,000
Printing and engraving expenses	100,000
Legal fees and expenses	250,000
Auditors' accounting fees and expenses	100,000
Trustee and Registrar fees	15,000
Miscellaneous expenses	20,230
Total	$ 500,000

</TABLE>

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company is a Delaware corporation, subject to the applicable indemnification provisions of the General Corporation Law of the State of Delaware (the "DGCL"). Section 145 of the DGCL empowers a Delaware corporation to indemnify, subject to the standards therein prescribed, any person in connection with any action, suit or proceeding brought or threatened by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or was serving as such with respect to another corporation or other entity at the request of such corporation.

In accordance with Section 102(b)(7) of the DGCL, Article 9 of the Company's Restated Certificate of Incorporation, as amended, provides that "[n]o director shall be personally liable to the corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director, except to the extent required by law (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith, or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article 9 shall not increase the personal liability or alleged liability of any director for any act or omission occurring prior to such repeal or modification, or otherwise adversely affect any right or protection of a director existing at the time of such repeal or modification. The provisions of this Article 9 shall not affect rights or indemnification under the corporation's by-laws or otherwise."

The Company's Amended and Restated By-Laws contain provisions that require the Company to indemnify its directors and officers to the fullest extent permitted by Delaware law.

The Underwriting Agreement (Exhibit 1.1 hereto) provides for indemnification by the underwriters of the Company, its directors and executive officers, and each person, if any, who controls the Company, for certain liabilities, including liabilities arising under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The Company granted a non-qualified stock option to Lowell P. Weicker, Jr., a director of the Company, on December 7, 1995 for the purchase of 4,000 shares of Common Stock of the Company at an exercise price of $4.75 per share (the market price per share on the date of grant). Any shares purchased by Mr. Weicker under this option will not be registered under the Securities Act. Mr. Weicker's option will

expire on December 7, 2005 unless terminated earlier in accordance with the terms of the option agreement.

The Company granted a non-qualified stock option to Terry Lierman effective April 9, 1996 for the purchase of 10,000 shares of Company Common Stock at an exercise price of $4.50 per share, in recognition of Mr. Lierman's agreement to assist the Company in obtaining certain financing transactions. Any shares purchased by Mr. Lierman under this option will not be registered under the

Securities Act. Mr. Lierman's option will expire on April 9, 2001 unless terminated earlier in accordance with the terms of the option agreement.

No underwriters were engaged in connection with the foregoing issuances of securities. Such issuances were made in reliance upon the exemption from registration set forth in Section 4(2) of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. Exhibits

<TABLE>
<CAPTION>

NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
<C>	<S>	<C>
1.1	Form of Underwriting Agreement by and among HPSC, Inc. and the Underwriters	Previously filed
3.1	Restated Certificate of Incorporation of HPSC, Inc. filed in the State of Delaware on April 25, 1983	Incorporated by reference to Exhibit 3.1 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
3.2	Certificate of Amendment to Restated Certificate of Incorporation of HPSC, Inc. filed in Delaware on September 14, 1987	Incorporated by reference to Exhibit 3.2 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
3.3	Certificate of Amendment to Restated Certificate of Incorporation of HPSC, Inc. filed in Delaware on May 22, 1995	Incorporated by reference to Exhibit 3.3 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
3.4	Amended and Restated By-Laws	Filed herewith
4.1	Rights Agreement dated as of August 3, 1993 between the Company and The First National Company and The First National Bank of Boston, N.A., including as Exhibit B thereto the form of Rights Certificate	Incorporated by reference to Exhibit 4 to HPSC's Amendment No. 1 to its Current Report on Form 8-K filed August 11, 1993
4.2	Form of Indenture	Filed herewith
4.3	Form of Senior Subordinated Note	Included in Exhibit 4.2
5.1	Opinion of Hill & Barlow regarding legality of Senior Subordinated Notes	Filed herewith
10.1	Lease dated as of March 8, 1994 between the Trustees of 60 State Street Trust and HPSC, Inc., dated September 10, 1970 and relating to the principal executive offices of HPSC, Inc. at 60 State Street, Boston, Massachusetts	Incorporated by reference to Exhibit 10.1 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.2	HPSC, Inc. Stock Option Plan, dated March 5, 1986	Incorporated by reference to Exhibit 10.6 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 30, 1989
10.3	Employment Agreement between HPSC, Inc. and John W. Everets, dated as of July 19, 1996	Filed herewith

</TABLE>

<TABLE>
<CAPTION>

NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
<C>	<S>	<C>
10.4	Employment Agreement between HPSC, Inc. and Raymond R. Doherty dated as of August 2, 1996	Filed herewith
10.5	Employment Agreement between HPSC, Inc. and Rene Lefebvre dated April 6, 1994	Incorporated by reference to Exhibit 10.5 to HPSC's Quarterly Report on Form 10-Q for the quarter ended June 25, 1994
10.6	HPSC, Inc. Employee Stock Ownership Plan Agreement dated December 22, 1993 between HPSC, Inc. and John W. Everets and Raymond R. Doherty, as trustees	Incorporated by reference to Exhibit 10.9 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.7	First Amendment effective January 1, 1993 to HPSC,	Incorporated by reference to Exhibit 10.2 to HPSC's

	Inc. Employee Stock Ownership Plan	Quarterly Report on Form 10-Q for the quarter ended June 25, 1994
10.8	Second Amendment effective January 1, 1994 to HPSC, Inc. Employee Stock ownership Plan	Incorporated by reference to Exhibit 10.11 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.9	Third Amendment effective January 1, 1993 to HPSC, Inc. Employee Stock Ownership Plan	Incorporated by reference to Exhibit 10.12 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.10	HPSC, Inc. Supplemental Employee Stock Ownership Plan and Trust dated July 25, 1994	Incorporated by reference to Exhibit 10.3 to HPSC's Quarterly Report on Form 10-Q for the quarter ended June 25, 1994
10.11	HPSC, Inc. 1994 Stock Plan dated as of March 23, 1994 and related forms of Nonqualified Option Grant and Option Exercise Form	Incorporated by reference to Exhibit 10.4 to HPSC's Quarterly Report on Form 10-Q for the quarter ended June 25, 1994
10.12	HPSC, Inc. Supplemental Executive Retirement Plan dated as of January 1, 1997	Filed herewith
10.13	HPSC, Inc. 401(k) Plan dated February, 1993 between HPSC, Inc. and Metropolitan Life Insurance Company	Incorporated by reference to Exhibit 10.15 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.14	Indenture and Service Agreement dated as of December 23, 1993 by and among HPSC Funding Corp. I, HPSC, Inc. and State Street Bank and Trust company of Connecticut, N.A.	Incorporated by reference to Exhibit 10.10 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.15	Sale and Contribution Agreement dated as of December 23, 1993 between HPSC Funding Corp. I and HPSC, Inc.	Incorporated by reference to Exhibit 10.11 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.16	Note Purchase Agreement dated as of December 23, 1993 among HPSC Funding Corp. I, HPSC, Inc. and the Prudential Life Insurance Company of America	Incorporated by reference to Exhibit 10.12 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.17	Insurance Agreement dated as of December 23, 1993 among Municipal Bond Investors Assurance Corporation, HPSC Funding Corp. I, HPSC, Inc. and State Street Bank and Trust Company of Connecticut, N.A.	Incorporated by reference to Exhibit 10.13 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993

</TABLE>

<TABLE>
<CAPTION>

NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
<C>	<S>	<C>
10.18	Undertaking with respect to Exhibits to certain Agreements	Incorporated by reference to Exhibit 10.14 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.19	Second Amended and Restated Revolving Credit Agreement dated as of December 12, 1996 between HPSC, Inc., The First National Bank of Boston, individually and as Managing Agent, NationsBank, N.A., individually and as Agent, and the banks named therein	Previously filed
10.20	Loan Agreement dated April 13, 1995 between HPSC, Inc. and Springfield Institution for Savings	Incorporated by reference to Exhibit 10.1 to HPSC's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995
10.21	Sale Agreement dated November 16, 1995 between HPSC, Inc. and Springfield Institution for Savings	Incorporated by reference to Exhibit 10.24 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
10.22	Stock Purchase Agreement, dated as of November 1, 1994, by and among HPSC, Inc. and each of Chemical Bank; The CIT Group/ Business Credit, Inc.; Van Kampen Merritt Prime Rate Income Trust; the Nippon Credit Bank, Ltd.; Union Bank of Finland, Grand Cayman Branch; HPSC, Inc.; The Bank of Tokyo Trust	Incorporated by reference to Exhibit 10.3 to HPSC's Quarterly Report on Form 10-Q for the quarter ended September 24, 1994

	Company; and Morgens, Waterfall, Vintiadis & Co. Inc., and related Schedules	
10.23	Purchase and Contribution Agreement dated as of January 31, 1995 between HPSC, Inc. and HPSC Bravo Funding Corp.	Incorporated by reference to Exhibit 10.31 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.24	Credit Agreement dated as of January 31, 1995 among HPSC Bravo Funding Corp., Triple-A One Funding Corporation, as lender, and CapMAC, as Administrative Agent and as Collateral Agent	Incorporated by reference to Exhibit 10.32 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.25	Agreement to furnish copies of Omitted Exhibits to Certain Agreements with HPSC Bravo Funding Corp.	Incorporated by reference to Exhibit 10.33 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.26	Amendment documents, effective November 5, 1996, to Credit Agreement dated as of January 31, 1995 among HPSC Bravo Funding Corp., Triple-A One Funding Corporation, as lender, and CapMAC, as Administrative Agent and as Collateral Agent	Previously filed
10.27	Amended and Restated HPSC, Inc. 1995 Stock Incentive Plan	Incorporated by reference to Exhibit 10.29 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
10.28	Stock Option grant to Lowell P. Weicker effective December 7, 1995	Incorporated by reference to Exhibit 10.30 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995

NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
11.1	Statement of Computation of Earnings per Share	Filed herewith
12.1	Statement re computation of ratio of earnings to fixed charges	Filed herewith
13.1	Annual Report to Stockholders for the fiscal year ended December 31, 1995	Incorporated by reference to Exhibit 13 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
16.1	Letter from Coopers & Lybrand L.L.P. re change in certifying accountant	Incorporated by reference to Exhibit 16 to HPSC's Current Report on Form 8-K dated June 16, 1996
21.1	Subsidiaries of HPSC, Inc.	Incorporated by reference to Exhibit 21 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
23.1	Consent of Deloitte & Touche LLP	Filed herewith
23.2	Consent of Coopers & Lybrand L.L.P.	Filed herewith
23.2	Consent of Hill & Barlow, a Professional Corporation	Included in Exhibit 5.1
25.1	Statement of Eligibility of Trustee on Form T-1	Previously filed
27.1	HPSC, Inc. Financial Data Schedule	Filed herewith
b.	Financial Statement Schedules. None.	

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions described in Item 14, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification

against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Company hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Company pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Company hereby undertakes to provide at the closing of this offering to the Underwriters specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Company has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boston, Commonwealth of Massachusetts on the 10th day of March, 1997.

<TABLE>
<S> <C> <C>
HPSC, INC.

By: /s/ JOHN W. EVERETS

John W. Everets
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
</TABLE>

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities indicated below on the 10th day of March, 1997.

<TABLE>
<CAPTION>

SIGNATURE	TITLE
/s/ JOHN W. EVERETS John W. Everets	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
/s/ RENE LEFEBVRE Rene Lefebvre	Vice President of Finance, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ RAYMOND R. DOHERTY Raymond R. Doherty	President, Chief Operating Officer and Director
/s/ JOSEPH A. BIERNAT Joseph A. Biernat	Director

/s/ J. KERMIT BIRCHFIELD
---------- Director
J. Kermit Birchfield

/s/ DOLLIE A. COLE
---------- Director
Dollie A. Cole

/s/ SAMUEL P. COOLEY
---------- Director
Samuel P. Cooley

/s/ THOMAS M. MCDOUGAL
---------- Director
Thomas M. McDougal

/s/ LOWELL P. WEICKER, JR.
---------- Director
Lowell P. Weicker, Jr.
</TABLE>

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 10, 1997.

REGISTRATION NO. 333-20733

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

EXHIBITS
TO
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HPSC, INC.

EXHIBIT INDEX

<TABLE>
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NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
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3.1	Restated Certificate of Incorporation of HPSC, Inc. filed in the State of Delaware on April 25, 1983	Incorporated by reference to Exhibit 3.1 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
3.2	Certificate of Amendment to Restated Certificate of Incorporation of HPSC, Inc. filed in Delaware on September 14, 1987	Incorporated by reference to Exhibit 3.2 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
3.3	Certificate of Amendment to Restated Certificate of Incorporation of HPSC, Inc. filed in Delaware on May 22, 1995	Incorporated by reference to Exhibit 3.3 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
3.4	Amended and Restated By-Laws	Filed herewith
4.1	Rights Agreement dated as of August 3, 1993 between	Incorporated by reference to Exhibit 4 to HPSC's

	the Company and The First National Company and The First National Bank of Boston, N.A., including as Exhibit B thereto the form of Rights Certificate	Amendment No. 1 to its Current Report on Form 8-K filed August 11, 1993
4.2	Form of Indenture	Filed herewith
4.3	Form of Senior Subordinated Note	Included in Exhibit 4.2
5.1	Opinion of Hill & Barlow regarding legality of Senior Subordinated Notes	Filed herewith
10.1	Lease dated as of March 8, 1994 between the Trustees of 60 State Street Trust and HPSC, Inc., dated September 10, 1970 and relating to the principal executive offices of HPSC, Inc. at 60 State Street, Boston, Massachusetts	Incorporated by reference to Exhibit 10.1 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.2	HPSC, Inc. Stock Option Plan, dated March 5, 1986	Incorporated by reference to Exhibit 10.6 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 30, 1989
10.3	Employment Agreement between HPSC, Inc. and John W. Everets, dated as of July 19, 1996	Filed herewith
10.4	Employment Agreement between HPSC, Inc. and Raymond R. Doherty dated as of August 2, 1996	Filed herewith
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10.6	HPSC, Inc. Employee Stock Ownership Plan Agreement dated December 22, 1993 between HPSC, Inc. and John W. Everets and Raymond R. Doherty, as trustees	Incorporated by reference to Exhibit 10.9 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.7	First Amendment effective January 1, 1993 to HPSC, Inc. Employee Stock Ownership Plan	Incorporated by reference to Exhibit 10.2 to HPSC's Quarterly Report on Form 10-Q for the quarter ended June 25, 1994
10.8	Second Amendment effective January 1, 1994 to HPSC, Inc. Employee Stock ownership Plan	Incorporated by reference to Exhibit 10.11 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994

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NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
<C>	<S>	<C>
10.9	Third Amendment effective January 1, 1993 to HPSC, Inc. Employee Stock Ownership Plan	Incorporated by reference to Exhibit 10.12 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.10	HPSC, Inc. Supplemental Employee Stock Ownership Plan and Trust dated July 25, 1994	Incorporated by reference to Exhibit 10.3 to HPSC's Quarterly Report on Form 10-Q for the quarter ended June 25, 1994
10.11	HPSC, Inc. 1994 Stock Plan dated as of March 23, 1994 and related forms of Nonqualified Option Grant and Option Exercise Form	Incorporated by reference to Exhibit 10.4 to HPSC's Quarterly Report on Form 10-Q for the quarter ended June 25, 1994
10.12	HPSC, Inc. Supplemental Executive Retirement Plan dated as of January 1, 1997	Filed herewith
10.13	HPSC, Inc. 401(k) Plan dated February, 1993 between HPSC, Inc. and Metropolitan Life Insurance Company	Incorporated by reference to Exhibit 10.15 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.14	Indenture and Service Agreement dated as of December 23, 1993 by and among HPSC Funding Corp. I, HPSC, Inc. and State Street Bank and Trust company of Connecticut, N.A.	Incorporated by reference to Exhibit 10.10 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.15	Sale and Contribution Agreement dated as of December 23, 1993 between HPSC Funding Corp. I and HPSC, Inc.	Incorporated by reference to Exhibit 10.11 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.16	Note Purchase Agreement dated as of December 23, 1993 among HPSC Funding Corp. I, HPSC, Inc. and the Prudential Life Insurance Company of America	Incorporated by reference to Exhibit 10.12 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993

10.17	Insurance Agreement dated as of December 23, 1993 among Municipal Bond Investors Assurance Corporation, HPSC Funding Corp. I, HPSC, Inc. and State Street Bank and Trust Company of Connecticut, N.A.	Incorporated by reference to Exhibit 10.13 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.18	Undertaking with respect to Exhibits to certain Agreements	Incorporated by reference to Exhibit 10.14 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 25, 1993
10.19	Second Amended and Restated Revolving Credit Agreement dated as of December 12, 1996 between HPSC, Inc., The First National Bank of Boston, individually and as Managing Agent, NationsBank, N.A., individually and as Agent, and the banks named therein	Previously filed
10.20	Loan Agreement dated April 13, 1995 between HPSC, Inc. and Springfield Institution for Savings	Incorporated by reference to Exhibit 10.1 to HPSC's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995
10.21	Sale Agreement dated November 16, 1995 between HPSC, Inc. and Springfield Institution for Savings	Incorporated by reference to Exhibit 10.24 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995

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NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
<C>	<S>	<C>
10.22	Stock Purchase Agreement, dated as of November 1, 1994, by and among HPSC, Inc. and each of Chemical Bank; The CIT Group/ Business Credit, Inc.; Van Kampen Merritt Prime Rate Income Trust; the Nippon Credit Bank, Ltd.; Union Bank of Finland, Grand Cayman Branch; HPSC, Inc.; The Bank of Tokyo Trust Company; and Morgens, Waterfall, Vintiadis & Co. Inc., and related Schedules	Incorporated by reference to Exhibit 10.3 to HPSC's Quarterly Report on Form 10-Q for the quarter ended September 24, 1994
10.23	Purchase and Contribution Agreement dated as of January 31, 1995 between HPSC, Inc. and HPSC Bravo Funding Corp.	Incorporated by reference to Exhibit 10.31 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.24	Credit Agreement dated as of January 31, 1995 among HPSC Bravo Funding Corp., Triple-A One Funding Corporation, as lender, and CapMAC, as Administrative Agent and as Collateral Agent	Incorporated by reference to Exhibit 10.32 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.25	Agreement to furnish copies of Omitted Exhibits to Certain Agreements with HPSC Bravo Funding Corp.	Incorporated by reference to Exhibit 10.33 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1994
10.26	Amendment documents, effective November 5, 1996, to Credit Agreement dated as of January 31, 1995 among HPSC Bravo Funding Corp., Triple-A One Funding Corporation, as lender, and CapMAC, as Administrative Agent and as Collateral Agent	Previously filed
10.27	Amended and Restated HPSC, Inc. 1995 Stock Incentive Plan	Incorporated by reference to Exhibit 10.29 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
10.28	Stock Option grant to Lowell P. Weicker effective December 7, 1995	Incorporated by reference to Exhibit 10.30 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
11.1	Statement of Computation of Earnings per Share	Filed herewith
12.1	Statement re computation of ratio of earnings to fixed charges	Filed herewith
13.1	Annual Report to Stockholders for the fiscal year ended December 31, 1995	Incorporated by reference to Exhibit 13 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
16.1	Letter from Coopers & Lybrand L.L.P. re change in certifying accountant	Incorporated by reference to Exhibit 16 to HPSC's Current Report on Form 8-K dated June 16, 1996

21.1	Subsidiaries of HPSC, Inc.	Incorporated by reference to Exhibit 21 to HPSC's Annual Report on Form 10-K for the fiscal year ended December 31, 1995
23.1	Consent of Deloitte & Touche LLP	Filed herewith
23.2	Consent of Coopers & Lybrand L.L.P.	Filed herewith
23.2	Consent of Hill & Barlow, a Professional Corporation	Included in Exhibit 5.1

NO.	DESCRIPTION OF DOCUMENT	METHOD OF FILING
25.1	Statement of Eligibility of Trustee on Form T-1	Previously filed
27.1	HPSC, Inc. Financial Data Schedule	Filed herewith

Effective May 16, 1996

AMENDED AND RESTATED BY-LAWS

OF

HPSC, INC.

ARTICLE I

Stockholders

SECTION 1. ANNUAL MEETING. An annual meeting of the stockholders of the corporation, for the election of the Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held on the third Tuesday of March in each year (or if that be a legal holiday in the place where the meeting is to be held, on the next succeeding full business day) at the hour stated in the notice of the meeting. If the annual meeting of the stockholders is not held on such date, the Directors shall cause the meeting to be held as soon thereafter as convenient.

SECTION 2. SPECIAL MEETINGS. Special meetings of the stockholders may be called by the President or by order of the Board of Directors, and shall be called by the Secretary (or in the case of the death, absence, incapacity or refusal of the Secretary, by any other officer) upon written application by one or more stockholders who together hold at least 50 percent in interest of the capital stock entitled to vote at the meeting.

SECTION 3. PLACE AND HOUR OF MEETINGS. All meetings of stockholders shall be held at the principal office of the corporation at 10:00 a.m. local time unless a different place or hour is fixed by the person or persons calling the meeting and stated in the notice of the meeting.

SECTION 4. NOTICES OF MEETINGS AND ADJOURNED MEETINGS. A written notice of each annual or special meeting of the stockholders stating the place, date, and hour thereof, shall be given by the Secretary (or the person or persons calling the meeting), not less than 10 nor more than 60 days before the date of the meeting, to each stockholder entitled to vote thereat, by leaving such notice with him or at his residence or usual place of business, or by depositing it postage prepaid in the United States mail, directed to each stockholder at his address as it appears on the records of the corporation. The notice of a special meeting of the stockholders shall state the purpose or purposes for which the meeting is called. An affidavit of the Secretary, Assistant Secretary, or transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie

evidence of the facts stated therein.

No notice need be given to any person with whom communication is unlawful or to any person who has waived such notice (a) in writing (which writing need not specify the business to be transacted at, or the purpose of, the meeting) signed by such person before or after the time of the meeting or (b) by attending the meeting except for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken except that, if the adjournment is for more than thirty days or if, after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in the manner provided in this Section 4.

SECTION 5. QUORUM. At any meeting of the stockholders, a quorum for the transaction of business shall consist of one or more individuals appearing in person or represented by proxy and owning or representing a majority of the shares of the corporation then outstanding and entitled to vote, provided that less than such quorum shall have power to adjourn the meeting from time to time.

SECTION 6. VOTING. Unless otherwise provided in the Certificate of Incorporation and subject to the provisions of Section 10 of this Article I, each stockholder shall have one vote for each share of stock entitled to vote held by him of record according to the records of the corporation. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote unless in the transfer by the pledgor on the books of the corporation he has expressly empowered the pledgee to vote the pledged shares, in which case only the pledgee or his proxy shall be entitled to vote. If shares stand of record in the names of two or more persons or if two or more persons have the same fiduciary relationship respecting the shares then, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided to the contrary: (a) if only one votes, his act binds all; (b) if more than one vote, the act of the majority so voting binds all; and (c) if more than one vote and the vote is evenly split, the effect shall be as provided by law.

SECTION 7. PROXIES. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or any group of not more than three persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

SECTION 8. ACTION AT MEETING. When a quorum is present at any

meeting, action of the stockholders on any matter properly brought before such meeting shall require, and may be effected by, the affirmative vote of the holders of a majority in interest of the stock present or represented and entitled to vote and voting on such matter, except where a

different vote is required by law, the Certificate of Incorporation or these By-Laws. If the Certificate of Incorporation so provides, no ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

SECTION 9. STOCKHOLDER LISTS. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 10. RECORD DATE.

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date which shall not precede the date such record date is fixed and shall not be more than 60 nor less than ten days before the date of such meeting, nor more than 60 days prior to any such other action. If no record is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given. The record date for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 11. ACTION BY WRITTEN CONSENT. All actions taken by stockholders shall be taken at an annual or special meeting of stockholders in accordance with the provisions of this Article I. No action by stockholders may be taken by written consent or otherwise without a meeting.

SECTION 12. NOTIFICATION OF NOMINATIONS. Subject to the provisions of Section 5 of Article II of these by-laws which permit a vacancy in the board of directors to be filled by

directors, only a stockholder of record entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting of stockholders and only if written notice of such stockholder's intent to make such nomination or nominations has been timely given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation (i) in the case of an annual meeting or a special meeting in lieu of annual meeting, not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that in the event that the date of the annual meeting or special meeting in lieu of an annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such meeting and not later than the later of the 60th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation and (ii) in the case of a special meeting (other than a special meeting in lieu of an annual meeting), not earlier than the close of business on the 90th day prior to such meeting and not later than the close of business on the later of the 60th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment of a meeting commence a new time period for the giving of a stockholder's notice as described above. For purposes of this Section 12, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

Each such notice shall set forth:

(a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated;

(b) a representation that the stockholder is a holder of record of

stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person and persons specified in the notice;

(c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; and

(d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of

the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors.

To be effective, each notice of intent to make a nomination given hereunder shall be accompanied by the written consent of each nominee to serve as a director of the corporation if elected.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not properly brought before the meeting in accordance with the provisions hereof and, if he should so determine, he shall declare to the meeting that such nomination was not properly brought before the meeting and shall not be considered.

SECTION 13. ADVANCE NOTICE OF STOCKHOLDER BUSINESS.

At any special meeting of stockholders only such business shall be conducted as shall have been set forth in the notice of special meeting. At an annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise (a) properly requested to be brought before the meeting by a stockholder of record entitled to vote in the election of directors generally and (b) constitute a proper subject to be brought before such meeting.

For business (other than the election of directors, which is addressed by Section 12 of this Article I) to be properly brought before an annual meeting or a special meeting in lieu of annual meeting by a stockholder, the stockholder must give timely notice in writing to the Secretary of the corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation, not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding

year's annual meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that in the event that the date of the annual meeting or special meeting in lieu of an annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such meeting and not later than the close of business on the later of the 60th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment of a meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth as to each matter (other than the election of directors, which is addressed by Section 12 of this Article I) the stockholder proposes to bring before the annual meeting: (a) a brief description of the business desired to be brought before the annual meeting and the reasons

for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder intending to propose such business, (c) the class and number of shares of capital stock of the corporation which are beneficially owned by the stockholder, (d) a representation that the stockholder is a holder of record of capital stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such business, and (e) any material interests of the stockholder in such business.

Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in Section 12 and this Section 13. The chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that (i) the business proposed to be brought before the meeting was not a proper subject therefor and/or (ii) such business was not properly brought before the meeting in accordance with the provisions of this Section 13, and, if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting or not a proper subject therefor shall not be transacted.

Notwithstanding the foregoing provisions of this Section 13, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

For purposes of this Section, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

ARTICLE II

Directors

SECTION 1. POWERS. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors.

SECTION 2. NUMBER OF DIRECTORS. The Board of Directors shall consist of a number within the limits set forth in Article 10 of the corporation's Certificate of Incorporation. The number of Directors shall be fixed by the vote of a majority of the entire Board of Directors in each case within the limits set forth in Article 10 of the corporation's Certificate of Incorporation. Any increase or decrease in the authorized number of Directors shall be governed by the provisions of Section 5 below.

SECTION 3. ELECTION, CLASSES AND TENURE. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III, which shall be as nearly equal in

number as possible; provided, however, that the number of Directors in any one class shall not exceed the number of Directors in any other class by more than one. Each Director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting at which the Director was elected; provided, however, that each initial Director in Class I shall hold office until the annual meeting of stockholders in 1996; and each initial Director in Class II shall hold office until the annual meeting of stockholders in 1997; and each initial Director in Class III shall hold office until the annual meeting of stockholders in 1998. Notwithstanding the foregoing provisions of this Section 3, each Director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. Notwithstanding the provisions of Sections 2, 3, 5 and 6 of this Article II, whenever the holders of any one or more classes or series of stock issued by the corporation having a preference over the common stock as to dividends or upon liquidation shall have the right, voting separately by class or series, to elect Directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies, terms of removal and other features of such directorships shall be governed by the terms of Article 4 of the Corporation's Certificate of Incorporation and the resolution or resolutions establishing such class or series adopted pursuant thereto and such Directors so elected shall not be divided into classes pursuant to this Article II unless expressly provided by such terms.

SECTION 4. QUALIFICATION. No Director must be a stockholder.

SECTION 5. VACANCIES AND NEWLY CREATED DIRECTORSHIPS. In the event of any increase or decrease in the authorized number of Directors, the

newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of Directors so as to maintain such classes as nearly equal in number as possible. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director. Newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled exclusively by the affirmative vote of a majority of the remaining Directors then in office (and not by stockholders), even if such remaining Directors constitute less than a quorum of the Board of Directors, or by a sole remaining Director. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor is duly elected and qualified or until his death, resignation or removal.

SECTION 6. REMOVAL. Any Director may be removed from office only for cause, and only upon the affirmative vote of the holders of at least seventy-five (75%) of the voting power of the corporation's stock.

SECTION 7. RESIGNATION. Any Director of the corporation may resign at any time by giving written notice to the Board of Directors, to the Chairman of the Board, if any, to the President, or to the Secretary, and any member of a committee may resign therefrom at any time by giving notice as aforesaid or to the Chairman or Secretary of such committee. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 8. ANNUAL MEETING. Immediately after each annual meeting of stockholders and at the place thereof, if a quorum of the Directors is present, there shall be a meeting of the Directors without notice.

SECTION 9. REGULAR MEETINGS. Regular meetings of the Directors may be held at such times and places as shall from time to time be fixed by resolution of the Board, and no notice need be given of regular meetings held at times and places so fixed, PROVIDED, HOWEVER, that any resolution relating to the holding of regular meetings shall remain in force only until the next annual meeting of stockholders and that, if at any meeting of Directors at which a resolution is adopted fixing the times or place or places for any regular meetings any Director is absent, no meeting shall be held pursuant to such resolution without notice to or waiver by such absent Director pursuant to Section 11 of this Article II.

SECTION 10. SPECIAL MEETINGS. Special meetings of the Directors may be called by the Chairman of the Board (if any), the President, or by any

two Directors, and shall be held at the place and on the date and hour designated in the call thereof.

SECTION 11. NOTICES. Notices of any special meeting of the Directors shall be given by the Secretary or an Assistant Secretary to each Director, by mailing to him, postage prepaid, and addressed to him at his address as registered on the books of the corporation, or if not so registered at his last known home or business address, a written notice of such meeting at least four days before the meeting or by delivering such notice to him at least 48 hours before the meeting or by sending to him at least 48 hours before the meeting, by prepaid telegram addressed to him at such address, notice of such meeting. In the absence of all such officers, such notice may be given by the officer or one of the Directors calling the meeting. Notice need not be given to any Director who has waived notice (a) in writing executed by him before or after the meeting and filed with the records of the meeting, or (b) by attending the meeting except for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A notice or waiver of notice of a meeting of the Directors need not specify the business to be transacted at or the purpose of the meeting.

SECTION 12. QUORUM. At any meeting of the Directors a majority of the total number of Directors shall constitute a quorum for the transaction of business; provided always that any number of Directors (whether one or more and whether or not constituting a quorum)

present at any meeting or at any adjourned meeting may adjourn such meeting, provided that all absent Directors receive or waive notice pursuant to Section 11 of Article II of any such adjournment that exceeds four business days.

SECTION 13. ACTION AT MEETING. At any meeting of the Directors at which a quorum is present, the action of the Directors on any matter brought before the meeting shall be decided by vote of a majority of those present and voting, unless a different vote is required by law, the Certificate of Incorporation, or these By-Laws.

SECTION 14. ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

SECTION 15. TELEPHONE MEETINGS. Members of the Board of Directors, or any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear

each other, and participation in a meeting pursuant to this Section 15 shall constitute presence in person at such meeting.

SECTION 16. PLACE OF MEETINGS. The Board of Directors may hold its meetings, and have an office or offices, within or without the State of Delaware.

SECTION 17. COMPENSATION. The Board of Directors shall have the authority to fix the compensation of Directors.

SECTION 18. COMMITTEES. (a) The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property or assets, recommending to the stockholders a dissolution of the

corporation or a revocation of a dissolution, or amending the By-Laws of the corporation. Such a committee may, to the extent expressly provided in the resolution of the Board of Directors, have the power or authority to declare a dividend or to authorize the issuance of stock.

(b) At any meeting of any committee, a majority of the whole committee shall constitute a quorum and, except as otherwise provided by statute, by the Certificate of Incorporation, or by these By-Laws, the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum shall be the act of the committee.

(c) Each committee, except as otherwise provided by resolution of the Board of Directors, shall fix the time and place of its meetings within or without the State of Delaware, shall adopt its own rules and procedures, and shall keep a record of its acts and proceedings and report the same from time to time to the Board of Directors.

ARTICLE III

Officers

SECTION 1. OFFICERS AND THEIR ELECTION. The officers of the corporation shall be a President, a Secretary, a Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board of Directors may from time to time determine and elect or appoint. The Board of Directors may appoint one of its members to the office of Chairman of the Board and another of its members to the office of Vice-Chairman of the Board and from time to time define the powers and duties of these offices notwithstanding any other provisions of these By-Laws. The President, the Secretary and the Treasurer shall be elected by the Board of directors at its annual meeting or at the first meeting of the Board after the date fixed by these By-Laws therefor and may, but need not, be members of the Board of Directors. Two or more offices may be held by the same person.

SECTION 2. TERM OF OFFICE. The President, the Treasurer and the Secretary shall, unless sooner removed under the provisions of these By-Laws, hold office until the next annual election of officers and thereafter until their respective successors are elected and qualified or until their earlier resignation or removal. All other officers shall hold office for such term as shall be determined from time to time by the Board of Directors.

SECTION 3. VACANCIES. Any vacancy at any time existing in any office may be filled by the Directors.

SECTION 4. PRESIDENT. The President shall be the chief executive officer of the corporation except as the Board of Directors may otherwise provide. It shall be his duty and he shall have the power to see that all orders and resolutions of the Board of Directors are carried into effect. He shall from time to time report to the Board of Directors all matters

within his knowledge which the interests of the corporation may require to be brought to its notice. The President, when present, shall preside at all meetings of the stockholders and of the Board of Directors, unless otherwise provided by the Board of Directors. The President shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

SECTION 5. CHAIRMAN OF THE BOARD. The Chairman of the Board shall have the powers and duties expressly designated in these By-Laws and shall perform such duties and have such powers additional thereto as the Board of Directors shall designate.

SECTION 6. VICE PRESIDENTS. In the absence or disability of the President, his powers and duties shall be performed by the Vice President, if only one, or, if more than one, by the one designated for the purpose by the

Board of Directors. Each Vice President shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

SECTION 7. TREASURER. The Treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as shall be designated by the Board of Directors or in the absence of such designation in such depositories as he shall from time to time deem proper. He shall disburse the funds of the corporation as shall be ordered by the Board of Directors, taking proper vouchers for such disbursements. He shall promptly render to the President and to the Board of Directors such statements of his transactions and accounts as the President and Board of Directors respectively may from time to time require. The Treasurer shall Perform such duties and have such powers additional to the foregoing as the Board of Directors may designate.

SECTION 8. ASSISTANT TREASURERS. In the absence or disability of the Treasurer, his powers and duties shall be performed by the Assistant Treasurer, if only one, or if more than one, by the one designated for the purpose by the Board of Directors. Each Assistant Treasurer shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

SECTION 9. SECRETARY. The Secretary shall issue notices of all meetings of stockholders, of the Board of Directors and of committees thereof where notices of such meetings are required by law or these By-Laws. He shall record the proceedings of the meetings of the stockholders and of the Board of Directors and shall be responsible for the custody thereof in a book to be kept for that purpose. He shall also record the Proceedings of the committees of the Board of Directors unless such committees appoint their own respective secretaries. Unless the Board of Directors shall appoint a transfer agent and/or registrar, the Secretary shall be charged with the duty of keeping, or causing to be kept, accurate records of all stock outstanding, stock certificates issued and stock transfers. He shall sign such instruments as require his signature. The Secretary shall have custody of the corporate seal

and shall affix and attest such seal on all documents whose execution under seal is duly authorized. In his absence at any meeting, an Assistant Secretary or the Secretary pro tempore shall Perform his duties thereat. He shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

SECTION 10. ASSISTANT SECRETARIES. In the absence or disability of the Secretary, his powers and duties shall be performed by the Assistant Secretary, if only one, or, if more than one, by the one designated for the

purpose by the Board of Directors. Each Assistant Secretary shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

SECTION 11. SALARIES. The salaries and other compensation of officers, agents and employees shall be fixed from time to time by or under authority from the Board of Directors. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he is also a Director of the corporation.

SECTION 12. REMOVAL. The Board of Directors may remove any officer, either with or without cause, at any time.

SECTION 13. BOND. The corporation may secure the fidelity of any or all of its officers or agents by bond or otherwise.

SECTION 14. RESIGNATIONS. Any officer, agent or employee of the corporation may resign at any time by giving written notice to the Board of Directors, to the Chairman of the Board, if any, to the President or to the Secretary of the corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE IV

Capital Stock

SECTION 1. STOCK CERTIFICATES. Each stockholder shall be entitled to have a certificate signed by, or in the name of the corporation by the Chairman or Vice-Chairman of the Board or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before the certificate is issued, such certificate may nevertheless be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 2. CLASSES OF STOCK. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the face or back of each certificate issued by the corporation to represent such class or series shall either (a) set forth in full or summarize the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions thereof, or (b) contain a

statement that the corporation will furnish a statement of the same without charge to each stockholder who so requests.

SECTION 3. TRANSFER OF STOCK. Shares of stock shall be transferable on the books of the corporation pursuant to applicable law and such rules and regulations as the Board of Directors shall from time to time prescribe. The Board of Directors may at any time or from time to time appoint a transfer agent or agents or a registrar or registrars for the transfer or registration of shares of stock.

SECTION 4. HOLDERS OF RECORD. Prior to due presentment for registration of transfer the corporation may treat the holder of record of a share of its stock as the complete owner thereof exclusively entitled to vote, to receive notifications and otherwise entitled to all the rights and powers of a complete owner thereof, notwithstanding notice to the contrary.

SECTION 5. LOST, STOLEN, OR DESTROYED STOCK CERTIFICATES. The Board of Directors may direct a new stock certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against the corporation on account of the alleged loss, theft, or destruction, of such certificates or the issuance of such new certificate.

ARTICLE V

Miscellaneous Provisions

SECTION 1. INTERESTED DIRECTORS AND OFFICERS. (a) No contract or transaction between the corporation and one or more of its Directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are Directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority

of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(2) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the shareholders.

(b) Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

SECTION 2. INDEMNIFICATION. To the maximum extent permitted by the Delaware General Corporation Law, as the same may be in effect from time to time, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director or officer of the corporation, or is or was a Director or officer of the corporation serving at the request of the corporation as a Director or officer of another entity, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with such action, suit, or proceeding. Nothing herein shall be deemed to limit the power of the corporation to similarly indemnify employees or agents of the corporation or persons who are serving at the request of the corporation as a Director or officer of another entity but who are not Directors or officers of the corporation.

SECTION 3. STOCK IN OTHER CORPORATIONS. Subject to any limitations that may be imposed by the Board of Directors, the President or any person or persons authorized by the Board of Directors may, in the name and on behalf of the corporation, (a) call meetings of the holders of stock or other securities of any corporation or other organization, stock or other securities of which are held by this corporation, (b) act, or appoint any other person or persons (with or without powers of substitution) to act in the name and on behalf of the corporation, or (c) express consent or dissent, as a holder of such securities, to corporate or other action by such other corporation or organization.

SECTION 4. CHECKS, NOTES, DRAFTS AND OTHER INSTRUMENTS. Checks, notes, drafts and other instruments for the payment of money drawn or endorsed in the name of the corporation may be signed by any officer or officers or person or persons authorized by the

Board of Directors to sign the same. No officer or person shall sign any such instrument as aforesaid unless authorized by the Board of Directors to do so.

SECTION 5. CORPORATE SEAL. The seal of the corporation shall be circular in form, bearing the name of the corporation, the word "Delaware", and the year of incorporation, and the same may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

SECTION 6. FISCAL YEAR. The fiscal year of the corporation shall be the year ending with the 31st day of December.

SECTION 7. BOOKS AND RECORDS. The books, accounts and records of the corporation, except as may be otherwise required by the laws of the State of Delaware, may be kept outside of the State of Delaware, at such place or places as the Board of Directors may from time to time appoint. Except as may otherwise be provided by law, the Board of Directors shall determine whether and to what extent the books, accounts, records and documents of the corporation, or any of them, shall be open to the inspection of the stockholders.

SECTION 8. SEPARABILITY. If any term or provision of the By-Laws, or the application thereof to any person or circumstances or period of time, shall to any extent be invalid or unenforceable, the remainder of the By-Laws shall be valid and enforced to the fullest extent permitted by law.

SECTION 9. AMENDMENTS. The By-Laws may be amended or repealed by the stockholders or, if such power is conferred by the Certificate of Incorporation, by the Board of Directors, except that any By-law added or amended by the stockholders may be altered or repealed only by the stockholders if such By-law expressly so provides.

HPSC, INC.,

ISSUER,

AND

STATE STREET BANK AND TRUST COMPANY,

TRUSTEE

INDENTURE

DATED AS OF MARCH __, 1997

$23,000,000

_____% SENIOR SUBORDINATED NOTES DUE 2007

INDENTURE, dated as of March __, 1997, between HPSC, Inc., a Delaware corporation (the "Company") and State Street Bank and Trust Company, as Trustee.

Each party hereto agrees as follows for the benefit of each other party and for the equal and ratable benefit of the Holders of the Company's ____% Senior Subordinated Notes due 2007 (the "Securities").

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1 Definitions.

"Acceleration Notice" shall have the meaning specified in Section 6.2.

"Acquired Recourse Debt" means Funded Recourse Debt or Disqualified Capital Stock of any Person existing at the time such Person becomes a Subsidiary of the Company or is merged or consolidated into or with the Company or one of its Subsidiaries.

"Acquisition" means the purchase or other acquisition of any Person or substantially all the assets of any Person by any other Person, whether by purchase, merger, consolidation or other transfer, and whether or not for consideration.

"Affiliate" means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company. For purposes of this definition, the term "control" means the power to direct the management and policies of a Person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract or otherwise, provided that a beneficial owner of 10% or more of the total voting power normally entitled to vote in the election of directors, managers or trustees, as applicable, shall for such purposes be deemed to constitute control.

"Affiliate Transaction" shall have the meaning specified in Section 4.10.

"Agent" means any Registrar, Paying Agent or co-Registrar.

"Attributable Indebtedness" means, with respect to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the present value of the total net amount of rent required to be paid by such Person under the lease during the primary term thereof, without giving effect to any renewals at the option of the lessee, discounted from the respective due dates thereof to

such date at the rate of interest per annum implicit in the terms of the lease. As used in the preceding sentence, the net amount of rent under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease which is terminable by the lessee upon payment of a penalty, such net amount of rent shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Average Life" means, as of the date of determination, with respect to any security or instrument, the quotient obtained by dividing (i) the sum of the product of (a) the number of years from the date of determination to the date or dates of each successive scheduled principal (or redemption) payment of such security or instrument and (b) the amount of each such respective principal (or redemption) payment by (ii) the sum of all such principal (or redemption) payments.

"Bankruptcy Law" means Title 11, U.S. Code, or any similar Federal, state or foreign law for the relief of debtors.

"Beneficial Owner," for purposes of the definition of Change of Control, has the meaning attributed to it in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date), whether or not applicable, except that a "person" (as such term is used for purposes of such Rules) shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time.

"Board of Directors" means, with respect to any Person, the Board of Directors of such Person or any committee of the Board of Directors of such Person authorized, with respect to any particular matter, to exercise the power of the Board of Directors of such Person. With respect to any Person that is not organized as a corporation, "Board of Directors" shall refer to the entity or entities having similar powers.

"Board Resolution" means, with respect to any Person, a duly adopted resolution of the Board of Directors of such Person.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York, New York or the city in which the principal office of the Trustee is located are authorized or obligated by law or executive order to close.

"Capitalized Lease Obligation" means rental obligations under a lease that are required to be capitalized for financial reporting purposes in accordance with GAAP, and

the amount of Indebtedness represented by such obligations shall be the capitalized amount of such obligations, as determined in accordance with GAAP.

"Capital Stock" means, (i) with respect to any Person formed as a corporation, any and all shares, interests, rights to purchase (other than convertible or exchangeable Indebtedness), warrants, options, participations or other equivalents of or interests (however designated) in stock issued by that corporation and (ii) with respect to any Person formed other than as a corporation, any and all partnership or other equity interests of such Person.

"Cash" means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

"Cash Equivalent" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) maturing within one year after the date of acquisition, (ii) time deposits, certificates of deposit, bankers' acceptances and commercial paper issued by the parent corporation of any domestic commercial bank of recognized standing having capital and surplus in excess of $1 billion, (iii) commercial paper issued by any other issuer which is rated in the case of commercial paper which matures one year or more after the date of acquisition, at least A-1 or the equivalent thereof by Standard & Poor's Corporation ("S&P") or at least P-1 or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's"), (iv) securities commonly known as "short-term bank notes" issued by any commercial bank denominated in U.S. Dollars which at the time of purchase is rated at least A-2 or the equivalent thereof by S&P or at least P-2 or the equivalent thereof by Moody's, (v) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (ii) above entered into with any commercial bank meeting the qualifications specified in clause (ii) above and (vi) shares of any money market fund, or similar fund, in each case having assets in excess of $1 billion, which invests predominantly in investments of the type described in clauses (i), (ii), (iii), (iv) or (v) above.

"Change of Control" means (i) any sale, merger or consolidation with or

into any Person or any transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of the Company, on a consolidated basis, in one transaction or in a series of related transactions, if, immediately after giving effect to such transaction, any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable)

is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers or trustees, as applicable, of the transferee or surviving entity, (ii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of Capital Stock of the Company then outstanding normally entitled to vote in elections of directors or (iii) during any period of 12 consecutive months after the Issue Date, individuals who at the beginning of any such 12-month period constituted the Board of Directors of the Company (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election, recommendation, or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office.

"Change of Control Offer" shall have the meaning specified in Section 10.1.

"Change of Control Offer Period" shall have the meaning specified in Section 10.1.

"Change of Control Purchase Date" shall have the meaning specified in Section 10.1.

"Change of Control Purchase Price" shall have the meaning specified in Section 10.1.

"Change of Control Put Date" shall have the meaning specified in Section 10.1.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means HPSC, Inc., a Delaware corporation, until a successor replaces it pursuant to this Indenture, and thereafter means such successor.

"Consolidated EBITDA" means, with respect to any Person, for any period,

the Consolidated Net Income of such Person for such period adjusted to add thereto (to the extent deducted from net revenues in determining Consolidated Net Income), without duplication, the sum of (i) consolidated income tax expense for such period, (ii) consolidated depreciation and amortization expense for such period, (iii) non-cash charges of such Person and its Consolidated Subsidiaries during such period less the amount of all cash payments made during such period to the extent such payments relate to non-cash charges that were added back in determining Consolidated EBITDA for such period, (iv) Consolidated Interest Expense for such period and (v) to the extent not excluded from the Consolidated Net Income of such Person for such period, losses (determined on a consolidated basis in accordance with GAAP) which are either extraordinary (as determined in accordance with GAAP) or are unusual or nonrecurring.

"Consolidated Interest Coverage Ratio" of any Person on any date of determination (the "Transaction Date") means the ratio, on a pro forma basis, of (a) the

aggregate amount of Consolidated EBITDA of such Person attributable to continuing operations and businesses (exclusive of amounts, whether positive or negative, attributable to operations and businesses permanently discontinued or disposed of) for the Reference Period to (b) the aggregate Consolidated Interest Expense of such Person (exclusive of amounts attributable to operations and businesses permanently discontinued or disposed of, but only to the extent that the obligations giving rise to such Consolidated Interest Expense would no longer be obligations contributing to such Person's Consolidated Interest Expense subsequent to the Transaction Date) during the Reference Period; provided, that for purposes of such calculation, (i) Acquisitions which occurred during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date (including any Consolidated EBITDA associated with such Acquisition) shall be assumed to have occurred on the first day of the Reference Period, (ii) transactions giving rise to the need to calculate the Consolidated Interest Coverage Ratio shall be assumed to have occurred on the first day of the Reference Period, (iii) the incurrence or repayment of any Indebtedness or issuance of any Disqualified Capital Stock during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date (and the application of the proceeds therefrom to the extent used to refinance or retire other Indebtedness), other than under a revolving credit or similar facility to the extent that the proceeds were used to finance working capital requirements in the ordinary course of business, shall be assumed to have occurred on the first day of such Reference Period and (iv) the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness or dividends on any Disqualified Capital Stock bearing a floating interest (or dividend) rate shall be computed on a pro forma basis as if the rate in effect on the Transaction Date had been the applicable rate for the entire period, unless such Person or any of its Subsidiaries is a

party to a Hedging and Interest Swap Obligation (which shall remain in effect for the 12-month period immediately following the Transaction Date) that has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) shall be used.

"Consolidated Interest Expense" of any Person means, for any period, the aggregate amount (without duplication and determined in each case in accordance with GAAP) of (a) interest expensed or capitalized, paid, accrued, or scheduled to be paid or accrued (including, in accordance with the following sentence, interest attributable to Capitalized Lease Obligations) of such Person and its Consolidated Subsidiaries during such period, including (i) original issue discount and noncash interest payments or accruals on any Indebtedness, (ii) the interest portion of all deferred payment obligations and (iii) all commissions, discounts and other fees and charges owed with respect to bankers' acceptances and letters of credit financing and currency and Hedging and Interest Swap Obligations, in each case to the extent attributable to such period and (b) the amount of dividends accrued or payable (other than in additional shares of such Preferred Stock) by such Person or any of its Consolidated Subsidiaries in respect of Preferred Stock (other than by Subsidiaries of such Person to such Person or such Person's Consolidated Subsidiaries). For purposes of this definition, (x) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by the Company to be the rate of interest implicit in such Capitalized Lease

Obligation in accordance with GAAP, (y) interest expense attributable to any Indebtedness represented by the guaranty by such Person or a Subsidiary of such Person of an obligation of another Person shall be deemed to be the interest expense attributable to the Indebtedness guaranteed, and (z) dividends in respect of Preferred Stock shall be deemed to be an amount equal to the actual dividends paid divided by one minus the applicable actual combined Federal, state, local and foreign income tax rate of the Company and its Consolidated Subsidiaries (expressed as a decimal).

"Consolidated Net Income" means, with respect to any Person for any period, the net income (or loss) of such Person and its Consolidated Subsidiaries (determined on a consolidated basis in accordance with GAAP) for such period, (i) adjusted to exclude (only to the extent included in computing such net income (or loss) and without duplication): (a) net gains (but not net losses) from the sale, lease, transfer or other dispositions of assets or property not in the ordinary course of business; (b) net gains (but not net losses) which are either extraordinary (as determined in accordance with GAAP) or are either unusual or nonrecurring, (c) the net income, if positive, of any other Person accounted for by the equity method of accounting, except to the extent of the amount of any dividends or distributions actually paid in cash to such Person or a Consolidated Subsidiary of such Person during such period, but in any case not in excess

of such Person's pro rata share of such Person's net income for such period, (d) the net income, if positive, of any Person acquired in a pooling-of-interests transaction for any period prior to the date of such acquisition, (e) the net income, if positive, of any of such Person's Consolidated Subsidiaries in the event and solely to the extent that the declaration or payment of dividends or similar distributions is not at the time permitted by operation of the terms of its charter or bylaws or any other agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Consolidated Subsidiary, (f) all gains (but not losses) from currency exchange transactions not in the ordinary course of business consistent with past practice and (g) any non-cash expense determined in accordance with GAAP in connection with a transaction between the Company and the ESOP; and (ii) adjusted to include the amount of any dividends or distributions actually paid in cash to such Person or a Consolidated Subsidiary of such Person by an Unrestricted Subsidiary in an amount not to exceed such Person's pro rata share of such Unrestricted Subsidiary's net income.

"Consolidated Net Worth" of any Person at any date means the aggregate consolidated stockholders' equity of such Person (plus amounts of equity attributable to Preferred Stock) and its Consolidated Subsidiaries, as would be shown on the consolidated balance sheet of such Person prepared in accordance with GAAP, adjusted to exclude (to the extent included in calculating such equity), (a) the amount of any such stockholders' equity attributable to Disqualified Capital Stock or treasury stock of such Person and its Consolidated Subsidiaries, (b) all upward revaluations and other write-ups

in the book value of any asset of such Person or a Consolidated Subsidiary of such Person subsequent to the Issue Date and (c) all investments in Subsidiaries that are not Consolidated Subsidiaries and in Persons that are not Subsidiaries.

"Consolidated Subsidiary" means, for any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which are consolidated for financial statement reporting purposes with the financial statements of such Person in accordance with GAAP.

"Customer" means any Person for whom the Company or any of its Subsidiaries finances property, equipment, goods, leasehold improvements or working capital requirements.

"Customer Receivable" means any obligation of any kind or nature, however denominated, to the Company or any of its Subsidiaries (i) incurred by Customers in the ordinary course of the respective business of the Company and its Subsidiaries or (ii) arising from the purchase or acquisition by the Company or any of its Subsidiaries of any lease, promissory note, account

receivable, loan or similar financial arrangement, or any right or asset reasonably related to any of the foregoing.

"Covenant Defeasance" shall have the meaning specified in Section 8.3.

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"Default" means any event or condition that is, or after notice or passage of time or both would be, an Event of Default.

"Defaulted Interest" shall have the meaning specified in Section 2.12.

"Definitive Securities" means Securities that are in the form of Security attached hereto as Exhibit A that do not include the information called for by footnotes 1 and 2 thereof.

"Depository" means, with respect to the Securities issuable or issued in whole or in part in global form, the Person specified in Section 2.3 as the Depository with respect to the Securities, until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and, thereafter, "Depository" shall mean or include such successor.

"Designated Secured Portfolio Debt" means (a) the Indebtedness under the Revolver Agreement and (b) any other Secured Portfolio Debt which (i) at the date of determination has an aggregate principal amount outstanding of, or under which at the

date of determination the holders thereof are committed to lend up to, at least $10,000,000 and (ii) is specifically designated by the Company in the instrument governing such Secured Portfolio Debt as "Designated Secured Portfolio Debt" for purposes of this Indenture.

"Disqualified Capital Stock" means (a) except as set forth in (b), with respect to any Person, Capital Stock of such Person that, by its terms or by the terms of any security into which it is then convertible, exercisable or exchangeable, is, or upon the happening of an event or the passage of time would be, required to be redeemed or repurchased (including at the option of the holder thereof) by such Person or any of its Subsidiaries, in whole or in part, on or prior to the Stated Maturity of the Securities and (b) with respect to any Subsidiary of any Person (including with respect to any Subsidiary of the Company), any Capital Stock of such Subsidiary other than any common stock with no preference, privileges, or redemption or repayment provisions.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute.

"ESOP" means, collectively, the HPSC, Inc. Employee Stock Ownership Plan and the Supplemental HPSC, Inc. Employee Stock Ownership Plan, and any successor employee stock ownership plans having terms similar to the foregoing plans, as amended from time to time by a resolution of the Board of Directors of the Company or a duly authorized committee thereof.

"Event of Default" shall have the meaning specified in Section 6.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC thereunder.

"Exempted Affiliate Transaction" means (a) transactions solely between the Company and any of its Wholly-Owned Subsidiaries or solely among Wholly-Owned Subsidiaries of the Company, (b) transactions permitted under Section 4.3 hereof, (c) customary employee compensation arrangements approved by a majority of independent (as to such transactions) members of the Board of Directors of the Company, (d) reasonable fees and compensation paid to, and indemnities to, and directors and officers and ERISA-based fiduciary liability insurance provided on behalf of, officers, directors, agents or employees of the Company or any of its Subsidiaries or the ESOP or any trustee thereof, in each case in the ordinary course of business and as determined in good faith by the Board of Directors of the Company and (e) any guaranty by the Company or any of its Subsidiaries of any Indebtedness of the Company and/or any Wholly-Owned Subsidiary of the Company (but not of any other Person).

"Funded Recourse Debt" means, without duplication, any Indebtedness of the Company or any Subsidiary of the Company which by its terms matures at or is extendible or renewable at the sole option of the obligor without requiring the consent of the obligee to a date more then one year after the date of the creation or incurrence of such obligation; provided that Funded Recourse Debt shall not include any Non-Recourse Indebtedness of the Company or any Subsidiary of the Company.

"GAAP" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession as in effect on the Issue Date.

"Global Security" means a Security that contains the paragraph referred to in footnote 1 and the additional schedule referred to in footnote 2 to the form of Security attached hereto as Exhibit A.

"Hedging and Interest Swap Obligations" means, with respect to any

Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Holder" or "Securityholder" means the Person in whose name a Security is registered on the Registrar's books or, for purposes of Section 4.16, the beneficial owner of Securities held in global form.

"Indebtedness" of any Person means, without duplication: (a) all liabilities and obligations, contingent or otherwise, of any such Person, (i) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (ii) evidenced by bonds, notes, debentures or similar instruments, (iii) representing the balance deferred and unpaid of the purchase price of any property or services, except (other than accounts payable or other obligations to trade creditors which have remained unpaid for greater than 90 days past their original due date, unless contested in good faith) those incurred in the ordinary course of its business that would constitute ordinarily a trade payable to trade creditors, (iv) evidenced by bankers' acceptances or similar instruments issued or accepted by banks, (v) for the payment of money relating to a Capitalized Lease Obligation, or (vi) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit; (b) all net obligations of such Person under Hedging and Interest Swap Obligations; (c) all liabilities and obligations of others of the kind described in the preceding clauses (a) or (b) that such Person has guaranteed or that is otherwise its legal liability or which are secured by any assets or property of such Person; and (d) all immediately enforceable obligations to

purchase, redeem or acquire any Capital Stock of such Person (other than, in the case of the Company or any of its Subsidiaries, obligations under the Restricted Stock Plans or the Stock Option Plans).

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof.

"Independent Committee" shall have the meaning set forth in Section 4.10.

"Interest Payment Date" means the stated due date of an installment of interest on the Securities.

"Investment" by any person in any other person means (without duplication): (a) the acquisition (whether by purchase, merger, consolidation or otherwise) by such Person (whether for cash, property, services,

securities or otherwise) of Capital Stock, bonds, notes, debentures, partnership or other ownership interests or other securities, including any options or warrants, of such other Person or any agreement to make any such acquisition; (b) the making by such Person of any deposit with, or advance, loan or other extension of credit to, such other Person (including the purchase of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such other Person) or any commitment to make any such advance, loan or extension (but excluding accounts receivable or deposits arising in the ordinary course of business); (c) other than guarantees of Indebtedness of the Company to the extent permitted by Section 4.11 hereof, the entering into by such Person of any guarantee of, or other credit support or contingent obligation with respect to, Indebtedness or other liability of such other Person; and (d) the making of any capital contribution by such Person to such other Person.

"Issue Date" means the date of first issuance of the Securities under this Indenture.

"Legal Defeasance" shall have the meaning specified in Section 8.2.

"Lien" means any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Maturity Date" means, when used with respect to any Security, the date specified on such Security as the fixed date on which the final installment of principal of such Security is due and payable (in the absence of any acceleration thereof pursuant to the provisions of this Indenture regarding acceleration of Indebtedness or any redemption

thereof pursuant to Article III of this Indenture, or any Change of Control Offer or repurchase upon the death of the Holder of such Security).

"Net Cash Proceeds" means the aggregate amount of Cash and Cash Equivalents received by the Company in the case of a sale of Qualified Capital Stock plus, in the case of an issuance of Qualified Capital Stock upon any exercise, exchange or conversion of securities (including options, warrants, rights and convertible or exchangeable debt) of the Company that were issued for cash on or after the Issue Date, the amount of cash originally received by the Company upon the issuance of such securities (including options, warrants, rights and convertible or exchangeable debt) less, in each case, the sum of all payments, fees, commissions and reasonable and customary) expenses (including, without limitation, the fees and expenses of legal counsel and investment banking fees and expenses) incurred in

connection with such sale of Qualified Capital Stock.

"Non-Receivable Asset" means any asset, property or right of the Company or any of its Subsidiaries, other than any Customer Receivable, or asset related to such Customer Receivable, such as inventory, records, intellectual property and proceeds of Customer Receivables.

"Non-Recourse Indebtedness" means Indebtedness or that portion of Indebtedness (i) as to which neither the Company nor any of its Subsidiaries (a) provide credit support (including any undertaking, agreement or instrument which would constitute Indebtedness), (b) is directly or indirectly liable or (c) constitutes the lender and (ii) with respect to which no default would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Subsidiary to declare a default on such other Indebtedness or cause the payment therefor to be accelerated or payable prior to its stated maturity.

"Notice of Default" shall have the meaning specified in Section 6.1(4).

"Obligation" means any principal, premium, interest, penalties, fees, reimbursements, damages, indemnification and other liabilities relating to obligations of the Company under the Securities or this Indenture.

"Officer" means, with respect to the Company, the Chief Executive Officer, the President, any Executive or Senior Vice President, the Chief Financial Officer, the Treasurer, the Controller, or the Secretary of the Company.

"Officers' Certificate" means, with respect to the Company, a certificate signed by two Officers or by an Officer and an Assistant Secretary of the Company and otherwise complying with the requirements of Sections 12.4 and 12.5.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee complying with the requirements of Sections 12.4 and 12.5.

"Outstanding," as used with reference to the Securities shall have the meaning specified in Section 2.8.

"Paying Agent" shall have the meaning specified in Section 2.3.

"Permitted Lien" means any of the following:

(a) Liens existing on the Issue Date;

(b) Liens imposed by governmental authorities for taxes, assessments or other charges not yet subject to penalty or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP;

(c) Statutory Liens of carriers, warehousemen, mechanics, materialmen, landlords, repairmen or other like Liens arising by operation of law in the ordinary course of business provided that (i) the underlying obligations are not overdue for a period of more than 30 days or (ii) such Liens are being contested in good faith and by appropriate proceedings and adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP;

(d) Liens securing the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) Easements, rights-of-way, zoning, similar restrictions and other similar encumbrances or title defects which, singly or in the aggregate, do not in any case materially detract from the value of the property, subject thereto (as such property is used by the Company or any of its Subsidiaries) or interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries;

(f) Liens arising by operation of law in connection with judgments, only to the extent, for an amount and for a period not resulting in an Event of Default with respect thereto;

(g) Pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation;

(h) Liens on the property or assets of a Person existing at the time such Person becomes a Subsidiary or is merged with or into the Company or a Subsidiary, provided in each case that such Liens were in existence prior to the date of such acquisition, merger or consolidation, were not incurred in anticipation thereof and do not extend to any other assets;

(i) Liens on property or assets existing at the time of the acquisition thereof by the Company or any of its Subsidiaries, provided that such Liens were in existence prior to the date of such acquisition and were not incurred in anticipation thereof;

(j) Liens securing Refinancing Indebtedness incurred to refinance any Indebtedness that was previously so secured in a manner no more adverse to the Holders of the Securities than the terms of the Liens securing such refinanced Indebtedness;

(k) Liens securing Secured Portfolio Debt;

(l) Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations permitted to be incurred under clause (c) of the definition of "Permitted Recourse Debt";

(m) Liens in favor of the Company or any Subsidiary of the Company; and

(n) Liens securing the Securities.

"Permitted Recourse Debt" means any of the following:

(a) Indebtedness of the Company evidenced by the Securities pursuant to this Indenture up to the amounts specified herein as of the Issue Date;

(b) Indebtedness of the Company and its Subsidiaries under the Revolver Agreement (including any Indebtedness issued to refinance, refund or replace such Indebtedness in whole or in part, including any extended maturity or increase in the amount thereof);

(c) Indebtedness of the Company and its Subsidiaries (in addition to Indebtedness permitted by any other clause of this definition) in an aggregate amount outstanding at any time (including any Indebtedness

issued to refinance, replace or refund such Indebtedness in whole or in part) of up to $1,500,000;

(d) Refinancing Indebtedness of the Company and its Subsidiaries incurred with respect to any Indebtedness or Disqualified Capital Stock, as applicable, described in clause (ii) of the proviso contained in Section 4.11 or described in clause (e) of this definition of "Permitted Recourse Debt";

(e) Indebtedness of the Company owed to any Wholly-Owned Subsidiary, and Indebtedness of any Subsidiary of the Company owed to any other Wholly-Owned Subsidiary or to the Company; provided that any such obligations of the Company owed to any Wholly-Owned Subsidiary of the Company shall be unsecured and subordinated in all respects to the Company's obligations pursuant to the Securities; and, provided, further, that if any Wholly-Owned Subsidiary ceases to be a Wholly-Owned Subsidiary of the Company or if the Company or any

Wholly-Owned Subsidiary transfers such Indebtedness to any Person (other than to the Company or another Wholly-Owned Subsidiary), such events, in each case, shall constitute the incurrence of such Indebtedness by the Company or such Wholly-Owned Subsidiary, as the case may be, at the time of such event;

(f) Indebtedness of the Company and its Subsidiaries existing on the Issue Date;

(g) Indebtedness of the Company and its Subsidiaries incurred solely in respect of bankers acceptances, letters of credit, surety bonds and performance bonds (in each case to the extent that such incurrence does not result in the incurrence of any obligation for the payment of borrowed money of others) issued (i) in connection with the incurrence or refinancing of Secured Portfolio Debt and (ii) in the ordinary course of business consistent with past practice;

(h) Indebtedness of the Company and its Subsidiaries represented by Hedging and Interest Swap Obligations entered into in the ordinary course of business consistent with past practice and related to Indebtedness of the Company and its Subsidiaries otherwise permitted to be incurred pursuant to the Indenture; and

(i) Secured Portfolio Debt.

"Person" or "person" means any corporation, individual, limited liability company, joint stock company, joint venture, partnership, unincorporated association, governmental

regulatory entity, country, state or political subdivision thereof, trust, municipality or other entity.

"Principal" of any Indebtedness means the principal of such Indebtedness plus, without duplication, any applicable premium, if any, on such Indebtedness.

"Pro Rata Portion" shall have the meaning set forth in Section 11.1(d).

"Property" means any right or interest in or to property or assets of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Purchase Money Indebtedness" means Indebtedness of the Company or its Subsidiaries to the extent that (i) such Indebtedness is incurred in connection with the acquisition of specified assets and property (the "Subject Assets") for the business of the Company or its Subsidiaries, including Indebtedness which existed at the time of the acquisition of such

Subject Asset and was assumed in connection therewith, and (ii) the Liens securing such Indebtedness are limited to the Subject Asset.

"Qualified Capital Stock" means any Capital Stock of the Company that is not Disqualified Capital Stock.

"Qualified Exchange" means any legal defeasance, redemption, retirement, repurchase or other acquisition of Capital Stock or Subordinated Indebtedness of the Company issued on or after the Issue Date with the Net Cash Proceeds received by the Company from the substantially concurrent (i.e., within 60 days) sale (other than to a Subsidiary of the Company or the ESOP) of Qualified Capital Stock or any issuance of Qualified Capital Stock in exchange for any Capital Stock or Subordinated Indebtedness issued on or after the Issue Date.

"Record Date" means a Record Date specified in the Securities whether or not such Record Date is a Business Day.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to Article III of this Indenture and Paragraph 5 of such Security.

"Redemption Price," when used with respect to any Security to be redeemed, means the redemption price for such redemption pursuant to Paragraph 5 of such Security, which shall include, without duplication, in each case, accrued and unpaid interest to the Redemption Date.

"Reference Period" with regard to any Person means the four full fiscal quarters (or such lesser period during which such Person has been in existence) of such Person

ended immediately preceding any date upon which any determination is to be made pursuant to the terms of the Securities or this Indenture.

"Refinancing Indebtedness" means Indebtedness or Disqualified Capital Stock (a) issued in exchange for, or the proceeds from the issuance and sale of which are used substantially concurrently to repay, redeem, defease, refund, refinance, discharge or otherwise retire for value, in whole or in part, or (b) constituting an amendment, modification or supplement to, or a deferral or renewal of (each of (a) and (b) above is a "Refinancing"), any Indebtedness or Disqualified Capital Stock in a principal amount or, in the case of Disqualified Capital Stock, liquidation preference, not to exceed (after deduction of reasonable and customary fees and expenses incurred in connection with the Refinancing) the lesser of (i) the principal amount or, in the case of Disqualified Capital Stock, liquidation preference, of the Indebtedness or Disqualified Capital Stock so refinanced and (ii) if such Indebtedness being refinanced was issued with an original issue discount, the

accreted value thereof (as determined in accordance with GAAP) at the time of such Refinancing; provided that (A) such Refinancing Indebtedness of any Subsidiary of the Company shall only be used to refinance outstanding Indebtedness or Disqualified Capital Stock of such Subsidiary, (B) Refinancing Indebtedness shall (x) not have an Average Life shorter than the Indebtedness or Disqualified Capital Stock to be so refinanced at the time of such Refinancing and (y) in all respects, be no less subordinated or junior, if applicable, to the rights of Holders of the Securities than was the Indebtedness or Disqualified Capital Stock to be refinanced and (C) such Refinancing Indebtedness shall have no installment of principal (or redemption payment) scheduled to come due earlier than the scheduled maturity of any installment of principal of the Indebtedness or Disqualified Capital Stock to be so refinanced which was scheduled to come due prior to the Stated Maturity.

"Registrar" shall have the meaning specified in Section 2.3.

"Related Business" means the business conducted by the Company and its Subsidiaries as of the Issue Date and any and all businesses that in the good faith judgment of the Board of Directors of the Company are materially related businesses.

"Representative" means the trustee, agent or representative (if any) of Secured Portfolio Debt.

"Repurchase Date," when used with respect to any Security to be repurchased pursuant to the provisions of Section 4.16, means the date fixed for the repurchase of such Security pursuant to Section 4.16.

"Repurchase Price," when used with respect to any Security to be repurchased pursuant to the provisions of Section 4.16, means an amount equal to 100% of the

principal amount thereof and shall include, without duplication, in each case, accrued and unpaid interest to the Repurchase Date of such Security.

"Restricted Investment" means any Investment other than:

(a) Investments in Customer Receivables;

(b) Investments in Cash Equivalents;

(c) Investments existing on the Issue Date;

(d) Investments in the Company or a Wholly-Owned Subsidiary;

(e) Investments in any Person engaged in a Related Business if,

as a consequence of such Investment, (i) such Person becomes a Wholly-Owned Subsidiary of the Company or (ii) such Person is merged, consolidated or amalgamated with or into, or conveys substantially all of its assets to the Company or a Wholly-Owned Subsidiary of the Company;

(f) Investments consisting of loans or advances to employees of the Company or any of its Subsidiaries (i) for moving, entertainment, travel and other similar expenses in the ordinary course of business not exceeding $250,000 outstanding in the aggregate at any one time or (ii) pursuant to the HPSC Stock Loan Program not exceeding $400,000 (or such greater amount as may be permitted under Federal Reserve regulations from time to time) outstanding in the aggregate at any one time;

(g) Investments made as a result of the receipt of non-cash consideration in connection with the sale, lease, disposal, pledge, encumbrance or other transfer of Customer Receivables;

(h) Investments not otherwise specified in clauses (a) through (g) above not exceeding $1,000,000 outstanding in the aggregate at any one time; and

(i) Investments not otherwise specified in clauses (a) through (h) above which are from time to time permitted to be made by HPSC or any of its Subsidiaries under Section 8.3 (or any successor provision) of the Revolver Agreement.

"Responsible Officer" means an officer of the Trustee in the department or other group administering the trust established hereby.

"Restricted Payment" means, with respect to any Person, (a) the declaration or payment of any dividend or other distribution in respect of any Capital Stock of such Person or any Subsidiary of such Person, (b) any payment on account of the purchase, redemption or other acquisition or retirement for value of Capital Stock of such Person or any Subsidiary of such Person, (c) other than with the proceeds from the substantially concurrent (i.e., within 60 days) sale of, or in exchange for, Refinancing Indebtedness, any purchase, redemption or other acquisition or retirement for value of, any payment in respect of any amendment of the terms of or any defeasance of, any Subordinated Indebtedness of such Person or any Affiliate or Subsidiary of such Person, directly or indirectly, by such Person or any Subsidiary of such Person prior to the scheduled maturity, any scheduled repayment of principal, or any scheduled sinking fund payment, as the case may be, of such Subordinated Indebtedness and (d) any Restricted Investment by such Person; provided that the term "Restricted Payment" does not include (i) any dividend, distribution or other payment on or with respect to, or on

account of the purchase, redemption or other acquisition or retirement for value of, Capital Stock of an issuer to the extent payable solely in shares of Qualified Capital Stock of such issuer or (ii) any dividend, distribution or other payment to the Company or to any of its Wholly-Owned Subsidiaries by the Company or any of its Subsidiaries.

"Restricted Stock Plans" shall mean collectively, (i) the Company's 1995 Stock Incentive Plan and (ii) comparable plans providing for the issuance of Capital Stock of the Company to officers, directors and employees of the Company and its Subsidiaries having terms similar to the foregoing, each as amended from time to time by a resolution of the Board of Directors of the Company or a duly authorized committee thereof.

"Revolver Agreement" means the credit agreement dated as of December 12, 1996, as amended on the Issue Date, by and among the Company and ACFC, certain financial institutions, and The First National Bank of Boston, as agent, providing for an aggregate $95,000,000 revolving credit facility, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such credit agreement and/or related documents may by the Company be amended, restated, supplemented, renewed, replaced or otherwise modified from time to time whether or not with the same agent, trustee, representative lenders or holders, and irrespective of any changes in the terms and conditions thereof. Without limiting the generality of the foregoing, the term "Revolver Agreement" shall include any amendment, amendment and restatement, renewal, extension, restructuring, supplement or modification to any Revolver Agreement by the Company and all refundings, refinancings and replacements of any such Revolver Agreement, including any agreement (i) extending the maturity of any Indebtedness incurred thereunder or contemplated thereby, (ii) adding or deleting borrowers or guarantors thereunder, so long as borrowers and issuers thereunder include the Company and its successors and assigns, (iii) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"Savings Bank Indebtedness" of the Company or any Subsidiary means any Indebtedness owed to a savings bank or other financial institution, which Indebtedness is (i) created, incurred, assumed or guaranteed by the Company or such Subsidiary of the Company in order to finance one or more Customer Receivables created in the ordinary course of business of the Company or such Subsidiary and (ii) secured by a Lien on such Customer Receivable(s).

"Secured Portfolio Debt" of the Company or any Subsidiary means any Indebtedness, including principal, interest (including, without limitation, interest accruing after the commencement of any bankruptcy case or proceedings whether or not allowed as a claim in such case or proceeding) fees, collateral protection expenses and enforcement costs, of the Company or

such Subsidiary under the Revolver Agreement, Savings Bank Indebtedness and any other Indebtedness of the Company or such Subsidiary, whether outstanding on the Issue Date or thereafter created, incurred, assumed or guaranteed by the Company or such Subsidiary, which Indebtedness is (i) created, incurred, assumed or guaranteed by the Company or such Subsidiary of the Company in order to finance one or more Customer Receivables created in the ordinary course of business of the Company or such Subsidiary and (ii) secured by a Lien on such Customer Receivable(s).

"SEC" means the Securities and Exchange Commission.

"Securities" means the ___% Senior Subordinated Notes due 2007, as amended or supplemented from time to time pursuant to the terms of this Indenture, that are issued under this Indenture.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Securities Custodian" means the Trustee, as custodian with respect to the Securities in global form, or any successor entity thereto.

"Securityholder" or "Holder" means the Person in whose name a Security is registered on the Registrar's books.

"Senior Indebtedness" of the Company or any of its Subsidiaries means any Indebtedness of the Company or such Subsidiary, whether outstanding on the Issue Date or thereafter created, incurred, assumed or guaranteed by the Company or such Subsidiary, other than Indebtedness as to which the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such Indebtedness is subordinated or junior to the Securities. Notwithstanding the foregoing, however, in no event shall Senior Indebtedness include (a) Indebtedness owed to any Subsidiary of the

Company or any officer, director or employee of the Company or any Subsidiary of the Company or (b) Indebtedness incurred in violation of the terms of this Indenture.

"Sinking Fund" means the method provided in this Indenture and the Securities for amortizing the aggregate principal amount of the Securities.

"Sinking Fund Payment Date" means the first day of each ____, ____, ____, and ___, commencing ____ 1, ___ and continuing through ____ 1, 200__.

"Special Record Date" for payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 2.12.

"Stated Maturity," when used with respect to any Security, means _____,

2007.

"Stock Option Plans" shall mean collectively, (i) the Company's 1987 Stock Option Plan, (ii) the HPSC, Inc. 1988 Director's Stock Option Plan, and (iii) comparable plans providing for the issuance of options to purchase Capital Stock of the Company to officers, directors and/or employees of the Company and its Subsidiaries having terms similar to the foregoing, each as amended from time to time by a resolution of the Board of Directors of the Company or a duly authorized committee thereof.

"Subordinated Indebtedness" means Indebtedness of the Company that is (i) subordinated in right of payment to the Securities in any respect or (ii) any Indebtedness which is expressly subordinate to Senior Indebtedness and has a stated maturity on or after the Stated Maturity.

"Subsidiary" with respect to any Person, means (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person, or (ii) any other Person (other than a corporation described in clause (i) above) in which such Person, one or more Subsidiaries of such Person, or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof has at least majority ownership interest. Notwithstanding the foregoing, an Unrestricted Subsidiary shall not constitute a Subsidiary of the Company or of any of the Company's Subsidiaries.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) as in effect on the date of the execution of this Indenture.

"Trustee" means the party named as such in this Indenture until a successor replaces it in accordance with the provisions of this Indenture and thereafter means such successor.

"U.S. Government Obligations" means direct non-callable obligations of, or noncallable obligations guaranteed by, the United States of America for the payment of which obligation or guarantee the full faith and credit of the United States of America is pledged.

"Voting Stock" means Capital Stock of the Company having generally the right to vote in the election of a majority of the directors of the Company or having generally the right to vote with respect to the organizational matters of the Company.

"Wholly-Owned" or "wholly-owned" with respect to a Subsidiary of any Person means a Subsidiary of such Person of which all of the outstanding

Capital Stock or other ownership interests (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

SECTION 1.2 Incorporation by Reference of TIA.

Whenever this Indenture refers to a provision of the TIA, such provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"Indenture security" means any of the Securities.

"Indenture securityholder" means a Holder or a Securityholder.

"Indenture to be qualified" means this Indenture.

"Indenture trustee" or "institutional trustee" means the Trustee.

"Obligor" on the indenture securities means the Company and any other obligor on the Securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule and not otherwise defined herein have the meanings assigned to them thereby.

SECTION 1.3 Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and words in the plural include the singular;

(5) provisions apply to successive events and transactions;

(6) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other

subdivision; and

(7) references to Sections or Articles means reference to such Section or Article in this Indenture, unless stated otherwise.

ARTICLE II

THE SECURITIES

SECTION 2.1 Form and Dating.

The Securities and the Trustee's certificate of authentication, in respect thereof, shall be substantially in the form of Exhibit A hereto, which Exhibit is part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage. The Company shall approve the form of the Securities and any notation, legend or endorsement on them. Any such notations, legends or endorsements not contained in the form of Security attached as Exhibit A hereto shall be delivered in writing to the Trustee. Each Security shall be dated the date of its authentication.

The terms and provisions contained in the forms of Securities shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

SECTION 2.2 Execution and Authentication.

Two Officers shall sign, or one Officer shall sign and one Officer shall attest to, the Security for the Company by manual or facsimile signature. The Company's seal shall be impressed, affixed, imprinted or reproduced on the Securities and may be in facsimile form.

If an Officer whose signature is on a Security was an Officer at the time of such execution but no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless and the Company shall nevertheless be bound by the terms of the Securities and this Indenture.

A Security shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Security but such signature shall be conclusive evidence that the Security has been authenticated pursuant to the terms of this Indenture.

The Trustee shall authenticate Securities for original issue in the

aggregate principal amount of up to $23,000,000, upon a written order of the Company in the form of an Officers' Certificate. The Officers' Certificate shall specify the amount of Securities to be authenticated and the date on which the Securities are to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed $23,000,000, except as provided in Section 2.7. Upon the written order of the Company in the form of an Officers' Certificate, the Trustee shall authenticate Securities in substitution of Securities originally issued to reflect any name change of the Company.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless otherwise provided in the appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company, any Affiliate of the Company, or any of their respective Subsidiaries.

Securities shall be issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof.

SECTION 2.3 Registrar and Paying Agent.

The Company shall maintain an office or agency in the City of Boston, in the Commonwealth of Massachusetts, where Securities may be presented or surrendered for payment ("Paying Agent"), where Securities may be surrendered for registration of transfer or exchange ("Registrar") and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company may act as Registrar or Paying Agent, except that, for the purposes of Articles III, VIII, X

and Section 4.14 and as otherwise specified in this Indenture, neither the Company nor any Affiliate of the Company shall act as Paying Agent. The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-Registrars and one or more additional Paying Agents. The term "Paying Agent" includes any additional Paying Agent. The Company hereby initially appoints the Trustee as Registrar and Paying Agent, and the Trustee hereby initially agrees so to act.

The Company shall enter into an appropriate written agency agreement with any Agent not a party to this Indenture, which agreement shall implement the provisions of this Indenture that relate to such Agent, and shall furnish a copy of each such agreement to the Trustee. The Company shall promptly notify the Trustee in writing of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depository with respect to the Global Securities.

The Company initially appoints the Trustee to act as Securities Custodian with respect to the Global Securities.

SECTION 2.4 Paying Agent to Hold Assets in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of Holders or the Trustee all assets held by the Paying Agent for the payment of principal of, premium, if any, or interest on, the Securities (whether such assets have been distributed to it by the Company or any other obligor on the Securities), and shall notify the Trustee in writing of any Default in making any such payment. If either of the Company or a Subsidiary of the Company acts as Paying Agent, it shall segregate such assets and hold them as a separate trust fund for the benefit of the Holders or the Trustee. The Company at any time may require a Paying Agent to distribute all assets held by it to the Trustee and account for any assets disbursed and the Trustee may at any time during the continuance of any payment Default or any Event of Default, upon written request to a Paying Agent, require such Paying Agent to distribute all assets held by it to the Trustee and to account for any assets distributed. Upon distribution to the Trustee of all assets that shall have been delivered by the Company to the Paying Agent, the Paying Agent (if other than the Company) shall have no further liability for such assets.

SECTION 2.5 Securityholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise

comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee on or before the third Business Day preceding each Interest Payment Date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee reasonably may require of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a).

SECTION 2.6 Transfer and Exchange.

(a) Transfer and Exchange of Definitive Securities. When Definitive Securities are presented to the Registrar or a co-Registrar with a request:

(x) to register the transfer of such Definitive Securities; or

(y) to exchange such Definitive Securities for an equal principal amount of

Definitive Securities of other authorized denominations,

the Registrar or co-Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided that the definitive securities surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar or co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

(b) Restrictions on Transfer of a Definitive Security for a Beneficial Interest in a Global Security. A Definitive Security may not be exchanged for a beneficial interest in a Global Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with written instructions directing the Trustee to make, or to direct the Securities Custodian to make, an endorsement on the Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Global Security, then the Trustee shall cancel such Definitive Security and cause, or direct the Securities Custodian to cause, in accordance with the standing instructions and procedures existing between the Depository and the Securities Custodian, the aggregate principal amount of Securities represented by the Global Security to be increased accordingly. If no Global Securities are then outstanding, the Company shall issue and the Trustee shall authenticate a new Global Security in the appropriate principal amount.

(c) Transfer and Exchange of Global Securities. The transfer and exchange of Global Securities or beneficial interests therein shall be effected through the Depository, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor.

(d) Transfer of a Beneficial Interest in a Global Security for a Definitive Security.

(i) Any Person having a beneficial interest in a Global Security may upon request exchange such beneficial interest for a Definitive Security. Upon receipt by the Trustee of (A) written instructions or such other form of instructions as is customary for the Depository from the Depository or its nominee on behalf of any Person having a beneficial interest in a Global Security and (B) if such beneficial interest is being transferred to the Person designated by the Depository as being the beneficial owner, a certification (which may be submitted by facsimile) from such Person to that effect (in substantially the form set forth on the reverse of the Security), then the Trustee or the Securities

Custodian, at the direction of the Trustee, will cause, in accordance with the standing instructions and procedures existing between the Depository and the Securities Custodian, the aggregate principal amount of the Global Security to be reduced and, following such reduction, the Company will execute and, upon receipt of an authentication order in the form of an Officers' Certificate, the Trustee will authenticate and deliver to the transferee a Definitive Security.

(ii) Definitive Securities issued in exchange for a beneficial interest in a Global Security pursuant to this Section 2.6(d) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Definitive Securities to the persons in whose names such Securities are so registered.

(e) Restrictions on Transfer and Exchange of Global Securities. Not-withstanding any other provisions of this Indenture (other than the provisions set forth in subsection (f) of this Section 2.6), a Global Security may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(f) Authentication of Definitive Securities in Absence of Depository. If at any time (i) the Depository for the Securities notifies the Company that the Depository is unwilling or unable to continue as Depository for the Global Securities and a successor Depository for the Global Securities is not appointed by the Company within 90 days after delivery of such notice or (ii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Securities under this Indenture, then, in either event, the Company will execute, and the Trustee, upon receipt of an Offi-

cers' Certificate requesting the authentication and delivery of Definitive Securities, will authenticate and deliver Definitive Securities, in an aggregate principal amount equal to the principal amount of the Global Securities, in exchange for such Global Securities.

(g) Cancellation and/or Adjustment of Global Security. At such time as all beneficial interests in a Global Security have either been exchanged for Definitive Securities, redeemed, repurchased or canceled, such Global Security shall be returned to or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for Definitive Securities, redeemed, repurchased or canceled, the principal amount of Securities represented by such Global

Security shall be reduced and an endorsement shall be made on such Global Security, by the Trustee or the Securities Custodian, at the direction of the Trustee, to reflect such reduction.

(h) Obligations with respect to Transfers and Exchanges of Definitive Securities.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Definitive Securities and Global Securities at the Registrar's or co-Registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments, or similar governmental charge payable upon exchanges not involving any transfer pursuant to Section 2.2 (fourth paragraph), 2.10, 3.7, 4.16(e), 9.5 or 10.1 (final paragraph)).

(iii) The Registrar or co-Registrar shall not be required to register the transfer of or exchange of (a) any Definitive Security selected for redemption in whole or in part pursuant to Article III, except the unredeemed portion of any Definitive Security being redeemed in part, (b) any Security for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase pursuant to Article X hereof or redeem Securities pursuant to Article III hereof and ending at the close of business on the day of such mailing or (c) any Security which has been surrendered for repurchase at the option of the Holder pursuant to Article X or Section 4.16 hereof, except the portion, if any, of such Security not to be so repurchased.

(iv) Prior to due presentment for registration or transfer of any Security, the Trustee, any Agent and the Company may deem and treat the Person in

whose name the Security is registered as the absolute owner of such Security, and none of the Trustee, Agent or the Company shall be affected by notice to the contrary.

SECTION 2.7 Replacement Securities.

If a mutilated Security is surrendered to the Trustee or if the Holder of a Security claims and submits an affidavit or other evidence, satisfactory to

the Trustee, to the effect that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the Trustee's requirements are met. If required by the Trustee or the Company, such Holder must provide an indemnity bond or other indemnity, sufficient in the judgment of both the Company and the Trustee, to protect the Company, the Trustee or any Agent from any loss which any of them may suffer if a Security is replaced. The Company may charge such Holder for its reasonable, out-of-pocket expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company.

SECTION 2.8 Outstanding Securities.

Securities outstanding at any time are all the Securities that have been authenticated by the Trustee (including any Security represented by a Global Security) except those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Security effected by the Trustee hereunder and those described in this Section 2.8 as not outstanding. A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security, except as provided in Section 2.9.

If a Security is replaced pursuant to Section 2.7 (other than a mutilated Security surrendered for replacement), it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser. A mutilated Security ceases to be outstanding upon surrender of such Security and replacement thereof pursuant to Section 2.7.

If on a Redemption Date or the Maturity Date the Paying Agent (other than an Company or an Affiliate of the Company) holds Cash or U.S. Government Obligations sufficient to pay all of the principal of, premium, if any, and interest due on the Securities payable on that date and payment of the Securities called for redemption is not otherwise prohibited pursuant to this Indenture, then on and after that date such Securities shall cease to be outstanding and interest on them shall cease to accrue.

SECTION 2.9 Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, amendment, supplement, waiver or consent, Securities owned by the Company or Affiliates of the Company shall be disregarded, except that, for the purposes of determining whether the Trustee shall be protected in relying on any such direction, amendment, supplement, waiver or consent, only Securities that a Responsible Officer of the Trustee actually knows are so owned shall be disregarded.

SECTION 2.10 Temporary Securities.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company reasonably and in good faith considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as permanent Securities authenticated and delivered hereunder.

SECTION 2.11 Cancellation.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The Trustee, or at the direction of the Trustee, the Registrar or the Paying Agent (other than the Company or an Affiliate of the Company), and no one else, shall cancel and, at the written direction of the Company or in accordance with its records disposal policies, shall dispose of all Securities surrendered for transfer, exchange, payment or cancellation. Except as set forth in Section 2.7, the Company may not issue new Securities to replace Securities that have been paid or delivered to the Trustee for cancellation. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section 2.11, except as expressly permitted in the form of Securities and as permitted by this Indenture.

SECTION 2.12 Defaulted Interest.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security

(or one or more predecessor Securities) is registered at the close of business on the record date for such interest or liquidated damages.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date plus, to the extent lawful, any interest payable on the defaulted interest (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered holder on the relevant Record Date, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the persons in whose names the Securities (or their respective predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of Cash equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such Cash when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as provided in this clause (1). Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Securities (or their respective predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, if any, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall

carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

ARTICLE III

REDEMPTIONS; SINKING FUND

SECTION 3.1 Right of Redemption.

Redemption of Securities, as permitted by any provision of this Indenture, shall be made in accordance with such provision and this Article III. On or after _____, 2002, the Company will have the right to redeem all or any part of the Securities, other than through the operation of the Sinking Fund provided for in Section 3.8, at the Redemption Prices specified in Paragraph 5 of the Securities, in each case (subject to the right of the Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such Redemption Date), including accrued and unpaid interest thereon to the Redemption Date.

SECTION 3.2 Notices to Trustee.

If the Company elects to redeem Securities pursuant to Paragraph 5 of the Securities, or is required to redeem Securities pursuant to the operation of the Sinking Fund provided for in Section 3.8, it shall notify the Trustee in writing of the Redemption Date and the principal amount of Securities to be redeemed and whether it wants the Trustee to give notice of redemption to the Holders. In the event that, with respect to a redemption of Securities pursuant to the operation of the Sinking Fund provided for in Section 3.8, the Company elects to reduce the amount of any Sinking Fund Payment pursuant to the provisions of Section 3.8(a), the notice to the Trustee shall also state the amount of such reduction and the basis for such reduction as set forth in Section 3.8.

The Company shall give each notice to the Trustee provided for in this Section 3.2 at least five days prior to the date on which notice is to be given (or such shorter period as the Trustee shall permit), as set forth in Section 3.4. Any such notice may be canceled at any time prior to notice of such redemption being mailed to any Holder and shall thereby be void and of no effect.

SECTION 3.3 Selection of Securities to Be Redeemed.

If less than all outstanding Securities are to be redeemed, the Trustee shall select the Securities to be redeemed by lot or by such other method as the Trustee shall

determine to be fair and appropriate and in such manner as complies with any applicable Depository, legal or stock exchange requirements.

The Trustee shall make the selection from the Securities outstanding and not previously called for redemption and shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed. Securities in denominations of $1,000 may be redeemed only in whole. The Trustee may select for redemption portions (equal to $1,000 or

any integral multiple thereof) of the principal of Securities that have denominations larger than $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption.

SECTION 3.4 Notice of Redemption.

At the Company's written request made at least five days prior to the date on which notice is to be given (or such shorter period as the Trustee shall permit), the Trustee shall, at least 30 days but not more than 60 days before a Redemption Date, whether through operation of the Sinking Fund or otherwise, mail a notice of redemption by first class mail, postage prepaid, to each Holder whose Securities are to be redeemed to such Holder's last address as then shown on the registry books of the Registrar. Each notice for redemption shall identify the Securities to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price, including the amount of accrued and unpaid interest to be paid upon such redemption;

(3) the name, address and telephone number of the Paying Agent;

(4) that Securities called for redemption must be surrendered to the Paying Agent at the address specified in such notice to collect the Redemption Price;

(5) that, unless (a) the Company defaults in its obligation to deposit Cash or U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, Cash in an amount to fund the Redemption Price with the Paying Agent in accordance with Section 3.6 hereof or (b) such redemption payment is otherwise prohibited, interest on Securities called for redemption ceases to accrue on and after the Redemption Date and the only remaining right of the Holders of such Securities shall be to receive payment of the Redemption Price, including accrued and unpaid interest to

the Redemption Date, upon surrender to the Paying Agent of the Securities called for redemption and to be redeemed;

(6) if any Security is being redeemed in part, the portion of the principal amount equal to $1,000 or any integral multiple thereof, of such Security to be redeemed and that, after the Redemption Date, and upon surrender of such Security, a new Security or Securities in aggregate principal amount equal to the unredeemed portion thereof will be issued;

(7) if less than all the Securities are to be redeemed, the identification of the particular Securities (or portion thereof) to be redeemed, as well as the aggregate principal amount of such Securities to be redeemed and the aggregate principal amount of Securities to be outstanding after such partial redemption;

(8) the CUSIP number of the Securities to be redeemed; and

(9) whether the redemption notice is being sent pursuant to the optional redemption provisions of Paragraph 5 of the Securities or pursuant to the operation of the Sinking Fund provided for in Section 3.8.

SECTION 3.5 Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.4, Securities called for redemption shall become due and payable on the Redemption Date and at the Redemption Price, including accrued and unpaid interest to the Redemption Date. Upon surrender to the Trustee or Paying Agent, such Securities called for redemption shall be paid at the Redemption Price, including interest accrued and unpaid to the Redemption Date; provided that if the Redemption Date is after a regular Record Date and on or prior to the Interest Payment Date to which such Record Date relates, the accrued interest shall be payable to the Holder of the redeemed Securities registered on the relevant Record Date; provided, further, that if a Redemption Date is not a Business Day, payment shall be made on the next succeeding Business Day and no interest shall accrue for the period from such Redemption Date to such succeeding Business Day.

SECTION 3.6 Deposit of Redemption Price.

Prior to 10:00 A.M. on the Redemption Date, the Company shall deposit with the Paying Agent (other than the Company or an Affiliate of the Company) Cash or U.S. Government Obligations sufficient to pay the Redemption Price of, including accrued and unpaid interest on, all Securities to be redeemed on such Redemption Date (other than Securities or portions thereof called for redemption on that date that have been delivered

by the Company to the Trustee for cancellation). The Paying Agent shall promptly return to the Company any Cash or U.S. Government Obligations so deposited which is not required for that purpose upon the written request of the Company.

If the Company complies with the preceding paragraph and the other provisions of this Article III and payment of the Securities called for redemption is not prohibited under this Indenture, interest on the Securities to be redeemed will cease to accrue on the applicable Redemption Date, whether or not such Securities are presented for payment. Notwithstanding

anything herein to the contrary, if any Security surrendered for redemption in the manner provided in the Securities shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall continue to accrue and be paid from the Redemption Date until such payment is made on the unpaid principal, and, to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate and in the manner provided in Section 4.1 hereof and the Security.

SECTION 3.7 Securities Redeemed in Part.

Upon surrender of a Security that is to be redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder, without service charge to the Holder, a new Security or Securities equal in principal amount to the unredeemed portion of the Security surrendered. If a Global Security is so surrendered, such new Security so issued shall be a new Global Security.

SECTION 3.8 Sinking Fund.

(a) As and for a Sinking Fund for the retirement of the Securities, the Company will, until all the Securities are paid or payment thereof provided for, deposit in accordance with Section 3.6 on or prior to each Sinking Fund Payment Date an amount in Cash sufficient to redeem on such Sinking Fund Payment Date, at a Redemption Price equal to 100% of the aggregate principal amount of the Securities so redeemed, such principal amount of Securities as shall be set forth below or such lesser amount as may be outstanding, plus all accrued and unpaid interest thereon; provided that such principal amount of Securities to be redeemed may, at the option of the Company, be reduced in inverse order of maturity by an amount equal to the sum of (i) the principal amount of Securities theretofore issued and acquired at any time by the Company and delivered to the Trustee for cancellation, and not theretofore made the basis of a Sinking Fund payment and (ii) the principal amount of Securities at any time redeemed and paid pursuant to the provisions of Paragraph 5 of the Securities and this Article III, or which shall at any time have been duly called for redemption (other than through operation of the Sinking Fund) and the Redemption Price of which shall have been deposited in trust for

that purpose and which have not been theretofore made the basis of a Sinking Fund Payment:

_____, 200_ $_____

_____, 200_ $_____

_____, 200_	$_____
_____, 200_	$_____
_____, 200_	$_____
_____, 200_	$_____
_____, 200_	$_____
_____, 200_	$_____
_____, 200_	$_____

(b) Each Sinking Fund payment shall be applied to the redemption of Securities on the related Sinking Fund Payment Date.

(c) In the event that the Company elects to reduce the amount of any Sinking Fund Payment pursuant to the provisions of Section 3.8(a), the notice to the Trustee shall also state the amount of such reduction and the basis for such reduction as provided in Section 3.8(a). Notice of redemption of the Securities to redeemed on a Sinking Fund Payment Date, selection of such Securities and the redemption of such Securities shall be made on the terms and in the manner described in Sections 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7

ARTICLE IV

COVENANTS

SECTION 4.1 Payment of Securities.

The Company shall pay the principal of, premium, if any, and interest on the Securities on the dates and in the manner provided herein and in the Securities. An installment of principal of, premium, if any, or interest on the Securities shall be considered paid on the date it is due if the Trustee or Paying Agent (other than the Company, a Subsidiary of the Company or an Affiliate of the Company) holds for the benefit of the Holders, on or before 10:00 A.M., New York City time on that date, Cash deposited and designated for and sufficient to pay such installment.

The Company shall pay interest on overdue principal and premium, if any, and on overdue installments of interest, at the rates specified in the Securities compounded semi-annually, to the extent lawful.

SECTION 4.2 Maintenance of Office or Agency.

The Company shall maintain in the City of Boston, the Commonwealth of Massachusetts, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 12.2.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the City of Boston, the Commonwealth of Massachusetts, for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The Company hereby initially designates the Corporate Trust Office of the Trustee located at _____ Street, Boston, Massachusetts _____.

SECTION 4.3 Limitation on Restricted Payments.

The Company shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, make any Restricted Payment, if, after giving effect thereto on a pro forma basis, (a) a Default or an Event of Default shall have occurred and be continuing, (b) the Company is not permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio in Section 4.11(a) or (c) the aggregate amount of all Restricted Payments made by the Company and its Subsidiaries, including after giving effect to such proposed Restricted Payment, from and after the Issue Date, would exceed the sum of (i) $2,500,000, plus (ii) 50% of the aggregate Consolidated Net Income of the Company for the period (taken as one accounting period), commencing on the first day of the first full fiscal quarter commencing after the Issue Date, to and including the last day of the fiscal quarter ended immediately prior to the date of each such calculation (or, in the event Consolidated Net Income for such period is a deficit, then minus 100% of such deficit), plus (iii) 100% of the aggregate Net Cash Proceeds received by the Company and not applied in connection with a Qualified Exchange from the issue or sale after the Issue Date of its Qualified Capital Stock or its debt securities that have been converted into Qualified Capital Stock (other than an issue or sale to a Subsidiary of the

Company), including the Net Cash Proceeds received by the Company upon the

exercise, exchange or conversion of such securities into Qualified Capital Stock), plus (iv) the Net Cash Proceeds received by the Company or any of its Subsidiaries from its investment in, and the sale, disposition or other liquidation of, any Restricted Investment.

The foregoing clauses (b) and (c) of the immediately preceding paragraph, however, will not prohibit (v) a Qualified Exchange, (w) the payment of any dividend on Qualified Capital Stock within 60 days after the date of its declaration if such dividend could have been made on the date of such declaration in compliance with the foregoing provisions, (x) any redemption or repurchase or payment on account of Capital Stock of the Company required to be made under (i) the Restricted Stock Plans or (ii) the Stock Option Plans, in an amount equal to the sum of the exercise prices paid to the Company by the holder of such Capital Stock upon the exercise of such stock options, (y) (i) any redemption or repurchase by the Company of its Capital Stock, (ii) any contribution or dividend paid by the Company to the ESOP or (iii) any loan made by the Company to the ESOP, in each case (A) only to the extent made in the ordinary course of business consistent with past practice and pursuant to the terms of the ESOP and the provisions of ERISA and the Code and (B) not to exceed in the aggregate $[300,000] per calendar year and (z) any contribution or dividend paid by the ESOP, in each case only to the extent used by the ESOP (i) to pay administrative expenses of the ESOP in an amount not to exceed $100,000 per year or (ii) to repay Indebtedness of the ESOP owed to the Company or its Subsidiaries. The full amount of any Restricted Payment made pursuant to the foregoing clauses (w) and (x) of the immediately preceding sentence, however, will be deducted in the calculation of the aggregate amount of Restricted Payments available to be made which is referred to in clause (c) of the immediately preceding paragraph.

Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.3 were computed, which calculations may be based upon the Company's latest available internal financial statements; provided that a failure to so deliver such Officers' Certificate shall not constitute a Default if the Company provides the Officers' Certificate within 30 days of the date of making such Restricted Payment and conclusively demonstrates therein that the Restricted Payment was permitted to be made on the date made. The Trustee may rely on such Officers' Certificate without further inquiry.

SECTION 4.4 Corporate Existence.

Subject to Article V, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate existence of its Subsidiaries in accordance with the respective organizational documents of each of them (as the same may be amended from time to time) and the rights

(charter and statutory) and corporate franchises of the Company and each of its Subsidiaries; provided that the Company shall not be required to preserve, with respect to any of its Subsidiaries, any such existence, right or franchise, if (a) the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of such entity and (b) the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 4.5 Payment of Taxes and Other Claims.

Except with respect to immaterial items, the Company shall, and shall cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges (including withholding taxes and any penalties, interest and additions to taxes) levied or imposed upon the Company or any of its Subsidiaries or any of their respective properties and assets and (ii) all lawful claims, whether for labor, materials, supplies, services or anything else, which have become due and payable and which by law have or may become a Lien upon the property and assets of the Company or any of its Subsidiaries; provided that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which disputed amounts adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP.

SECTION 4.6 Maintenance of Properties and Insurance.

The Company shall cause all material properties used or useful to the conduct of its business and the business of each of its Subsidiaries to be maintained and kept in good condition, repair and working order (reasonable wear and tear excepted) and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in their reasonable judgment may be necessary, so that the business carried on in connection therewith may be properly conducted at all times; provided that nothing in this Section 4.6 shall prevent the Company from discontinuing any operation or maintenance of any of such properties, or disposing of any of them, if such discontinuance or disposal is (a) in the judgment of the Board of Directors of the Company, desirable in the conduct of the business of such entity and (b) not disadvantageous in any material respect to the Holders.

The Company shall provide, or cause to be provided, for itself and each of its Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds that, in the reasonable, good faith opinion of the Company is adequate and appropriate for the conduct of the business of the Company and such Subsidiaries.

SECTION 4.7 Compliance Certificate; Notice of Default.

(a) The Company shall deliver to the Trustee within 120 days after the end of its fiscal year (commencing with the Company's 1997 fiscal year) an Officers' Certificate complying with Section 314(a)(4) of the TIA and stating that a review of its activities and the activities of its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture and further stating, as to each such Officer signing such certificate, whether or not the signer knows of any failure by the Company or any Subsidiary of the Company to comply with any conditions or covenants in this Indenture and, if such signer does know of such a failure to comply, the certificate shall describe such failure with particularity. The Officers' Certificate shall also notify the Trustee should the relevant fiscal year end on any date other than the current fiscal year end date.

(b) The Company shall, so long as any of the Securities are outstanding, deliver to the Trustee, promptly upon becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. The Trustee shall not be deemed to have knowledge of any Default, any Event of Default or any such fact unless one of its Responsible Officers receives written notice thereof from the Company or any of the Holders.

SECTION 4.8 Reports and Other Information.

Whether or not the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall deliver to the Trustee and to each Holder within 10 days after it is or would have been required to file them with the SEC, annual and quarterly financial statements substantially equivalent to financial statements that would have been included in reports filed with the SEC, if the Company were subject to the requirements of Section 13 or 15(d) of the Exchange Act, including, with respect to annual information only, a report thereon by the Company's certified independent public accountants as such would be required in such reports to the SEC, and, in each case, together with management's discussion and analysis of financial condition and results of operations which would be so required. Whether or not required by the rules and regulations of the SEC, the Company shall file a copy of all such information and reports with the SEC for public availability (unless the SEC will not accept such a filing).

SECTION 4.9 Limitation on Status as Investment Company.

Neither the Company nor any of its Subsidiaries shall be required to register as an "investment company" (as that term is defined in the Investment Company Act of 1940, as amended), or otherwise become subject to regulation as an investment company under the Investment Company Act.

SECTION 4.10 Limitation on Transactions with Affiliates.

The Company shall not, and shall not permit any of its Subsidiaries to, enter into any contract, agreement, arrangement or transaction with any Affiliate (an "Affiliate Transaction") or any series of related Affiliate Transactions, unless such Affiliate Transaction is made in good faith, the terms of such Affiliate Transaction are fair and reasonable to the Company or such Subsidiary, as the case may be, and are on terms at least as favorable as the terms which could be obtained by the Company or such Subsidiary, as the case may be, in a comparable transaction made on an arm's-length basis with Persons who are not Affiliates; provided that the foregoing restrictions shall not apply to Exempted Affiliate Transactions.

Without limiting the foregoing, any Affiliate Transaction or series of related Affiliate Transactions (i) involving consideration to either party in excess of $2,000,000, must be evidenced by a resolution of a committee of non-employee directors of the Company who are disinterested with respect to such transaction (an "Independent Committee"), set forth in an Officers' Certificate addressed and delivered to the Trustee, certifying that (a) the terms of such Affiliate Transaction are fair and reasonable to the Company or such Subsidiary, as the case may be, and no less favorable to the Company or such Subsidiary, as the case may be, than could have been obtained in an arm's-length transaction with a non-Affiliate and (b) such Affiliate Transaction has been approved by a majority of the members of an Independent Committee, and (ii) involving consideration to either party in excess of $5,000,000 must be evidenced by a resolution of an Independent Committee in accordance with the foregoing clause (i) and, prior to the consummation thereof, a written favorable opinion as to the fairness of such transaction to the Company or such Subsidiary, as the case may be, from a financial point of view from an independent investment banking firm of national reputation; provided that the foregoing restrictions shall not apply to Exempted Affiliate Transactions.

SECTION 4.11 Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock.

(a) The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, issue, assume, guaranty, incur, become directly or indirectly liable with respect to (including as a result of an Acquisition), or otherwise become responsible

for, contingently or otherwise (individually and collectively, to "incur" or, as appropriate, an "incurrence"), any Funded Recourse Debt (including Acquired Indebtedness) or any Disqualified Capital Stock; provided that, notwithstanding the foregoing, (i) the Company may, and may permit any of its Subsidiaries to, incur Funded Recourse Debt (including Acquired Recourse Debt) or Disqualified Capital Stock if (A) no Default or Event of Default shall have occurred and be continuing at the time of, or would occur after giving effect on a pro forma basis to, such incurrence of Funded Recourse Debt or Disqualified Capital Stock and the application of the proceeds therefrom and (B) on the date of such incurrence (the "Incurrence Date"), the Consolidated Interest Coverage Ratio of the Company for the Reference Period immediately preceding the Incurrence Date, after giving effect on a pro forma basis to such incurrence of such Funded Recourse Debt or Disqualified Capital Stock and, to the extent set forth in the definition of Consolidated Interest Coverage Ratio, the use of proceeds therefrom, would be at least 1.55 to 1.0 and (ii) the Company may, and may permit any of its Subsidiaries to, incur any Permitted Recourse Debt (including, without limitation, Secured Portfolio Debt).

(b) The Company shall not, directly or indirectly, incur any unsecured Funded Recourse Debt unless such unsecured Funded Recourse Debt is subordinated in right of payment to payment of the Securities upon terms and conditions no less favorable to the Holders that the subordination provisions contained in Article XI of this Indenture.

(c) The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, incur any unsecured Funded Recourse Debt which by its terms (or by the terms of any agreement covering such Funded Recourse Debt) is subordinated to any other Indebtedness of the Company unless such unsecured Funded Recourse Debt is also by its terms (or by the terms of any agreement covering such Funded Recourse Debt) made expressly subordinate to the Securities to the same extent and in the same manner as such unsecured Funded Recourse Debt is subordinated pursuant to subordination provisions that are most favorable to the holders of any other Indebtedness of the Company. Unsecured Indebtedness is not deemed to be subordinate or junior to secured Indebtedness merely because it is unsecured.

(d) Indebtedness of any Person which is outstanding at the time such Person becomes a Subsidiary of the Company or is merged with or into or consolidated with the Company or a Subsidiary of the Company shall be deemed to have been incurred at the time such Person becomes such a Subsidiary of the Company or is merged with or into or consolidated with the Company or a Subsidiary of the Company, as applicable.

SECTION 4.12 Limitations on Dividends and Other Payment Restrictions Affecting Subsidiaries.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, assume or suffer to exist any consensual restriction on the ability of any Subsidiary of the Company to pay dividends or make other distributions to or on behalf of, or otherwise to transfer assets or property to, or make or pay loans or advances to or on behalf of, the Company or any Subsidiary of the Company, except (a) restrictions imposed by the Securities or this Indenture, (b) restrictions imposed by applicable law, (c) existing restrictions under specified Indebtedness outstanding on the Issue Date or under any Acquired Indebtedness not incurred in violation of this Indenture or any agreement relating to any property, asset, or business acquired by the Company or any of its Subsidiaries, which restrictions, in each case, existed at the time of acquisition, were not put in place in connection with or in anticipation of such acquisition and are not applicable to any Person, other than to the Person acquired, or to any property, asset or business, other than the property, assets and business so acquired, (d) any such restriction or requirement imposed by Indebtedness of the Company and its Subsidiaries under the Revolver Agreement (including any Indebtedness issued to refinance, refund or replace such Indebtedness in whole or in part, including any extended maturity or increase in the amount thereof); provided that such restriction or requirement is no more restrictive than that imposed by the Revolver Agreement in effect as of the Issue Date, (e) restrictions with respect solely to a Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary; provided that such restrictions apply solely to the Capital Stock or assets of such Subsidiary which are being sold, (f) in connection with and pursuant to permitted Refinancings, replacements of restrictions imposed pursuant to clause (c) of this paragraph that are not more restrictive than those being replaced and do not apply to any other Person or assets than those that would have been covered by the restrictions in the Indebtedness so refinanced, (g) any such restriction or requirement imposed by non-recourse or limited-recourse Indebtedness of "special purpose" Subsidiary of the Company which was or is incurred solely in connection with the securitization of Customer Receivables in the ordinary course of business consistent with past practice and (h) any Lien permitted by the provisions of Section 4.13 hereof.

SECTION 4.13 Limitation on Liens.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their respective Non-Receivable Assets, whether now owned or hereinafter acquired, securing any Funded Recourse Debt of the Company unless the Securities are equally and ratably secured; provided that (i) the foregoing restrictions shall not prohibit the Company or its

Subsidiaries from incurring Permitted Liens and (ii) if such Funded Recourse Debt is by its terms expressly subordinate to the Securities, the Lien securing such Funded Recourse Debt shall be subordinate and junior to the Lien securing the Securities or the Guarantees, with the same relative priority as such subordinated Funded Recourse Debt shall have with respect to the Securities.

SECTION 4.14 Waiver of Stay, Extension or Usury Laws.

The Company hereby covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of, premium, if any, or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.15 Limitation on Lines of Business.

Neither the Company nor any of its Subsidiaries shall directly or indirectly engage to any substantial extent in any line or lines of business activity other than that which, in the reasonable good faith judgment of the Board of Directors of the Company, is a Related Business.

SECTION 4.16 Repurchase of Securities Upon Death of Holder.

(a) Option Upon Death Of Holders. Upon the death of any Holder of Securities, and upon the further receipt by the Company of a written request for repurchase and the other documents referred to in clauses (i), (ii) and (iii) below, and satisfaction of the conditions set forth in subsection (b) below, the Company shall be required to pay, in accordance with the terms of this Section 4.16, the Repurchase Price of, and (except if the Repurchase Date shall be an Interest Payment Date) any accrued interest on all or such portion (which portion shall be an integral multiple of $1,000 in excess of the minimum authorized denomination) of the Security or Securities held by the deceased Holder at the date of such Holder's death as requested, provided that the Company shall not be required to make repurchase payments aggregating more than (i) $25,000 in principal amount (plus accrued interest) in any calendar year on a Security or Securities held by any one deceased

Holder or (ii) $250,000 in principal amount (plus accrued interest) in any

calendar year on Securities held by any number of deceased Holders (the "Maximum Annual Repurchase Amount"). Subject to subsection (b) below, the repurchase of such Securities shall be made in the order in which requests therefor are received (subject to the aforesaid Maximum Annual Repurchase Amount limitation) within 30 days following receipt by the Company or the Trustee of the following:

(i) a written request for repurchase of the Security or Securities signed by a duly authorized representative of the Holder, which request shall set forth the name of the deceased Holder, the date of death of the deceased Holder, and the principal amount of the Security or Securities to be repaid;

(ii) the certificates (if any other than with respect to a global Security) representing the Security or Securities to be repaid; and

(iii) evidence satisfactory to the Company and the Trustee of the death of such deceased Holder and the authority of the representative to such extent as may be required by the Trustee.

Securities not repaid in any calendar year because of the Maximum Annual Repurchase Amount limitation may be held by the Trustee at the request of the authorized representative of the deceased Holder and repaid in subsequent years in the order in which such Securities are received.

Authorized representatives of a Holder shall include the following: executors, administrators or other legal representatives of an estate; trustees of a trust; joint owners of Securities owned in joint tenancy or tenancy by the entirety; custodians; conservators; guardians; attorneys-in-fact; and other Persons generally recognized as having legal authority to act on behalf of another. For purposes of this Section 4.16, the death of a Person owning a Security or Securities in joint tenancy or tenancy by the entirety with another or others shall be deemed the death of the Holder of the Security or Securities, and the entire principal amount of the Security or Securities so held shall be subject to repurchase, together with accrued interest thereon to the Repurchase Date, in accordance with the provisions of this Section 4.16, the death of a Person owning a Security or Securities by tenancy in common shall be deemed the death of a Holder of Security or Securities only with respect to the deceased Holder's interest in the Security or Securities so held by tenancy in common; except that in the event a Security or Securities are held by husband and wife as tenants in common, the death of either shall be deemed the death of the Holder of the Security or Securities, and the entire principal amount of the Security or Securities so held shall be subject to repurchase in accordance with the provisions of this Section. A Person who, during such Person's lifetime, was entitled to substantially all of the beneficial interests of ownership of Securities will, upon such Person's death, be deemed the Holder thereof for purposes of this Section, regardless of the registered

holder, if such beneficial interest can be established to the satisfaction of the Trustee. Such beneficial interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers (or Gifts) to Minors Act, community property or other joint ownership arrangements between a husband and wife, and trust arrangements where one Person has substantially all of the beneficial ownership interests in Securities during such Person's lifetime. Beneficial interests shall include the power to sell, transfer or otherwise dispose of Securities and the right to receive the proceeds therefrom, as well as principal thereof and interest thereon.

If Securities are then issued in global form, the Company or the Trustee may adopt appropriate procedures to allow beneficial owners of Securities to obtain payment in accordance with the requirements of the Depository in the event of a request for repurchase of the Securities pursuant to this Section 4.16.

(b) Conditions to Repurchase. A Security or Securities held by the deceased Holder shall not be entitled to repurchase pursuant to this Section unless all of the following conditions are met:

(i) the Securities to be repaid shall have been registered on the Security register in the name of the deceased Holder (or, in the case of a Security in global form, there is evidence that the deceased was the Holder) since the issue date of such Securities or for a period of at least six months prior to the date of the deceased Holder's death, whichever is less;

(ii) the Company or the Trustee shall have received a written request for repurchase within one year after the date of the deceased Holder's death or, in the case of requests for a subsequent repurchase of a Security or Securities held by such deceased Holder, within one year after any such preceding request;

(iii) the Company shall not, after giving effect to such repurchase, have made repurchase payments aggregating more than the Maximum Annual Repurchase Amount in principal amount (plus accrued interest) of Securities within the then current calendar year;

(iv) the Company shall not, after giving effect to such repurchase, be in default with respect to any Funded Recourse Debt; and

(v) the Company shall not be subject to any law, regulation, agreement or administrative directive preventing such repurchase.

(c) Deposit of Repurchase Price. Within 30 days after the receipt by the Company or the Trustee of any request for repurchase of a Security or Securities or any portion thereof duly made pursuant to this Section 4.16, the Company shall deposit with

the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust) an amount of Cash sufficient to pay the Repurchase Price of, and (except if the Repurchase Date shall be an Interest Payment Date) any accrued interest on all the Securities or portions thereof which are to be repaid on that date.

(d) Securities Payable on Repurchase Date. A written request having been made as described above, the Security or Securities so to be repurchased shall, on the Repurchase Date, become due and payable at the Repurchase Price, and from and after such date (unless the Company shall default in the payment of the Repurchase Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for repurchase in accordance with said request, such Security shall be paid by the Company at the Repurchase Price, together with any accrued interest to the Repurchase Date; provided that installments of interest on Securities whose stated maturity is on or prior to the Repurchase Date shall be payable to the Holders of such Securities, registered as such at the close of business on the record dates therefor according to their terms. If any Security to be repurchased shall not be so repurchased upon surrender thereof for repurchase, the principal, until paid, shall bear interest from the Repurchase Date at the rate prescribed therefor in the Security.

(e) Securities Repurchased in Part. Any Security which is to be repaid only in part shall be surrendered at any office or agency for such Security (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, containing identical terms and provisions, of any authorized denomination (in integral multiples of $1,000) as requested by such Holder in aggregate principal amount equal to and in exchange for the unpaid portion of the principal of the Security so surrendered. If a Security in global form is so surrendered, the Company shall execute, and the Trustee shall authenticate and deliver to the Depository for such Security in global form as shall be specified in the Officers Certificate with respect thereto to the Trustee, without service charge, a new Security in global form in a denomination equal to and in exchange for the unpaid portion of the principal of the Security in global form so surrendered.

ARTICLE V

SUCCESSOR CORPORATION

SECTION 5.1 Limitation on Merger, Sale or Consolidation.

(a) The Company shall not, directly or indirectly, consolidate with or merge with or into another Person or sell, lease, convey or transfer all or substantially all of its assets (computed on a consolidated basis), whether in a single transaction or a series of related transactions, to another Person or group of affiliated Persons, unless (i) either (A) the Company is the continuing entity or (B) the resulting, surviving or transferee entity is a corporation organized under the laws of the United States, any state thereof or the District of Columbia and expressly assumes by supplemental indenture all of the obligations of the Company in connection with the Securities and this Indenture; (ii) no Default or Event of Default shall exist or shall occur immediately before or after giving effect on a pro forma basis to such transaction; (iii) immediately after giving effect to such transaction on a pro forma basis, the Consolidated Net Worth of the consolidated resulting, surviving or transferee entity is at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction; and (iv) immediately after giving effect to such transaction on a pro forma basis, the consolidated resulting, surviving or transferee entity would immediately thereafter be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio set forth in Section 4.11(a) hereof.

(b) For purposes of clause (a), the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

SECTION 5.2 Successor Corporation Substituted.

Upon any consolidation or merger or any transfer of all or substantially all of the assets of the Company in accordance with Section 5.1 hereof, the successor corporation formed by such consolidation or into which the Company is merged or to which such transfer is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named herein as the Company, and when a successor corporation duly assumes all of the obligations of the Company pursuant hereto and pursuant to the Securities, the Company shall be released from such obligations (except with respect to any obligations that arise from, or are related to, such transaction).

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.1 Events of Default.

"Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be caused voluntarily or involuntarily or effected, without limitation, by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) failure by the Company to pay any installment of interest upon the Securities as and when the same becomes due and payable, and the continuance of such default for a period of 15 days;

(2) failure by the Company to pay all or any part of the principal of, or premium, if any, on the Securities when and as the same becomes due and payable at maturity, upon redemption or repurchase, by acceleration or otherwise, including, without limitation, payment of the Change of Control Purchase Price in accordance with Article X;

(3) failure by the Company to comply with the provisions of Article V;

(4) failure by the Company to observe or perform any covenant or agreement contained in the Securities or this Indenture (other than a default in the performance of any covenant or agreement which is specifically dealt with elsewhere in this Section 6.1), and continuance of such failure for a period of 30 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by Holders of at least 25% in aggregate principal amount of the outstanding Securities, a written notice specifying such default or breach, requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(5) a default under Indebtedness of the Company or any of its Subsidiaries with an aggregate principal amount in excess of $1,000,000 (a) resulting from the failure to pay principal of, premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness or (b) as a result of which the maturity of such Indebtedness has been accelerated prior to its stated maturity;

(6) the failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $1,000,000 if (A) any creditor has commenced an enforcement proceeding with respect to such final judgments or (B) such final judgments remain undischarged for a period (during which execution shall not be effectively stayed) of 30 days after their entry;

(7) a decree, judgment or order by a court of competent jurisdiction shall have been entered adjudicating the Company or any of its Subsidiaries as bankrupt or

insolvent, or approving as properly filed a petition seeking reorganization of the Company or any of its Subsidiaries under any bankruptcy or similar law, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or a decree or order of a court of competent jurisdiction over the appointment of a Custodian of the Company or any of its Subsidiaries, or of the property of any such Person, or for the winding up or liquidation of the affairs of any such Person, shall have been entered, and such decree, judgment or order shall have remained in force undischarged and unstayed for a period of 60 days; or

(8) the Company or any of its Subsidiaries shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under any bankruptcy or similar law or similar statute, or shall consent to the filing of any such petition, or shall consent to the appointment of a Custodian of it or any of its assets or property, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall, within the meaning of any Bankruptcy Law, become insolvent, fail generally to pay its debts as they become due, or take any corporate action in furtherance of or to facilitate, conditionally or otherwise, any of the foregoing.

Notwithstanding the 30-day period and notice requirement contained in Section 6.1(4) above, (i) with respect to a default under Article X the 30-day period referred to in Section 6.1(4) shall be deemed to have begun as of the date the Change of Control notice is required to be sent in the event that the Company has not complied with the provisions of Section 10.1, and the Trustee or Holders of at least 25% in principal amount of the outstanding Securities thereafter give the Notice of Default referred to in Section 6.1(4) to the Company and, if applicable, the Trustee; provided that if the breach or default is a result of a default in the payment when due of the Change of Control Purchase Price, such default shall be deemed, for purposes of this Section 6.1, to arise no later than on such due date.

If a Default occurs and is continuing, the Trustee must, within 90 days after the occurrence of such Default, give to the Holders notice of such default.

SECTION 6.2 Acceleration of Maturity Date; Rescission and Annulment.

If an Event of Default occurs and is continuing (other than an Event of Default specified in Section 6.1(7) or (8) relating to the Company or any of its Subsidiaries), then, and in every such case, unless the principal of all of the Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of

then outstanding Securities, by notice in writing to the Company (and to the Trustee if given by Holders) (an "Acceleration Notice"), may declare

all principal (and premium, if any) and accrued interest thereon of the Securities (or the Change of Control Payment if the Event of Default includes failure to pay the Change of Control Payment), determined as set forth below, to be due and payable immediately; provided that in the event a declaration of acceleration (or a Default which, after the giving of notice, the lapse of time or both) resulting from an Event of Default described in Section 6.1(5) or (6) above has occurred and is continuing, such declaration of acceleration or such Default, as the case may be, shall be automatically annulled if such default is cured or waived or the holders of the Indebtedness which is the subject of such default have rescinded their declaration of acceleration in respect of such Indebtedness within 30 days thereof (in the case of an Event of Default under Section 6.1(5) above) or 45 days thereof (in the case of an Event of Default under Section 6.1(6) above) and the Trustee has received written notice of such cure, waiver or rescission and no other Event of Default described in Section 6.1(5) or (6) as applicable, has occurred that has not been cured or waived, or as to which the declaration has not been rescinded, within such specified number of days of the declaration of such acceleration in respect of such Indebtedness. If an Event of Default specified in Section 6.1(7) or (8) relating to the Company or any Subsidiary occurs, all principal (and premium, if any) and accrued interest thereon will be immediately due and payable on all outstanding Securities without any declaration or other act on the part of Trustee or the Holders.

At any time after such a declaration of acceleration being made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article VI, the Holders of a majority in aggregate principal amount of then outstanding Securities, by written notice to the Company and the Trustee, may rescind, on behalf of all Holders, any such declaration of acceleration if:

(1) the Company has paid or deposited with the Trustee Cash sufficient to pay:

(A) all overdue interest on all Securities,

(B) the principal of, and premium, if any, payable with respect to any Securities which would become due other than by reason of such declaration of acceleration, and interest thereon at the rate borne by the Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rates set forth in the Securities,

(D) all sums paid or advanced by the Trustee hereunder and the

compensation, expenses, disbursements and advances of the Trustee and its agents and counsel and any other amounts due the Trustee under Section 7.7, and

(2) all Events of Default, other than the non-payment of the principal of, premium, if any, and interest on Securities which have become due solely by such

declaration of acceleration, have been cured or waived as provided in Section 6.12, including, if applicable, any Event of Default relating to the covenants contained in Section 10.1.

Notwithstanding the previous sentence of this Section 6.2, no waiver shall be effective against any Holder for any Event of Default or event which with notice or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Security affected thereby, unless all such affected Holders agree, in writing, to waive such Event of Default or other event. No such waiver shall cure or waive any subsequent default or impair any right consequent thereon.

SECTION 6.3 Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if an Event of Default in payment of principal, premium or interest specified in clause (1) or (2) of Section 6.1 occurs and is continuing, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal, premium, if any, or interest at the rates set forth in the Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including compensation to, and expenses, disbursements and advances of the Trustee and its agents and counsel and all other amounts due to the Trustee under Section 7.7.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust in favor of the Holders, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its

discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 6.4 Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise to take any and all actions under the TIA, including:

(1) to file and prove a claim for the whole amount of principal, premium, if any, or interest owing and unpaid in respect of the Securities and to file such other papers or documents and take such other actions, including participating in a meeting of any committee of creditors appointed in the matter, as the Trustee may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee and its agent and counsel and all other amounts due the Trustee under Section 7.7) and of the Holders allowed in such judicial proceeding, and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any Custodian is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel, and any other amounts due the Trustee under Section 7.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.5 Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding

instituted by the Trustee shall be brought in its own name as trustee of an express trust in favor of the Holders, and any recovery of judgment shall, after provision for the payment of compensation to, and expenses, disbursements and advances of the Trustee and its agents and counsel and all other amounts due the Trustee under Section 7.7, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 6.6 Priorities.

Any money collected by the Trustee pursuant to this Article VI shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the Trustee in payment of all amounts due pursuant to Section 7.7;

SECOND: To the Holders in payment of the amounts then due and unpaid for principal of, premium, if any, and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, or interest, respectively; and

THIRD: To the Company or such other Person as may be lawfully entitled thereto, the remainder, if any.

The Trustee may, but shall not be obligated to, fix a record date and payment date for any payment to the Holders under this Section 6.6.

SECTION 6.7 Limitation on Suits.

No Holder or Holders of any Security or Securities shall have any right to order or direct the Trustee to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(A) such Holder or Holders have previously given written notice to the

Trustee of a continuing Event of Default;

(B) the Holders of not less than 25% in aggregate principal amount of then outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(C) such Holder or Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred or reasonably probable to be incurred in compliance with such request;

(D) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(E) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the outstanding Securities;

it being understood and intended that no one or more Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Indenture or the Securities to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture or the Securities, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 6.8 Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision of this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of, and premium, if any, and interest on such Security on the dates such payments are required to be made, as set forth in such Security (in the case of redemption, the Redemption Price on the applicable Redemption Date and in the case of the Change of Control Purchase Price, on the applicable Change of Control Payment Date) and to institute suit for the enforcement of any such payment after such respective dates, and such rights shall not be impaired without the consent of such Holder.

SECTION 6.9 Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in Section 2.7, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and

remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or

now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 6.10 Delay or Omission Not Waiver.

No delay or omission by the Trustee or by any Holder of any Security to exercise any right or remedy arising upon any Event of Default shall impair the exercise of any such right or remedy or constitute a waiver of any such Event of Default. Every right and remedy given by this Article VI or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 6.11 Control by Holders.

The Holder or Holders of a majority in aggregate principal amount of then outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee; provided that:

(1) such direction shall not be in conflict with any applicable law (including the TIA) or with this Indenture,

(2) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction or may subject the Trustee to personal liability, and

(3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

The record date for purposes of determining the identity of the Holders of the Securities entitled to vote or consent to any action pursuant to this Section 6.11 shall be determined as provided for in TIA Section 3.16(c).

SECTION 6.12 Waiver of Past Default.

Subject to Section 6.8, prior to the declaration of acceleration of the maturity of the Securities, the Holder or Holders of not less than a majority in aggregate principal amount of the outstanding Securities may, on behalf of all Holders, waive any past default hereunder and its consequences, except a default:

(A) in the payment of the principal of, premium, if any, or interest on any Security as specified in clauses (1) and (2) of Section 6.1 which has not yet been cured; or

(B) in respect of a covenant or provision hereof which, under Article IX, cannot be modified or amended without the consent of the Holder of each outstanding Security affected thereby.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair the exercise of any right arising therefrom.

SECTION 6.13 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted to be taken by it as Trustee, any court may in its discretion require the filing by any party to such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party to such suit, having due regard to the merits and good faith of the claims or defenses made by such party; provided that the provisions of this Section 6.13 shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% of the aggregate principal amount of the outstanding Securities, or to any suit instituted by any Holder for enforcement of the payment of principal of, premium, if any, or interest on any Security on or after the respective Maturity Date set forth in such Security (including, in the case of redemption, on or after the Redemption Date).

SECTION 6.14 Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

ARTICLE VII

TRUSTEE

The Trustee hereby accepts the trust imposed upon it by this Indenture and covenants and agrees to perform the same, as herein expressed.

SECTION 7.1 Duties of Trustee.

(a) If a Default or an Event of Default actually known to the Trustee has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of a Default or an Event of Default:

(1) The Trustee need perform only those duties as are specifically set forth in this Indenture and no others, and no covenants or obligations shall be implied in or read into this Indenture which are adverse to the Trustee, and

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.1,

(2) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts, and

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.11.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or to take or omit to take any action under this Indenture or at the request, order or direction of the Holders or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repurchase of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c), (d) and (f) of this Section 7.1.

(f) The Trustee shall not be liable for interest on any assets received by it except as the Trustee may agree in writing with the Company. Assets held in trust by the Trustee need not be segregated from other assets except to the extent required by law.

SECTION 7.2 Rights of Trustee.

Subject to Section 7.1:

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may consult with counsel and may require an Officers' Certificate or an Opinion of Counsel, which shall conform to Sections 12.4 and 12.5. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or advice of counsel.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent (other than any agent who is an employee of the Trustee) appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture, nor for any action permitted to be taken or omitted hereunder by any Agent.

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(g) Unless otherwise specifically provided for in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an officer of the Company.

(h) The Trustee shall have no duty to inquire as to the performance of the Company's covenants in Article IV hereof. In addition, the Trustee shall not be deemed to have knowledge of any Default or Event of Default except (i) any Event of Default occurring pursuant to Sections 5.1, 6.1(1), 6.1(2) or (ii) any Default or Event of Default of which the Trustee shall have received written notification or obtained actual knowledge.

(i) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate.

SECTION 7.3 Individual Rights of Trustee.

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company, any of its Subsidiaries or their respective Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. Notwithstanding the foregoing, the Trustee must comply with Sections 7.10 and 7.11 at all times.

SECTION 7.4 Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities and it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in the Securities, other than the Trustee's certificate of authentication (if executed by the Trustee), or the use or application of any funds received by a Paying Agent other than the Trustee.

SECTION 7.5 Notice of Default.

If a Default or an Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail at the Company's expense to each

Securityholder notice of the uncured Default or Event of Default within 90 days after such Default or Event of Default occurs. Except in the case of a Default or an Event of Default in payment of, principal of or premium, if any, or interest on any Security (including the payment of the Change of Control Purchase Price on the Change of Control Payment Date and the payment of the Redemption Price on the Redemption Date), the Trustee may withhold the notice if and so long as a Responsible Officer in good faith determines that withholding the notice is in the interest of the Securityholders.

SECTION 7.6 Reports by Trustee to Holders.

Within 60 days after each [May 15] beginning with the [May 15] following the date of this Indenture, the Trustee shall, if required by law, mail to each Securityholder a brief report dated as of such [May 15] that complies with TIA Section 313(a). The Trustee shall also comply with TIA Sections 313(b) and 313(c).

The Company shall promptly notify the Trustee in writing if the Securities become listed on any stock exchange or automatic quotation system.

A copy of each report at the time of its mailing to Securityholders shall be mailed to the Trustee and filed with the SEC and each stock exchange, if any, on which the Securities are listed.

SECTION 7.7 Compensation and Indemnity.

The Company agrees to pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law concerning the compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable disbursements, expenses and advances incurred or made by it in accordance with this Indenture. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents, accountants, experts and counsel.

The Company agrees to indemnify the Trustee (in its capacity as Trustee) and each of its officers, directors, attorneys-in-fact and agents for, and hold it harmless against, any claim, demand, expense (including but not limited to reasonable compensation, disbursements and expenses of the Trustee's agents and counsel), loss or liability incurred by it without negligence or bad faith on the part of the Trustee, arising out of or in

connection with the administration of this trust and its rights or duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company promptly of any claim asserted against the Trustee for which it may seek indemnity. The Company shall defend the claim and the Trustee shall

provide reasonable cooperation at the Company's expense in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel; PROVIDED that the Company will not be required to pay such fees and expenses if it assumes the Trustee's defense and there is no conflict of interest between the Company and the Trustee in connection with such defense. The Company need not pay for any settlement made without its written consent. The Company need not reimburse any expense or indemnify against any loss or liability to the extent incurred by the Trustee through its negligence, bad faith or willful misconduct.

To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a claim prior to the Securities on all assets held or collected by the Trustee in its capacity as Trustee, except assets held in trust to pay principal of, premium, if any, or interest on the Securities.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(7) or (8) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

The Company's obligations under this Section 7.7 and any lien arising hereunder shall survive the resignation or removal of the Trustee, the discharge of the Company's obligations pursuant to Article VIII of this Indenture and any rejection or termination of this Indenture under any Bankruptcy Law.

SECTION 7.8 Replacement of Trustee.

The Trustee may resign by so notifying the Company in writing, to become effective upon the appointment of a successor trustee. The Holder or Holders of a majority in aggregate principal amount of the outstanding Securities may remove the Trustee by so notifying the Company and the Trustee in writing and may appoint a successor trustee with the Company's consent. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10;

(b) the Trustee is adjudged bankrupt or insolvent;

(c) a receiver, Custodian or other public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holder or Holders of a majority in aggregate principal amount of the Securities may

appoint a successor Trustee to replace the successor Trustee appointed by the Company.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that and provided that all sums owing to the retiring Trustee provided for in Section 7.7 have been paid, the retiring Trustee shall transfer all property held by it as trustee to the successor Trustee, subject to the lien provided in Section 7.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holder or Holders of at least 10% in aggregate principal amount of the outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

SECTION 7.9 Successor Trustee by Merger, Etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the resulting, surviving or transferee corporation without any further act shall, if such resulting, surviving or transferee corporation is otherwise eligible hereunder, be the successor Trustee.

SECTION 7.10 Eligibility; Disqualification.

The Trustee shall at all times satisfy the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee shall have a combined capital and surplus of at least $25,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b).

SECTION 7.11 Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

ARTICLE VIII

LEGAL DEFEASANCE AND COVENANT DEFEASANCE;
SATISFACTION AND DISCHARGE

SECTION 8.1 Option to Effect Legal Defeasance and Discharge.

The Company may, at its option and at any time, elect to have Section 8.2 or Section 8.3 applied to all outstanding Securities upon compliance with the conditions set forth below in this Article VIII.

SECTION 8.2 Legal Defeasance and Discharge.

Upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.2, the Company shall be deemed to have been discharged from their respective obligations with respect to all outstanding Securities on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, such Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.5 and the other Sections of this Indenture referred to in (a) and (b) below, and the Company shall be deemed to have satisfied all of its other obligations under such Securities and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Securities to receive solely from the trust fund described in Section 8.4, and as more fully

set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Securities when such payments are due, (b) the Company's obligations with respect to such Securities under Sections 2.4, 2.6, 2.7, 2.10 and 4.2, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the obligations of the Company in connection therewith and (d) this Article VIII. Subject to compliance with this Article VIII, the Company may exercise its option under this Section 8.2 notwithstanding the prior exercise of its option under Section 8.3 with respect to the Securities.

SECTION 8.3 Covenant Defeasance.

Upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.3, the Company shall be released from its obligations under the covenants contained in Sections 4.3, 4.5, 4.6, 4.7, 4.10, 4.11, 4.12, 4.13, 4.14, 4.15 and 4.16 and Article V with respect to the outstanding

Securities on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Securities shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder. For this purpose, such Covenant Defeasance means that, with respect to the outstanding Securities, the Company need not comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document (and Sections 6.1(3) and (4) shall not apply to any such covenant), but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.3, Sections 6.1(5) and 6.1(6) shall not constitute Events of Default.

SECTION 8.4 Conditions to Legal or Covenant Defeasance.

The following shall be the conditions to the application of either Section 8.2 or Section 8.3 to the outstanding Securities:

(a) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 7.10 who shall agree to comply with the provisions of this Article VIII applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (i) Cash in an amount, or (ii) U.S. Government Obligations which through the scheduled payment of

principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, Cash in an amount, or (iii) a combination thereof, in such amounts, as in each case will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, the principal of, premium, if any, and interest on the outstanding Securities on the stated maturity or on the applicable Redemption Date, as the case may be, of such principal or installment of principal, premium, or interest; provided that the Trustee shall have been irrevocably instructed to apply such Cash and the proceeds of such U.S. Government Obligations to said payments with respect to the Securities and the Holders of Securities must have a valid, perfected, fist priority security interest in such trust.

(b) In the case of an election under Section 8.2, the Company shall have delivered to the Trustee an Opinion of Counsel confirming that (i) the

Company has received from, or there has been published by, the Internal Revenue Service, a ruling or (ii) since the date hereof, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the outstanding Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such Legal Defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) In the case of an election under Section 8.3, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the outstanding Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such Covenant Defeasance and will be subject to Federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) No Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit or, insofar as Section 6.1(7) or 6.1(8) is concerned, at any time in the period ending on the 91st day after the date of such deposit (it being understood that this condition is a condition subsequent which shall not be deemed satisfied until the expiration of such period, but in the case of Covenant Defeasance, the covenants which are defeased under Section 8.3 will cease to be in effect unless an Event of Default under Section 6.1(7) or 6.1(8) occurs during such period);

(e) Such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them is bound;

(f) The Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit made by the Company pursuant to its election under Section 8.2 or 8.3 was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and

(g) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in, in the case of the Officers' Certificate, (a) through (f) and, in the case of the Opinion of Counsel, clauses (a) (with respect to the validity and perfection of the security interest), (b) (if applicable), (c) and (e) of this Section 8.4 have been complied with.

SECTION 8.5 Deposited Cash and U.S. Government Obligations to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.6, all Cash and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.5, the "Trustee") pursuant to Section 8.4 in respect of the outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

SECTION 8.6 Repayment to the Company.

(a) Anything in this Article VIII to the contrary notwithstanding, the Trustee or the Paying Agent, as applicable, shall deliver or pay to the Company from time to time, upon the request of the Company, any Cash or U.S. Government Obligations held by it as provided in Section 8.4 hereof which in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.4(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

(b) Any Cash and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Security and remaining unclaimed for two years after such principal, premium or interest have become due and payable shall be paid to the Company on its request, and the Holder of such

Security shall thereafter look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; PROVIDED that the Trustee or such Paying Agent, before being required to make any such repurchase, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.7 Reinstatement.

If the Trustee or Paying Agent is unable to apply any Cash or U.S. Government Obligations in accordance with Section 8.2 or 8.3, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations of the Company under this Indenture and the Securities shall be

revived and reinstated as though no deposit had occurred pursuant to Section 8.2 or 8.3 until such time as the Trustee or Paying Agent is permitted to apply such money in accordance with Section 8.2 and 8.3, as the case may be; PROVIDED that if the Company makes any payment of principal of, premium, if any, or interest on any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the Cash or U.S. Government Obligations held by the Trustee or Paying Agent.

SECTION 8.8 Satisfaction and Discharge.

In addition to the Company's rights under Section 8.1, the Company may terminate all of its obligations under this Indenture when:

(1) all Securities theretofore authenticated and delivered (other than Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.7) have been delivered to the Trustee for cancellation;

(2) the Company has paid or caused to be paid all other sums payable hereunder and under the Securities; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent specified herein relating to the satisfaction and discharge of this Indenture have been complied with.

ARTICLE IX

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.1 Supplemental Indentures Without Consent of Holders.

Without the consent of any Holder, the Company (when authorized by Board Resolutions) and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to cure any ambiguity, defect, typographical error or inconsistency, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided such action pursuant to this clause (1) shall not adversely affect the interests of any Holder in any respect;

(2) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(3) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company or to make any other change that does not adversely affect the legal rights of any Holder under this Indenture, provided, that the Company has delivered to the Trustee an Opinion of Counsel stating that such change does not adversely affect the rights of any Holder;

(4) to provide collateral for the Securities or additional obligors upon, or guarantors of payment of, the Securities;

(5) to evidence the succession of another Person to the Company, and the assumption by any such successor of the obligations of the Company herein and in the Securities in accordance with Article V;

(6) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA; or

(7) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities.

SECTION 9.2 Amendments, Supplemental Indentures and Waivers with Consent of Holders.

Subject to Section 6.8, with the consent of the Holders of not less than a majority in aggregate principal amount of then outstanding Securities (including consents obtained in connection with a tender offer or exchange offer for Securities), by written act of said Holders delivered to the Company and the Trustee, the Company (when authorized by a Board Resolution) and the Trustee may amend or supplement this Indenture or the Securities or enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or the Securities or of modifying in any manner the rights of the Holders under this Indenture or the Securities; PROVIDED that no such amendment or supplement to Article XI of this Indenture, or indenture or indentures supplemental which add any provision to or change in any manner or eliminate any of the provisions of Article XI of this Indenture or which modify in any manner the rights of the Holders under Article XI of this Indenture shall be effective unless such amendment, supplement or indenture or indentures supplemental has been approved in writing by the Representative or Representatives of all Designated Secured Portfolio Debt then outstanding. Subject to Section 6.8, the Holder or Holders of not less than a majority in aggregate principal amount of then outstanding Securities may waive compliance by the Company with any provision of this Indenture or the Securities; PROVIDED that no waiver of compliance by the Company with any provision of Article XI of this Indenture shall be effective unless such waiver has been approved in writing by the Representative or Representatives of all Designated Secured Portfolio Debt then outstanding. Notwithstanding any of the above, however, no such amendment, supplemental indenture or

waiver shall, without the consent of the Holder of each outstanding Security affected thereby (and, in the case of any amendment, supplemental indenture or waiver of any provision of Article XI of this Indenture, without the written consent of each Representative of any Designated Secured Portfolio Debt then outstanding):

(1) reduce the percentage of principal amount of the outstanding Securities whose Holders must consent to an amendment, supplement or waiver of any provision of this Indenture or the Securities;

(2) reduce the rate or extend the time for payment of interest on any Security;

(3) reduce the principal amount of any Security, or reduce the Change of Control Purchase Price or the Redemption Price;

(4) change the Stated Maturity or the Change of Control Purchase Date of any Security;

(5) alter the redemption provisions of Article III or the provisions of Section 4.16 or Article X in a manner adverse to any Holder;

(6) make any changes in the provisions concerning waivers of Defaults or Events of Default by Holders of the Securities or the rights of Holders to recover the principal of, premium, if any, or interest on, or redemption payment with respect to, any Security, including without limitation any changes in Section 6.8, 6.12 or this third sentence of this Section 9.2;

(7) reduce the principal of, premium, if any, or interest on any Security payable as provided for in this Indenture and the Securities (or change the place of payment where, or the coin, currency or manner in which, any Security or any principal, premium, or interest is payable); or

(8) make any change to this Indenture that would adversely affect the contractual ranking of the Securities.

It shall not be necessary for the consent of the Holders under this Section 9.2 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not in any way impair or affect the validity of any such supplemental indenture or waiver.

After an amendment, supplement or waiver under this Section 9.2 or

Section 9.4 becomes effective, it shall bind each Holder.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any outstanding Securities for or as an inducement to any consent, waiver or amendment of any terms or provisions of the outstanding Securities unless such consideration is offered to be paid or agreed to be paid to all Holders of the Securities which so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

SECTION 9.3 Compliance with TIA.

Every amendment, waiver or supplement of this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.4 Revocation and Effect of Consents.

Until an amendment, waiver or supplement becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of his Security by written notice to the Company or the Person designated by the Company as the Person to whom consents should be sent if such revocation is received by the Company or such Person before the date on which the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Securities have consented (and have not theretofore revoked such consent) to the amendment, supplement or waiver.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver, which record date shall be the date so fixed by the Company notwithstanding the provisions of the TIA. If a record date is fixed, then notwithstanding the last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date, and only those Persons (or their duly designated proxies), shall be entitled to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

After an amendment, supplement or waiver becomes effective, it shall bind every Securityholder, unless it makes a change described in any of clauses (1) through (8) of Section 9.2, in which case, the amendment, supplement or waiver shall bind only each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security; PROVIDED that any such

waiver shall not impair or affect the right of any Holder to receive payment of principal of, premium, if any, and interest on a Security, on or after the respective dates set for such amounts to become due and payable expressed in such Security, or to bring suit for the enforcement of any such payment on or after such respective dates.

SECTION 9.5 Notation on or Exchange of Securities.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee or require the Holder to put an appropriate notation on the Security. The Trustee may place an appropriate notation on the Security briefly describing the changed terms and return it to

the Holder. Alternatively, if the Company or the Trustee so determines, the Company, in exchange for the Security, shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Any failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment, supplement or waiver.

SECTION 9.6 Trustee to Sign Amendments, Etc.

The Trustee shall execute any amendment, supplement or waiver authorized pursuant to this Article IX; PROVIDED that the Trustee may, but shall not be obligated to, execute any such amendment, supplement or waiver which affects the Trustee's own rights, duties or immunities under this Indenture. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article IX is authorized or permitted by this Indenture.

ARTICLE X

RIGHT TO REQUIRE REPURCHASE UPON CHANGE OF CONTROL

SECTION 10.1 Repurchase of Securities at Option of the Holder Upon a Change of Control.

(a) In the event that a Change of Control occurs, each Holder shall have the right, at such Holder's option, pursuant to an irrevocable and unconditional offer by the Company (the "Change of Control Offer") subject to the terms and conditions of this Indenture, to require the Company to repurchase all or any part of such Holder's Securities (provided, that the principal amount of such Securities at maturity must be $1,000 or an integral multiple thereof) on a date selected by the Company that is no later than 45 Business Days after the occurrence of such Change of Control (the "Change of Control Purchase Date"), at a cash price (the "Change of Control Purchase

Price") equal to 101% of the principal amount thereof, plus (subject to the right of Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such repurchase date and subject to clause (b)(4) below) accrued and unpaid interest to and including the Change of Control Purchase Date.

(b) In the event of a Change of Control, the Company shall be required to commence an offer to purchase Securities (a "Change of Control Offer") as follows:

(1) the Change of Control Offer shall commence within 15 Business Days following the occurrence of the Change of Control;

(2) the Change of Control Offer shall remain open for 20 Business Days, except to the extent that a longer period is required by applicable law, rule or regulation (the "Change of Control Offer Period");

(3) upon the expiration of a Change of Control Offer, the Company shall purchase all of the properly tendered Securities at the Change of Control Purchase Price;

(4) if the Change of Control Purchase Date is on or after a Record Date and on or before the related Interest Payment Date, any accrued interest will be paid to the Person in whose name a Security is registered at the close of business on such Record Date, and no additional interest will be payable to Securityholders who tender Securities pursuant to the Change of Control Offer;

(5) the Company shall provide the Trustee and the Paying Agent with notice of the Change of Control Offer at least three Business Days before the commencement of any Change of Control Offer; and

(6) on or before the commencement of any Change of Control Offer, the Company or the Registrar (upon the request and at the expense of the Company) shall send, by first-class mail, a notice to each of the Securityholders, which (to the extent consistent with this Indenture) shall govern the terms of the Change of Control Offer and shall state:

(i) that the Change of Control Offer is being made pursuant to such notice and this Section 10.1 and that all Securities, or portions thereof, tendered will be accepted for payment;

(ii) the Change of Control Purchase Price (including the amount of accrued and unpaid interest, subject to clause (b)(4) above), the Change of Control Purchase Date and the Change of Control Put Date (as defined below);

(iii) that any Security, or portion thereof, not tendered or

accepted for payment will continue to accrue interest;

(iv) that, unless the Company defaults in depositing Cash with the Paying Agent in accordance with the last paragraph of this Article X or such payment is prevented, any Security, or portion thereof, accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date;

(v) that Holders electing to have a Security, or portion thereof, purchased pursuant to a Change of Control Offer will be required to surrender the Security, with the section entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Paying Agent (which may not for purposes of this Section 10.1, notwithstanding anything in this Indenture to the contrary, be the Company or any Affiliate of the Company) at the address specified in the notice prior to the close of business on the earlier of (a) the third Business Day prior to the Change of Control Purchase Date and (b) the third Business Day following the expiration of the Change of Control Offer (such earlier date being the "Change of Control Put Date");

(vi) that Holders will be entitled to withdraw their election, in whole or in part, if the Paying Agent (which may not for purposes of this Section 10.1, notwithstanding anything in this Indenture to the contrary, be the Company or any Affiliate of the Company) receives, up to the close of business on the Change of Control Put Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Securities the Holder is withdrawing and a statement that such Holder is withdrawing his election to have such principal amount of Securities purchased; and

(vii) a brief description of the events resulting in such Change of Control.

Any such Change of Control Offer shall comply with all applicable provisions of Federal and state laws, including those regulating tender offers, if applicable, and any provisions of this Indenture which conflict with such laws (A) shall be deemed to be superseded by the provisions of such laws and (B) shall not be deemed to have been breached by virtue thereof.

On or before the Change of Control Purchase Date, the Company shall (i) accept for payment Securities or portions thereof properly tendered pursuant to the Change of Control Offer and (ii) deposit with the Paying Agent Cash sufficient to pay the Change of Control Purchase Price (together with accrued and unpaid interest subject to clause (b)(4) above) for all Securities or

portions thereof so tendered. Promptly following the Change of Control Purchase Date the Company shall deliver to the Registrar Securities so accepted, together with an Officers' Certificate listing the Securities or portions thereof being purchased by the Company. The Paying Agent shall on the Change of Control Purchase Date or promptly thereafter mail to Holders of Securities so accepted payment in an amount equal to the Change of Control Purchase Price (together with accrued and unpaid interest and Liquidated Damages, if any, subject to clause (b)(4) above), for such Securities (subject to clause (b)(4) above), and the Trustee or its authenticating agent shall

promptly authenticate and the Registrar shall mail or deliver (or cause to be transferred by book entry) to such Holders a new Security equal in principal amount to any unpurchased portion of the Security surrendered; PROVIDED that each such new Security will be in a principal amount of $1,000 or an integral multiple thereof. Any Securities not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

ARTICLE XI

SUBORDINATION OF SECURITIES

SECTION 11.1. Securities Subordinated to Secured Portfolio Debt.

The Company and each Securityholder, by its acceptance of Securities, agree that (a) the payment of the principal of and interest on the Securities and (b) any other payment or obligations in respect of the Securities, including on account of the acquisition or redemption of the Securities by the Company (including, without limitation, pursuant to Articles III or X) is subordinated, to the extent and in the manner provided in this Article XI, to the prior payment in full in Cash or Cash Equivalents of all Secured Portfolio Debt of the Company and that these subordination provisions are for the benefit of the holders of Secured Portfolio Debt.

This Article XI shall constitute a continuing offer to all Persons who, in reliance upon such provisions, become holders of, or continue to hold, Secured Portfolio Debt, and such provisions are made for the benefit of the holders of Secured Portfolio Debt, and such holders are made obligees hereunder and any one or more of them may enforce such provisions.

The Securities shall in all respects rank (i) PARI PASSU with all other unsecured Funded Recourse Debt of the Company outstanding on the Issue Date and (ii) senior to any Funded Recourse Debt of the Company issued after the Issue Date, and only Indebtedness of the Company which is Secured Portfolio

Debt shall rank senior to the Securities in accordance with the provisions set forth herein.

SECTION 11.2. No Payment on Securities in Certain Circumstances.

(a) No payment (by set-off or otherwise) shall be made by or on behalf of the Company, as applicable, on account of the principal of, premium, if any, or interest on the Securities (including any repurchases of Securities), or on account of the redemption

provisions of the Securities or any obligation in respect of the Securities, for Cash or property, (i) upon the maturity of any Secured Portfolio Debt of the Company, as applicable, by lapse of time, acceleration (unless waived) or otherwise, unless and until all principal of and the interest on such Secured Portfolio Debt are first paid in full in Cash or Cash Equivalents, or (ii) in the event of default in the payment of any principal or interest on or fee in respect of Secured Portfolio Debt of the Company when it becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise (a "Payment Default"), unless and until such Payment Default has been cured or waived or otherwise has ceased to exist; PROVIDED that the Company may pay the Securities without regard to the foregoing if the Company and the Trustee receive written notice approving such payment from the Representative of the Designated Secured Portfolio Debt with respect to which such payment default has occurred and is continuing.

(b) In furtherance of the provisions of Section 11.1, in the event that, notwithstanding the foregoing provisions of this Section 11.2, any payment or distribution of assets of the Company shall be received by the Trustee or the Securityholders at a time when such payment or distribution is prohibited by the provisions of this Section 11.2, such payment or distribution shall be held in trust for the benefit of the holders of such Secured Portfolio Debt, and shall be paid or delivered by the Trustee or such Securityholders, as the case may be, to the holders of such Secured Portfolio Debt remaining unpaid or to their Representative or Representatives, ratably according to the aggregate principal amounts remaining unpaid on account of such Secured Portfolio Debt held or represented by each, for application to the payment of all such Secured Portfolio Debt remaining unpaid, to the extent necessary to pay all such Secured Portfolio Debt in full in Cash or Cash Equivalents after giving effect to any concurrent payment or distribution to the holders of such Secured Portfolio Debt.

SECTION 11.3. Securities Subordinated to Prior Payment of All Secured Portfolio Debt on Dissolution, Liquidation or Reorganization.

Upon any distribution of assets of the Company or upon any dissolution, winding up, total or partial liquidation or reorganization of the Company, whether voluntary or involuntary, in bankruptcy, insolvency, receivership or

a similar proceeding or upon assignment for the benefit of creditors or any marshalling of assets or liabilities:

(a) the holders of all Secured Portfolio Debt of the Company, as applicable, will first be entitled to receive payment in full in Cash or Cash Equivalents before the Securityholders are entitled to receive any payment on account of the principal of, premium, if any, and interest on the Securities or any obligation in respect of the Securities;

(b) any payment or distribution of assets of the Company of any kind or character from any source, whether in Cash, property or securities to which the Securityholders

or the Trustee on behalf of the Securityholders would be entitled (by set-off or otherwise), except for the provisions of this Article XI, shall be paid by the liquidating trustee or agent or other person making such a payment or distribution directly to the holders of such Secured Portfolio Debt or their Representative to the extent necessary to make payment in full on all such Secured Portfolio Debt remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Secured Portfolio Debt; and

(c) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company shall be received by the Trustee or the Securityholders at a time when such payment or distribution is prohibited by the foregoing provisions, such payment or distribution shall be held in trust for the benefit of the holders of such Secured Portfolio Debt, and shall be paid or delivered by the Trustee or such Securityholders, as the case may be, to the holders of such Secured Portfolio Debt remaining unpaid or to their Representative or Representatives ratably according to the aggregate principal amounts remaining unpaid on account of such Secured Portfolio Debt held or represented by each, for application to the payment of all such Secured Portfolio Debt remaining unpaid, to the extent necessary to pay all such Secured Portfolio Debt in full in Cash or Cash Equivalents after giving effect to any concurrent payment or distribution to the holders of such Secured Portfolio Debt.

SECTION. 11.4. Securityholders to Be Subrogated to Rights of Holders of Secured Portfolio Debt.

Subject to the payment in full in Cash or Cash Equivalents of all Secured Portfolio Debt of the Company as provided herein, the Securityholders shall be subrogated to the rights of the holders of such Secured Portfolio Debt to receive payments or distributions of assets of the Company applicable to the Secured Portfolio Debt until all amounts owing on the Securities shall be paid in full, and for the purpose of such subrogation no such payments or distributions to the holders of such Secured Portfolio Debt by or on behalf of the Company, or by or on behalf of the Securityholders by virtue of this

Article XI, which otherwise would have been made to the Securityholders shall, as between the Company and the Securityholders, be deemed to be payment by the Company or on account of such Secured Portfolio Debt, it being understood that the provisions of this Article XI are and are intended solely for the purpose of defining the relative rights of the Securityholders, on the one hand, and the holders of such Senior Debt, on the other hand.

If any payment or distribution to which the Securityholders would otherwise have been entitled but for the provisions of this Article XI shall have been applied, pursuant to the provisions of this Article XI, to the payment of amounts payable under Secured Portfolio Debt of the Company, then the Securityholders shall be entitled to receive from the holders of such Secured Portfolio Debt any payments or distributions received by such holders of Secured Portfolio Debt in excess of the amount sufficient to pay all amounts

payable under or in respect of such Secured Portfolio Debt in full in Cash or Cash Equivalents.

SECTION 11.5. Obligations of the Company Unconditional.

Nothing contained in this Article XI or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Company and the Securityholders, the obligation of the Company, which is absolute and unconditional, to pay to the Securityholders the principal of, premium, if any, and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Securityholders and creditors of the Company other than the holders of the Secured Portfolio Debt, nor shall anything herein or therein prevent the Trustee or any Securityholder from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XI, of the holders of Secured Portfolio Debt in respect of Cash, property or securities of the Company received upon the exercise of any such remedy. Notwithstanding anything to the contrary in this Article XI or elsewhere in this Indenture or in the Securities, upon any distribution of assets of the Company referred to in this Article XI, the Trustee, subject to the provisions of Sections 7.1 and 7.2, and the Securityholders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating Trustee or agent or other Person making any distribution to the Trustee or the Securityholders for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Secured Portfolio Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XI so long as such court has been apprised of the provisions of, or the order, decree or certificate makes reference to, the

provisions of this Article XI. Nothing in this Section 11.5 shall apply to the claims of, or payments to, the Trustee under or pursuant to Section 7.7.

SECTION 11.6. Trustee Entitled to Assume Payments Not Prohibited in Absence of Notice.

The Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee unless and until a Trust Officer of the Trustee or any Paying Agent shall have received, no later than one Business Day prior to such payment, written notice thereof from the Company or from one or more holders of Secured Portfolio Debt or from any Representative therefor and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Sections 7.1 and 7.2, shall be entitled in all respects conclusively to assume that no such fact exists.

SECTION 11.7. Application by Trustee of Assets Deposited with It.

Amounts deposited by the Company in trust with the Trustee pursuant to and in accordance with Article VIII shall be for the sole benefit of Securityholders and, to the extent (i) the making of such deposit did not, or after giving effect to such deposit does not, result in any contravention of any term or provision of the Revolver Agreement and (ii) allocated for the payment of Securities, shall not be subject to the subordination provisions of this Article XI. Otherwise, any deposit of assets with the Trustee or the Paying Agent (whether or not in trust) for the payment of principal of or interest on any Securities shall be subject to the provisions of Sections 11.1, 11.2, 11.3 and 11.4; PROVIDED that, if prior to one Business Day preceding the date on which by the terms of this Indenture any such assets may become distributable for any purpose (including without limitation, the payment of either principal of or interest on any Security) the Trustee or such Paying Agent shall not have received with respect to such assets the written notice provided for in Section 11.6, then the Trustee or such Paying Agent shall have full power and authority to receive such assets and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date.

SECTION 11.8. Subordination Rights Not Impaired by Acts or Omissions of the Company or Holders of Secured Portfolio Debt.

No right of any present or future holders of any Secured Portfolio Debt to enforce subordination provisions contained in this Article XI shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with. The holders of Secured Portfolio Debt may

extend, renew, modify or amend the terms of the Secured Portfolio Debt or any security therefor and release; sell or exchange such security and otherwise deal freely with the Company, all without affecting the liabilities and obligations of the parties to this Indenture of the Securityholders.

SECTION 11.9. Securityholders Authorize Trustee to Effectuate Subordination of Securities.

Each Securityholder by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provisions contained in this Article XI and to protect the rights of the Securityholders pursuant to this Indenture, and appoints the Trustee his attorney-in-fact for such purpose, including, in the event of any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of

assets and liabilities of the Company), the immediate filing of a claim for the unpaid balance of his Securities in the form required in said proceedings and cause said claim to be approved. If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding prior to 30 days before the expiration of the time to file such claim or claims, then the holders of the Secured Portfolio Debt or their representative are or is hereby authorized to have the right to file and are or is hereby authorized to file an appropriate claim for and on behalf of the Securityholders. Nothing herein contained shall be deemed to authorize the Trustee or the holders of Secured Portfolio Debt or their Representative to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Securityholder thereof, or to authorize the Trustee or the holders of Secured Portfolio Debt or their Representative to vote in respect of the claim of any Securityholder in any such proceeding.

SECTION 11.10. Right of Trustee to Hold Secured Portfolio Debt.

The Trustee shall be entitled to all of the rights set forth in this Article XI in respect of any Secured Portfolio Debt at any time held by it to the same extent as any other holder of Secured Portfolio Debt, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

SECTION 11.11. Article XI Not to Prevent Events of Default.

This failure to make a payment on account of principal of, premium, if any, or interest on the Securities by reason of any provision of this Article XI shall not be construed as preventing the occurrence of a Default or an

Event of Default under Section 6.1 or in any way limit the rights of the Trustee or any Securityholder to pursue any other rights or remedies with respect to the Securities.

SECTION 11.12. No Fiduciary Duty of Trustee to Holders of Secured Portfolio Debt.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Secured Portfolio Debt, and shall not be liable to any such holders (other than for its willful misconduct or negligence) if it shall in good faith mistakenly pay over or distribute to the Securityholders of the Securities or the Company or any other Person, Cash, property or securities to which any holders of Secured Portfolio Debt shall be entitled by virtue of this Article XI or otherwise. Nothing in this Section 11.12 shall affect the obligation of any other such Person to hold such payment for the benefit of, and to pay such payment over to, the holders of Secured Portfolio Debt or their representative. In the event of any conflict between the fiduciary duty of the Trustee to the Holders of Securities and to the holders of Secured Portfolio Debt, the Trustee is expressly authorized to resolve such conflict in favor of the Securityholders.

SECTION 11.13. Acceleration of Payment of Securities.

If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify the holders of the Designated Secured Portfolio Debt (or their Representative) of the acceleration. If any Designated Secured Portfolio Debt is outstanding, the Company may not pay the Securities until five days after such holders or the Representative of the Designated Secured Portfolio Debt receive notice of such acceleration and, thereafter, may pay the Securities only if this Article XI otherwise permits payment at that time.

ARTICLE XII

MISCELLANEOUS

SECTION 12.1 TIA Controls.

If any provision of this Indenture limits, qualifies, or conflicts with the duties imposed by operation of the TIA, the imposed duties, upon qualification of this Indenture under the TIA, shall control.

SECTION 12.2 Notices.

Any notices or other communications to the Company or the Trustee required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by telecopier or registered or certified mail, postage prepaid, return receipt requested, addressed as

follows:

IF TO THE COMPANY:

HPSC, INC.
60 STATE STREET, 35TH FLOOR
BOSTON, MASSACHUSETTS 02109-1803
ATTENTION: PRESIDENT
TELECOPY: (617) 720-7299

IF TO THE TRUSTEE:

STATE STREET BANK AND TRUST COMPANY

ATTENTION:

TELECOPY:

Any party by notice to each other party may designate additional or different addresses as shall be furnished in writing by such party. Any notice or communication to any party shall be deemed to have been given or made as of the date so delivered, if personally delivered; when receipt is acknowledged, if telecopied; and five Business Days after mailing if sent by registered or certified mail, postage prepaid (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee).

Any notice or communication mailed to a Securityholder shall be mailed to him or her by first class mail or other equivalent means at his or her address as it appears on the registration books of the Registrar and shall be sufficiently given to him or her if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 12.3 Communications by Holders with Other Holders.

Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and any other Person

shall have the protection of TIA Section 312(c).

SECTION 12.4 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, such Person shall furnish to the Trustee:

(1) an Officers' Certificate (in form and substance reasonably satisfactory to the Trustee) stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been met; and

(2) an Opinion of Counsel (in form and substance reasonably satisfactory to the Trustee) stating that, in the opinion of such counsel, all such conditions precedent have been met;

provided, however, that in the case of any such request or application as to which the furnishing of particular documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished under this Section.

SECTION 12.5 Statements Required in Certificate or Opinion.

Each Officers' Certificate or Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the Person making such Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(3) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been met; and

(4) a statement as to whether or not, in the opinion of each such Person, such condition or covenant has been met; provided, however, that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 12.6 Rules by Trustee, Paying Agent, Registrar.

The Trustee may make reasonable rules for action by or at a meeting of

Securityholders. The Paying Agent or Registrar may make reasonable rules for its functions.

SECTION 12.7 Non-Business Days.

If a payment date is not a Business Day, any payment required to be paid to Holders may be made on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period.

SECTION 12.8 Governing Law.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE AND THE SECURITIES, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, JURISDICTION OF THE AFORESAID COURTS. THE COMPANY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE TRUSTEE OR ANY SECURITYHOLDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

SECTION 12.9 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any of its Subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.10 No Recourse Against Others.

No direct or indirect , incorporator, stockholder, director, officer or employee, as such, past, present or future, of the Company, or any successor entity, shall have any personal liability in respect of the obligations of the Company under the Securities or this Indenture by reason of his, her or its status as such incorporator, stockholder, director, officer or employee. Each Securityholder by accepting a Security waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Securities.

SECTION 12.11 Successors.

All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 12.12 Duplicate Originals.

All parties may sign any number of copies or counterparts of this Indenture. Each signed copy or counterpart shall be an original, but all of them together shall represent the same agreement.

SECTION 12.13 Severability.

In case any one or more of the provisions in this Indenture or in the Securities shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

SECTION 12.14 Table of Contents, Headings, Etc.

The Table of Contents, Cross-Reference Table and headings of the Articles and the Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 12.15 Qualification of Indenture.

The Trustee shall be entitled to receive from the Company any such Officers' Certificates, Opinions of Counsel or other documentation as it may reasonably request in connection with any qualification of this Indenture under the TIA.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

HPSC , INC.,

By: _____
Name: John W. Everets
Title: Chief Executive Officer

Attest: _____
Secretary

STATE STREET BANK AND
TRUST COMPANY,
as Trustee

By: _____
Name:
Title: Vice President

EXHIBIT A

[FORM OF SECURITY]

HPSC , INC.

_____% SENIOR SUBORDINATED NOTE DUE 2007

CUSIP NO._____

NO._____ $ _____

HPSC , Inc., a Delaware corporation (hereinafter called the "Company", which term includes any successors under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars, on _____, 2007.

Interest Payment Dates: _____ 1 and _____ 1, commencing _____1, 1997.

Record Dates: _____ 15 and _____ 15.

Reference is made to the further provisions of this Security on the reverse side, which will, for all purposes, have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be duly

executed under its corporate seal.

DATED: _____, 1997 .

HPSC , INC.,

[Seal]

By: _____
Name:
Title:

Attest: _____
Name:
Title: Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Securities described in the within-mentioned Indenture.

STATE STREET BANK AND TRUST COMPANY

As Trustee

By: _____
Authorized Signatory

HPSC , INC.

_____% SENIOR SUBORDINATED NOTE DUE 2007

Unless and until it is exchanged in whole or in part for Securities in definitive form, this Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the Company or its agent for registration of transfer,

exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein. (1)

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(1) This paragraph should only be added if the Security is issued in global form.

(BACK OF SECURITY)

1. INTEREST.

HPSC , Inc., a Delaware corporation (hereinafter called the "Company," which term includes any successors of the Company under the Indenture hereinafter referred to), promises to pay interest on the principal amount of this Security at the rate of _____% per annum To the extent it is lawful, the Company promises to pay interest on overdue installments of interest (without regard to applicable grace periods) at the rate of _____% per annum compounded semi-annually.

The Company will pay interest semi-annually on ____ 1 and _____ 1 of each year (each, an "Interest Payment Date"), commencing _____ 1, 1997. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid on the Securities, from _____, 1997. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

2. METHOD OF PAYMENT.

The Company shall pay interest on the Securities (except defaulted interest)to the Persons who are the registered Holders at the close of business on the Record Date immediately preceding the Interest Payment Date. Holders must surrender Securities to a Paying Agent to collect principal payments. Except as provided below, the Company shall pay principal, premium, if any, and interest in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts ("U.S. Legal Tender"). The Securities will be payable as to principal, premium, if any, and interest, and the Securities may be presented for registration of transfer or exchange, at the office or agency of the Company maintained for such purpose within or without the City of Boston, the

Commonwealth of Massachusetts or, at the option of the Company, such payments may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of, premium, if any, and interest on all Global Securities and all other Securities the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent. Until otherwise designated by the Company, the Company's office or agency will be the corporate trust office of the Trustee.

3. PAYING AGENT AND REGISTRAR.

Initially, State Street Bank and Trust Company (the "Trustee"), will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co- Registrar without notice to the Holders. The Company or any of its Subsidiaries may, subject to certain exceptions, act as Paying Agent, Registrar or co-Registrar.

4. INDENTURE.

The Company issued the Securities under an Indenture, dated as of _____, 1997 (the "Indenture"), between the Company and the Trustee. Capitalized terms herein have the meanings set forth in the Indenture unless otherwise defined herein. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the TIA, as in effect on the date of the Indenture. The Securities are subject to all such terms, and Holders of Securities are referred to the Indenture and the TIA for a statement of them. The Securities are general unsecured obligations of the Company limited in aggregate principal amount to $23,000,000.

5. REDEMPTION.

The Securities may be redeemed in whole or from time to time in part at any time on and after ____ 1, 2002, at the option of the Company, at the Redemption Price (expressed as a percentage of principal amount) set forth below with respect to the indicated Redemption Date, in each case, plus any accrued but unpaid interest, if any, to the Redemption Date. The Securities may not be so redeemed prior to _____ 1, 2002.

If redeemed during the 12-month period beginning	Redemption Price
[2002	_____%
2003	_____%

2004	_____%
2005 AND THEREAFTER	100.0000%]

Any such redemption will comply with Article III of the Indenture.

6. SINKING FUND.

As more fully set forth in the Indenture, the Company is required to redeem on ____ 1, ____ 1, ____ 1, and ___1 of each year, commencing ____ 1, 200 _ and continuing through ____ 1, 200__., a portion of the principal amount of the Securities at a Redemption Price equal to

100% of the aggregate principal amount of the Securities so redeemed, plus accrued and unpaid interest to the Redemption Date.

7. NOTICE OF REDEMPTION.

Notice of redemption will be sent by first class mail, at least 30 days and not more than 60 days prior to the Redemption Date to the Holder of each Security to be redeemed at such Holder's last address as then shown upon the registry books of the Registrar. Securities may be redeemed in part in integral multiples of $1,000 only.

Except as set forth in the Indenture, from and after any Redemption Date, if monies for the redemption of the Securities called for redemption shall have been deposited with the Paying Agent on such Redemption Date and payment of the Securities called for redemption is not prohibited under the Indenture, the Securities called for redemption will cease to bear interest and the only right of the Holders of such Securities will be to receive payment of the Redemption Price, plus any accrued and unpaid interest if any, to the Redemption Date.

8. DENOMINATIONS; TRANSFER; EXCHANGE.

The Securities are in registered form, without coupons, in denominations of $1,000 and integral multiples thereof. A Holder may register the transfer of, or exchange Securities in accordance with, the Indenture. No service charge will be made for any registration of transfer or exchange of the Securities, but the Company may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption.

9. PERSONS DEEMED OWNERS.

The registered Holder of a Security may be treated as the owner of it for all purposes.

10. UNCLAIMED MONEY.

If money for the payment of principal, premium, if any, and interest remains unclaimed for two years, the Trustee and the Paying Agent(s) will pay the money back to the Company at its written request. After that, all liability of the Trustee and such Paying Agent(s) with respect to such money shall cease.

11. DISCHARGE PRIOR TO REDEMPTION OR MATURITY.

Except as set forth in the Indenture, if the Company irrevocably deposits with the Trustee, in trust, for the benefit of the Holders, Cash, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient in the opinion of a nationally recognized firm of independent

public accountants selected by the Trustee, to pay the principal of, premium, if any, and interest , on the Securities to redemption or maturity and complies with the other provisions of the Indenture relating thereto, the Company will be discharged from certain provisions of the Indenture and the Securities (including the restrictive covenants described below, but excluding their obligation to pay the principal of, premium, if any, and interest on the Securities). Upon satisfaction of certain additional conditions set forth in the Indenture, the Company may elect to have its obligations discharged with respect to outstanding Securities.

12. AMENDMENT; SUPPLEMENT; WAIVER.

Subject to certain exceptions, the Indenture or the Securities may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding, and any existing Default or Event of Default or compliance with any provision may be waived with the consent of the Holders of a majority in aggregate principal amount of the Securities then outstanding. Without notice to or consent of any Holder, the parties thereto may under certain circumstances amend or supplement the Indenture or the Securities to, among other things, cure any ambiguity, defect, typographical error or inconsistency, or make any other change that does not adversely affect the rights of any Holder of a Security.

13. RESTRICTIVE COVENANTS.

The Indenture imposes certain limitations on the ability of the Company and its Subsidiaries to, among other things, incur additional Funded Recourse

Debt and Disqualified Capital Stock, pay dividends or make certain other Restricted Payments, enter into certain transactions with Affiliates, incur Liens, sell assets, merge or consolidate with any other Person or transfer (by lease, assignment or otherwise) substantially all of the properties and assets of the Company. The limitations are subject to a number of important qualifications and exceptions. The Company must periodically report to the Trustee on compliance with such limitations.

14. RANKING; SUBORDINATION.

Payment of principal of, premium, if any, and interest on the Securities is subordinated in the manner and to the extent set forth in the Indenture, in right of payment to the prior payment in full of all Secured Portfolio Debt. Payment of principal of, premium, if any, and interest on the Securities will rank pari passu in right of payment with all existing unsecured Funded Recourse Debt and senior in right of payment to all future unsecured Funded Recourse Debt of the Company.

15. REPURCHASE AT OPTION OF HOLDER.

If there is a Change of Control, the Company shall be required to offer to purchase on the Change of Control Payment Date all outstanding Securities at a purchase price equal to 101% of

the principal amount thereof, plus accrued and unpaid interest, to the Change of Control Payment Date. Holders of Securities will receive a Change of Control Offer from the Company prior to any related Change of Control Payment Date and may elect to have such Securities purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing below.

16. REPURCHASE AT OPTION OF HOLDER UPON DEATH.

Upon the death of any Holder of Securities, and upon the further receipt by the Company or the Trustee of a written request for repurchase and satisfaction of the conditions set forth in the Indenture, the Company shall be required to pay the Repurchase Price of, and (except if the Repurchase Date shall be an Interest Payment Date) any accrued interest on all or such portion (which portion shall be an integral multiple of $1,000 in excess of the minimum authorized denomination) of the Security or Securities held by the deceased Holder at the date of such Holder's death as requested, provided that the Company shall not be required to make repurchase payments aggregating more than (i) $25,000 in principal amount (plus accrued interest) in any calendar year on a Security or Securities held by any one deceased Holder or (ii) $250,000 in principal amount (plus accrued interest) in any calendar year on Securities held by any number of deceased Holders.

17. SUCCESSORS.

When a successor assumes all the obligations of its predecessor under the Securities and the Indenture, the predecessor will be released from those obligations.

18. DEFAULTS AND REMEDIES.

If an Event of Default occurs and is continuing (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization), then in every such case, unless the principal of all of the securities shall have already become due and payable, either the Trustee or the Holders of 25% in aggregate principal amount of Securities then outstanding may declare all the Securities to be due and payable immediately in the manner and with the effect provided in the Indenture. Holders of Securities may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in aggregate principal amount of the Securities then outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of Securities notice of any continuing Default or Event of Default (except a Default in payment of principal, premium, if any, or interest if it determines in good faith that withholding notice is in their interest.

19. TRUSTEE OR AGENT DEALINGS WITH COMPANY.

Subject to certain limitations, the Trustee and each Agent under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services

for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates as if it were not the Trustee or such Agent.

20. NO RECOURSE AGAINST OTHERS.

No direct or indirect incorporator, stockholder, director, officer or employee, as such, past, present or future, of the Company, or any successor entity, shall have any personal liability in respect of the obligations of the Company under the Securities or the Indenture by reason of his, her or its status as such incorporator, stockholder, director, officer or employee. Each Holder of a Security by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities.

21. AUTHENTICATION.

This Security shall not be valid until the Trustee or authenticating agent signs the certificate of authentication on the other side of this Security.

22. ABBREVIATIONS AND DEFINED TERMS.

Customary abbreviations may be used in the name of a Holder of a Security or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

23. CUSIP NUMBERS.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities as a convenience to the Holders of the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers printed hereon.

[FORM OF] ASSIGNMENT

I or we assign this security to

_____

_____

_____

(Print or type name, address and zip code of assignee)

Please insert Social Security or other identifying number of assignee

_____ and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

DATED: _____ SIGNED: _____

(Sign exactly as name

appears on the other side
of this Security)

A-13

OPTION OF HOLDER TO ELECT REPURCHASE

If you want to elect to have this Security repurchased by the Company pursuant to Section 4.16 (upon the death of the Holder of this Note) or Article X of the Indenture, check the appropriate box:

/ / Section 4.16 / / Article X

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.16 or Article X of the Indenture, as the case may be, state the amount you want to be purchased (in an amount which must be $1,000 or an integral multiple thereof): $_____

Date: _____ Signature: _____
(Sign exactly as name appears on
the other side of this Security)

SCHEDULE OF EXCHANGES OF DEFINITIVE SECURITIES(2/)

The following exchanges of a part of this Global Security for Definitive Securities have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security following such decrease/increase	Signature of Authorized Officer or Trustee or Securities Custodian
----------	----------	----------	----------	----------

(2/) This schedule should only be added if the Security is issued in global form.

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF TRANSFER OF SECURITIES(3/)

Re: _____% SENIOR SUBORDINATED NOTES DUE 2007 OF HPSC , INC.

This Certificate relates to $_____ principal amount of Securities held in (check applicable space) _____ book-entry or _____ definitive form by (the "Transferor").

The Transferor (check applicable box):

/ / has requested the Trustee by written order to deliver in exchange for its beneficial interest in the Global Security held by the Depository a Security or Securities in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Security (or the portion thereof indicated above); or

/ / has requested the Trustee by written order to exchange or register the transfer of a Security or Securities.

_____
[INSERT NAME OF TRANSFEROR]

By: _____

DATE: _____

_____

(3/) The following should be included only for Initial Securities.

HILL & BARLOW
A PROFESSIONAL CORPORATION
One International Place
Boston, Massachusetts 02110-2607
Telephone (617) 428-3000 -- Facsimile (617) 428-3500

DENNIS W. TOWNLEY
DIRECT LINE: 617-428-3537
DTOWNLEY@HILLBARLOW.COM

March 10, 1997

HPSC, Inc.
60 State Street
35th Floor
Boston, MA 02109-1803

Ladies and Gentlemen:

This opinion is furnished to you in connection with a Registration Statement on Form S-1 dated January 30, 1997, as amended on March 10, 1997 (S.E.C. File No. 333-20733) (the "Registration Statement"), filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the public offering (the "Offering") of an aggregate of $23,000,000 of % Senior Subordinated Notes (the "Notes") of HPSC, Inc., a Delaware corporation (the "Company"), including $3,000,0000 of Notes subject to an over-allotment option granted by the Company to the Underwriters (as defined below). The Notes are to be sold by the Company pursuant to an underwriting agreement (the "Underwriting Agreement") among the Company and each of Advest, Inc. and Legg Mason Wood Walker, Incorporated (the "Underwriters") and subject to an indenture (the "Indenture") between the Company and State Street Bank and Trust Company as trustee.

We have acted as counsel for the Company in connection with the sale by the Company of the Notes. We have examined and relied upon (i) signed copies of the Registration Statement and all exhibits thereto, all as filed with the Commission, (ii) the Underwriting Agreement in the form filed as Exhibit 1.1 to the Registration Statement, (iii) the Indenture in the form filed as Exhibit 4.2 to the Registration Statement, (iv) copies of the Restated Certificate of Incorporation and Amended and Restated By-Laws of the Company, and all amendments thereto, and (v) originals, or copies certified to our satisfaction, of such records of meetings of the directors and stockholders of the Company, documents and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

In our examination of the foregoing documents, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, we are of the opinion that the Notes to be issued and sold by the Company have been duly authorized by all necessary corporate action of the Company, and, when issued and sold by the Company in accordance with the terms of the Underwriting Agreement, will be validly issued and binding obligations of the Company, except as such obligations may be limited by bankruptcy, insolvency, reorganization, moratorium, usury, fraudulent conveyance and transfer, and other similar laws relating to or affecting creditors' rights generally.

We hereby consent to the filing of this opinion as part of the Registration Statement and to the use of our name therein and in the related Prospectus under the caption "Legal Matters." We also hereby consent to the incorporation by reference of this opinion in any subsequent registration statement for the same Offering that may be filed under Rule 462(b) of the Act.

It is understood that this opinion is to be used only in connection with the offer and sale of the Notes while the Registration Statement is in effect.

Very truly yours,

HILL & BARLOW,
a Professional Corporation

By: /s/ Dennis W. Townley

Dennis W. Townley, a member
of the firm

Exhibit 10.3

HPSC, Inc.
60 State Street
Boston, Massachusetts 02109

As of July 19, 1996

John W. Everets
HPSC, Inc.
60 State Street
Boston, MA 02109

Dear John:

On behalf of the Board of Directors, I am pleased that you have accepted our offer to continue to serve as Chairman and Chief Executive Officer of HPSC, Inc. (the "Company"). This agreement will formally record the arrangements to which we agreed. I would appreciate your noting your acceptance of these terms and returning a copy to me as soon as possible.

1. You have served as the Company's Chairman of the Board of Directors and Chief Executive Officer since July 19, 1993, having been re-elected most recently on May 16, 1996. You will adhere to policies established by the Board and devote your full working time and best efforts to the Company, provided that the Company recognizes that you will continue to serve as a director of other corporations.

2. Your annual base salary will be established by the Compensation Committee of the Board of Directors (the "Compensation Committee") on an annual basis but it shall be not less than Two Hundred Fifty Thousand Dollars ($250,000) per annum, paid in accordance with our normal payroll practices. You and the Compensation Committee have developed a performance-based incentive compensation plan ("Incentive Plan") for key management based on earnings, working capital management and achieving strategic objectives. The Incentive Plan is designed to pay members of key management up to One Hundred Percent (100%) of their annual base salary for achieving superior results. You shall be eligible to receive awards under the Incentive Plan, as determined annually by the Compensation Committee.

3. You will be eligible for the fringe benefit plans applicable to the Company's key employees, including the Company's Employee Stock Ownership Plan and Supplemental Stock Ownership Plan. The Company will provide you with an appropriate automobile. You will be entitled to take four (4) weeks' vacation annually.

4. You will be eligible for awards under the Company's 1995 Stock Incentive Plan, as it may be amended from time to time, and under any subsequent similar plans, as determined by the Compensation Committee.

5. This agreement will begin on July 19, 1996 and continue until July 18, 1999. Thereafter, it will automatically renew from year to year unless you or the Company give notice of your intention to terminate this agreement six (6) months in advance of any anniversary. You or the Company may terminate your employment and this agreement at any time for any reason whatsoever. Except as provided in paragraph 6, if you terminate, or if the termination is by the Company and is not "for cause" (as defined in Exhibit A), you will receive your base monthly salary for the next twelve (12) months plus an additional monthly payment equal to one-twelfth (1/12) of the maximum incentive compensation you would have earned for the next twelve (12) months. You will also be entitled to your normal employee benefits during that period. Upon a termination by the Company which is not "for cause" your stock options and restricted stock awards will entirely vest. If, at the end of an agreement period, you or the Company choose not to renew the agreement, the Company will make the termination payments to you described above in this Paragraph 5 in the same manner as if you had been terminated by the Company not "for cause". You agree that you will not in any manner compete with the business of the Company or be employed by a competitor of the Company while you are receiving termination payments. In addition, you will maintain in confidence all of the Company's confidential information. If your termination is by reason of your death or disability (as defined in the Company's long-term disability insurance policies) you or your estate will receive your base monthly salary for six (6) months from the date of your death or disability. You (and/or your family) will also be entitled to your normal employee benefits during that six (6) month period. If your termination is "for cause" (as defined in Exhibit A), the Company's only liability to you will be to pay any arrearages of salary or bonus as of the date of termination.

6. A. In the event a "Change of Control" (as defined in Exhibit A) occurs and during the three (3) year period thereafter:

(x) your employment is terminated by the Company for any reason other than "for cause" (as defined in Exhibit A); or

(y) you terminate your employment due to a Change in Your Employment (as defined in Exhibit A) made by the Company,

the following will apply as of the date that the termination described in either (x) or (y) above occurs:

(i) you will receive an amount equal to the average of your total compensation from the Company which was includable in your

gross income for federal income tax purposes (as reported on IRS Form W-2) for each of the preceding five (5) calendar years ending before the date of the Change of Control (or if you have not been employed for five (5) years for such lesser period as you have been

employed, with your compensation to be annualized for any portion of a calendar year of your employment that is shorter than twelve months) multiplied by 2.99, provided, however, that you may choose, in your discretion, to receive a lesser amount than you are entitled to receive under this Section 6A(i) if after consultation with the Compensation Committee you determine that it is in your best interests to accept a lesser amount;

(ii) the non-compete provisions of paragraph 5 will no longer apply to you;

(iii) your stock options will entirely vest; and

(iv) your normal employee benefits will be payable for the next twelve (12) months.

B. In the event a "Change of Control" (as defined in Exhibit A) occurs and during the three (3) year period thereafter you terminate your employment for any reason other than a "Change in Your Employment" (as defined in Exhibit A) by the Company, the following will apply as of the date of termination:

(i) you will receive your base monthly pay for the next twelve (12) months plus an additional monthly payment equal to the maximum incentive compensation you would have earned for the next twelve (12) months; and

(ii) your normal employee benefits will be payable for the next twelve (12) months.

C. In the event a "Change of Control" (as defined in Exhibit A) occurs and during the three (3) year period thereafter your employment is terminated by the Company "for cause" (as defined in Exhibit A), the Company's only liability to you will be to pay any arrearages of salary or bonus as of the date of termination.

7. This Agreement may be changed only by a written agreement signed by you and an authorized representative of the Company.

8. The Company shall (a) indemnify you for fees and expenses

incurred in successfully enforcing against the Company your rights under this Agreement, and (b) pay your expenses incurred in enforcing your rights under this Agreement, in advance of a

final disposition of the action relating to such enforcement, upon receipt of your undertaking to repay the amount advanced if the Company prevails upon the final disposition of such action.

Sincerely,

HPSC, Inc.

By: /s/ Dollie Cole

Dollie Cole, Director

By: /s/ Thomas M. McDougal

Thomas M. McDougal, Director

By: /s/ J. Kermit Birchfield

J. Kermit Birchfield, Director

ACCEPTED:

/s/ John W. Everets

John W. Everets

EXHIBIT A

DEFINITIONS

1. DEFINITION OF "CHANGE IN CONTROL"

A "Change in Control" has the meaning set forth in the Company's 1995 Stock Incentive Plan, as amended to the date hereof.

2. DEFINITION OF "CHANGE IN YOUR EMPLOYMENT"

A "Change in Your Employment" by the Company which would entitle you to terminate and receive benefits in accordance with Section 6 hereof would be:

(i) Diminution in your duties and responsibilities so that you are no longer Chairman or CEO of the Company; or

(ii) reduction in pay or benefits; or

(iii) forced relocation outside of the greater Boston area.

3. DEFINITION OF "CAUSE"

"Cause" which would entitle the Company to terminate you would be:

(i) Your conviction of a crime involving moral turpitude; or

(ii) Any act of dishonesty which is material to the business of the Company.

Exhibit 10.4

HPSC, Inc.
60 State Street
Boston, Massachusetts 02109

As of August 2, 1996

Raymond Doherty, President
HPSC, Inc.
60 State Street
Boston, Massachusetts 02109

Dear Ray:

On behalf of the Board of Directors, I am pleased that you have accepted our offer to continue to serve as President and Chief Operating Officer of HPSC, Inc. (the "Company"). This agreement will formally record the arrangements to which we have agreed. I would appreciate your noting your acceptance of these terms and returning a copy of this agreement to me as soon as possible.

1. You have served as the Company's President and Chief Operating Officer since August 2, 1993, reporting to the Chairman and Chief Executive Officer. You will adhere to policies established by the Board and devote your full working time and best efforts to the Company.

2. Your annual base salary will be established by the Compensation Committee of the Board of Directors (the "Compensation Committee") on an annual basis but it shall not be less than Two Hundred Thousand Dollars ($200,000), paid in accordance with our normal payroll practices. The Compensation Committee has developed a performance-based incentive compensation plan ("Incentive Plan") for key management based on earnings, working capital management and achieving strategic objectives. The Incentive Plan is designed to pay members of key management up to One Hundred Percent (100%) of their annual base salary for achieving superior results. You shall be eligible to receive awards under the Incentive Plan, as determined annually by the Compensation Committee.

3. You will be eligible for the fringe benefit plans applicable to the Company's key employees, including the Company's Employee Stock Ownership Plan and Supplemental Stock Ownership Plan. The Company will provide you with an appropriate automobile. You will be entitled to take four (4) weeks' vacation annually.

4. You will be eligible for awards under the Company's 1995 Stock Incentive Plan, as it may be amended from time to time, and under any

subsequent similar plans, as determined by the Compensation Committee.

5. This agreement will begin on August 2, 1996 and continue for three (3) years from that date. Thereafter, it will automatically renew from year to year unless you or the Company give notice of your intention to terminate this agreement six (6) months in advance of any anniversary. You or the Company may terminate your employment and this agreement at any time for any reason whatsoever. Except as provided in paragraph 6, if the termination is by the Company and is not "for cause" (as defined in Exhibit A), you will receive your base monthly salary for twelve (12) months plus an additional monthly payment equal to one-twelfth (1/12) of the maximum incentive compensation you would have earned for the next twelve (12) months. You will also be entitled to your normal employee benefits during that period. If, at the end of an agreement period, you or the Company choose not to renew the agreement, the Company will make the termination payments to you described above in this Paragraph 5 in the same manner as if you had been terminated by the Company not "for cause." You agree that you will not in any manner compete with the business of the Company or be employed by a competitor of the Company while you are receiving termination payments. In addition, you will maintain in confidence all of the Company's confidential information. If your termination is by reason of your death or disability (as defined in the Company's long-term disability insurance policies) you or your estate will receive your base monthly salary for six (6) months from the date of your death or disability. You (and/or your family) will also be entitled to your normal employee benefits during that six (6) month period. If you terminate this agreement or your termination is "for cause" (as defined in Exhibit A), the Company's only liability to you will be to pay any arrearages of salary or bonus as of the date of termination.

6. A. In the event a "Change of Control" (as defined in Exhibit A) occurs and during the three (3) year period thereafter:

(x) your employment is terminated by the Company for any reason other than "for cause" (as defined in Exhibit A); or

(y) you terminate your employment due to a "Change in Your Employment" (as defined in Exhibit A) made by the Company,

the following will apply as of the date that the termination described in either (x) or (y) above occurs:

(i) you will receive an amount equal to the average of your total compensation from the Company which was includable in your gross income for federal income tax purposes (as reported on IRS Form W-2) for each of the preceding five (5) calendar years ending before the date of the Change of Control (or if you have not been employed for five (5) years for such lesser period as you have been employed, with your

compensation to be annualized for any portion of a calendar year of your employment that is shorter than twelve months) multiplied by 2.99, provided, however, that you may choose, in your discretion, to receive a lesser amount than you are entitled to receive under this

Section 6A(i) if after consultation with the Compensation Committee you determine that it is in your best interests to accept a lesser amount;

(ii) the non-compete provisions of paragraph 5 will no longer apply to you;

(iii) your stock options will entirely vest; and

(iv) your normal employee benefits will be payable for the next twelve (12) months.

B. In the event a "Change of Control" (as defined in Exhibit A) occurs and during the three (3) year period thereafter you terminate your employment for any reason other than a "Change in Your Employment" (as defined in Exhibit A) by the Company, the following will apply as of the date of termination:

(i) you will receive your base monthly pay for the next twelve (12) months plus an additional monthly payment equal to one-twelfth (1/12) the maximum incentive compensation you would have earned for the next twelve (12) months; and

(ii) your normal employee benefits will be payable for the next twelve (12) months.

C. In the event a "Change of Control" (as defined in Exhibit A) occurs and during the three (3) year period thereafter your employment is terminated by the Company "for cause" (as defined in Exhibit A), the Company's only liability to you will be to pay any arrearages of salary or bonus as of the date of termination.

7. This Agreement may be changed only by a written agreement signed by you and an authorized representative of the Company.

8. The Company shall (a) indemnify you for fees and expenses incurred in successfully enforcing against the Company your rights under this Agreement, and (b) pay your expenses incurred in enforcing your rights under this Agreement, in advance of a final disposition of the action relating to

such enforcement, upon receipt of your undertaking to repay the amount advanced if the Company prevails upon the final disposition of such action.

Sincerely,

HPSC, Inc.

By: /s/ John W. Everets

John W. Everets
Chairman and Chief Executive Officer

ACCEPTED:

/s/ Raymond Doherty

Raymond Doherty

EXHIBIT A

DEFINITIONS

1. DEFINITION OF CHANGE IN CONTROL

A "Change in Control" has the meaning set forth in the Company's 1995 Stock Incentive Plan, as amended to the date hereof.

2. DEFINITION OF "CHANGE IN YOUR EMPLOYMENT"

A "Change in Your Employment" by the Company which would entitle you to terminate and receive benefits in accordance with Section 6 hereof would be:

(i) Diminution in your duties and responsibilities so that you are no longer President or Chief Operating Officer of the Company; or

(ii) reduction in pay or benefits; or

(iii) forced relocation outside of the greater Boston area.

3. DEFINITION OF "CAUSE"

"Cause" which would entitle the Company to terminate you would be:

(i) Your conviction of a crime involving moral turpitude; or

(ii) Any act of dishonesty which is material to the business of the Company.

HPSC, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

EFFECTIVE JANUARY 1, 1997

HPSC, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

TABLE OF CONTENTS

HPSC, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ARTICLE I - ESTABLISHMENT OF PLAN

1.1 NAME OF PLAN. The Plan shall be known as the HPSC, Inc. Supplemental Executive Retirement Plan.

1.2 EFFECTIVE DATE. The Effective Date of the Plan is January 1, 1997.

1.3 PURPOSE. The Company intends this Plan to provide certain retirement income benefits (as defined herein) to certain Executive Employees (as identified from time to time on Schedule 3.1 to the Plan) of the Employing Companies. Such benefits are intended to supplement the retirement income benefits provided to a Participant by his or her Employing Company through its other broad-based retirement programs and Social Security benefit taxes.

1.4 RESTRICTED COVERAGE. Participation in this Plan shall be limited to

Executive Employees, so that for purposes of Title I of ERISA the Plan will at all times cover only employees who make up a select group of management or highly compensated employees whose positions with an Employing Company allow them to have a significant effect on the Employing Company's results of operations by the performance of services of major importance in the management, operation and development of the Employing Company's business.

1.5 PLAN UNFUNDED. This Plan is intended to be unfunded for purposes of (i) Title I of ERISA and (ii) taxation of vested, accrued benefits pursuant to the Code.

ARTICLE II- DEFINITIONS

The following terms shall have the meanings specified below unless the context otherwise requires:

2.1 ACCRUED BENEFIT. The portion of a Participant's Target Retirement Benefit that has accrued as of any date pursuant to Section 6.1.

2.2 ACTUARIAL EQUIVALENT. The lump sum equivalent value of an immediate life annuity benefit or the immediate life annuity equivalence of a lump sum benefit, determined in each case by applying the following assumptions:

(a) Interest, pre- and post-retirement, equal to seven percent compounded annually.

(b) Mortality, pre-and post-retirement, as determined under a 50/50 blend of the male and female mortality rates from the 1983 Group Annuity Mortality Table as published in IRS Revenue Ruling 95-6.

2.3 ACTUARY. The actuarial consultant designated by the Company from time to time to make all actuarial computations required in connection with the Plan.

2.4 AVERAGE FINAL COMPENSATION. The average of a Participant's Compensation for the three calendar years in which the Participant's greatest Compensation is received during his or her final five calendar years of Service, provided that the Participant's Compensation during his or her final calendar year of Service shall be deemed to equal (a) the Participant's annual base salary at the time of his or her Separation from Service plus (b) any bonus received during that calendar year.

2.5 BENEFICIARY. The individual(s), trust(s), or estate entitled to receive benefits under this Plan after the death of a Participant or another Beneficiary.

2.6 BENEFIT COMMENCEMENT DATE. The date as of which benefits hereunder first become payable, in accordance with the provisions of Article VII, to or in respect of a Participant.

2.7 BOARD. The Board of Directors of the Company.

2.8 CHANGE IN CONTROL. A change in control of the Company will occur upon:

(a) The acquisition by any individual, entity or group (within the meaning of Sections 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20 percent or more of either (i) the then outstanding shares of the Common Stock or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of the directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege); (B) any acquisition by the Company or by any corporation controlled by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (D) any acquisition by any corporation pursuant to a consolidation or merger, if, following such consolidation or merger, the conditions described in clauses (i), (ii), and (iii) of paragraph (c) of this definition are satisfied; or

(b) Individuals who, as of the date of this Agreement, constitute the Board (the "Incumbent Board") ceasing for any reason to constitute at least two-thirds of the Board over any period of 24 consecutive months or less; provided, however, that any individual becoming a director subsequent to the date of this Agreement whose election, or nomination for election by the Corporation's shareholders, was approved by a vote or resolution of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the

Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(c) Adoption by the Board of a resolution approving an agreement of consolidation of the Company with or merger of the Company into another corporation or business entity in each case, unless, following such consolidation or merger, (i) more than 60 percent of, respectively, the then outstanding shares of common stock of the corporation resulting from such consolidation or merger and/or the combined voting power of the then outstanding voting securities of such corporation or business entity entitled to vote generally in the election of directors (or other persons having the general power to direct the affairs of such entity) is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who

were the beneficial owners, respectively, of the Common Stock and Outstanding Company Voting Securities immediately prior to such consolidation or merger in substantially the same proportions as their ownership, immediately prior to such consolidation or merger, of the Common Stock and/or Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation or other business entity resulting from such consolidation or merger and any Person beneficially owning, immediately prior to such consolidation or merger, directly or indirectly, 35 percent or more of the Common Stock and/or Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 35 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such consolidation or merger or the combined voting power of the then outstanding voting securities of such corporation or business entity entitled to vote generally in the election of its directors (or other persons having the general power to direct the affairs of such entity) and (iii) at least two-thirds of the members of the board of directors (or other group of persons having the general power to direct the affairs of the corporation or other business entity) resulting from such consolidation or merger were members of the Incumbent Board at the time of the execution of the initial agreement providing for such consolidation or merger; provided that any right which shall vest by reason of the action of the Board pursuant to this paragraph (c) shall be divested, with respect to any such right not already exercised, upon (A) the rejection of such agreement of consolidation or merger by the stockholders of the Company or (B) its abandonment by either party thereto in accordance with its terms; or

(d) Adoption by the requisite majority of the whole Board, or by the holders of such majority of stock of the Company as is required by law or by the Certificate of Incorporation or By-Laws of the Company as then in effect, of a resolution or consent authorizing (i) the dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation or other business entity with respect to which, following such sale or other disposition, (A) more than 60 percent of, respectively, the then outstanding shares of common stock of such corporation and/or the combined voting power of the outstanding voting securities of such corporation or other business entity entitled to vote generally in the election of directors (or other persons having the general power to direct the affairs of such entity) is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Common Stock and Outstanding Company Voting Securities immediately prior to such

sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the Common Stock and/or Outstanding Company Voting securities, as the case may be, (B) no Person (excluding the Company and any employee benefit plan (or related trust) of the Company or such corporation or other business entity and any Person

beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 35 percent or more of the Common Stock and/or Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 35 percent or more of, respectively, the then outstanding shares of common stock of such corporation and/or the combined voting power of the then outstanding voting securities of such corporation or other business entity entitled to vote generally in the election of directors (or other persons having the general power to direct the affairs of such entity) and (C) at least two-thirds of the members of the board of directors (or other group of persons having the general power to direct the affairs of such corporation or other entity) were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company; provided that any right which shall vest by reason of the action of the Board or the stockholders pursuant to this paragraph (d) shall be divested, with respect to any such right not already exercised, upon the abandonment by the Company of such dissolution, or such sale or other disposition of assets, as the case may be.

A Change in Control shall not occur upon the mere reincorporation of the Company in another state.

2.9 CODE. The Internal Revenue Code of 1986, as amended, and including all regulations thereunder.

2.10 COMPANY. HPSC, Inc.

2.11 COMPENSATION. The total remuneration earned by a Participant for personal services rendered to an Employing Company for any Plan Year, regardless of when such remuneration is actually paid (or would be paid if not deferred pursuant to any deferred compensation plan). Compensation shall include (a) amounts deferred under any deferred compensation plan and (b) amounts contributed from the Participant's remuneration under any plan maintained by an Employing Company pursuant to Code Sections 125 or 401(k). Compensation shall not include employer contributions to any employee benefit plan (including without limitation this Plan) and all benefits provided under any such plan.

2.12 COMPENSATION COMMITTEE. The compensation committee of the Board.

2.13 EARLY RETIREMENT DATE. The first of any month following a Participant's 62nd birthday and prior to his or her Normal Retirement Date.

2.14 EFFECTIVE DATE. The date specified as such in Section 1.2 above.

2.15 EMPLOYING COMPANY. The Company and any present or future direct or indirect subsidiary of the Company, provided that (a) any executive officer of the Company approves the subsidiary's participation and (b) the board of directors of such subsidiary accepts this Plan. For this purpose, the term "subsidiary" shall include (a) any corporation if more than 50% of its

capital stock is owned by the Company (either directly or through any one or more such subsidiaries) and (b) any other corporation designated as such by the Board.

2.16 ENTRY DATE. The date that an Executive Employee becomes a Participant in the Plan as provided in Article III.

2.17 ERISA. Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended, and including all regulations thereunder.

2.18 EXECUTIVE EMPLOYEE. An Employee who has been designated by his Employing Company as an officer with senior management responsibilities.

2.19 NET WORTH CONDITION. A decrease in the Company's net worth (as determined by the Company's independent accountants in accordance with the methodology used in preparation of the Company's financial statements) below $25 million as of the end of any fiscal quarter.

2.20 NORMAL RETIREMENT DATE. The first day of the next month following a Participant's 65th birthday.

2.21 OTHER RETIREMENT BENEFITS. The Actuarial Equivalent of the sum of the following amounts paid or payable to or on behalf of a Participant upon or after his or her Separation from Service: (a) one-half of the Social Security retirement, survivorship and disability benefits available to or on behalf of the Participant as of the later of his or her Normal Retirement Date or Separation from Service (or as projected to be available on the Participant's Normal Retirement Date if payment under this Plan is made or commences before the Participant's Normal Retirement Date), as payable pursuant to Title II of the Social Security Act, as amended, or successor legislation, PLUS (b) the lump sum benefits available to or on behalf of the Participant as of the first day of the next month following his or her Separation from Service: (i) under each of the benefit plans specified below, (ii) attributable to Employing Company contributions, and (iii) calculated as specified for each such benefit plan:

- HPSC, INC. 401(K) PLAN (and any successor thereto) ("401(k) plan")--the benefit attributable to Employing Company contributions only (including without limitation employer matching contributions), as determined by aggregating all such contributions AND ADDING deemed interest at a rate of seven percent compounded annually (but prorated for partial years) over the periods of time between the date of each contribution and the date of the determination of the Participant's Other Retirement Benefits, and without reduction for any hardship withdrawal or other benefit distribution taken by the Participant under the 401(k) plan.

- HPSC, INC. EMPLOYEE STOCK OWNERSHIP PLAN (and any successor thereto) ("ESOP")--the benefit determined by MULTIPLYING all shares of Company stock allocated to the Participant's ESOP account through the date of the determination of his or her Other Retirement Benefits TIMES the

share value of such stock on the date of the Participant's initial participation in the ESOP (but adjusted for any stock dividends, stock splits, stock combinations or other recapitalization after such date) AND ADDING deemed interest on such product

at a rate of seven percent compounded annually (but prorated for partial years) over the period of time between the date of the Participant's initial participation in the ESOP and the date of the determination of the Participant's Other Retirement Benefits, and without reduction for any benefit distribution taken by the Participant under the ESOP.

- HPSC, INC. SUPPLEMENTAL EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST (and any successor thereto) ("SESOP")--the Participant's SESOP benefit, as determined pursuant to the principles specified above for the ESOP.

- OTHER PLANS--the benefits determined pursuant to the principles specified above for the 401(k) plan that are attributable to Employing Company contributions or allocations on the Participant's behalf to or under any other deferred compensation or retirement-type plan, whether or not such plan is tax qualified pursuant to the Code or is deemed to be a "pension plan" pursuant to ERISA.

2.22 PARTICIPANT. Any Executive Employee who is covered by this Plan in accordance with the provisions of Article III.

2.23 PLAN. The HPSC, Inc. Supplemental Executive Retirement Plan, as stated herein and as amended or supplemented from time to time.

2.24 PLAN ADMINISTRATOR. The committee appointed to administer the plan pursuant to Section 10.1 of this Plan.

2.25 PLAN YEAR. The fiscal year, ending on each December 31 following the Effective Date while this Plan remains in effect, provided that for purposes of the definitions of Average Final Compensation and Year of Benefit Service, "Plan Year" shall include all such periods before or after the Effective Date of the Plan.

2.26 SEPARATION FROM SERVICE. The termination of a Participant's Service for any reason, including the death of the Participant.

2.27 SERVICE. A Participant's period of employment with an Employing Company and (for periods prior to the Effective Date only) any period of service by such Participant as a member of the Board.

2.28 TARGET RETIREMENT BENEFIT. The Actuarial Equivalent of a retirement benefit payable on a Participant's Normal Retirement Date and continuing for the

Participant's life in an amount equal to the excess, if any, of (a) sixty-five percent of the Participant's Average Final Compensation OVER (b) his or her Other Retirement Benefits.

2.29 TRUST. The trust created under the HPSC, Inc. Supplemental Executive Retirement Plan Trust Agreement in the event of a Change in Control.

2.30 VESTED BENEFIT. The portion of a Participant's Accrued Benefit calculated in accordance with Section 5.2 of this Plan.

2.31 VESTING PERCENTAGE. The percentage determined in accordance with Section 5.1 of this Plan.

2.32 YEAR OF BENEFIT SERVICE. Except as otherwise specified in Schedule 3.1 to the Plan, a Participant shall be credited with (a) one Year of Benefit Service for each Plan Year beginning on or after January 1, 1993 during which the Participant has any Service and (b) one quarter of a Year of Benefit Service for each Plan Year that ended prior to January 1, 1993 during which the Participant had any Service. Notwithstanding the foregoing, no Participant shall receive credit under clause (b) of the preceding sentence for more than three (3) Years of Benefit Service.

ARTICLE III - PARTICIPATION

3.1 ELIGIBILITY REQUIREMENTS. Only Executive Employees shall be eligible to become and remain Participants of the Plan. An Executive Employee shall become a Participant only upon designation as a Participant on Schedule 3.1 to the Plan by the Board after recommendation by the Chairman of the Board. A Participant shall continue as a Participant for the purpose of accruing additional benefits under the Plan only so long as he remains in Service as an Executive Employee.

3.2 ENTRY AND RE-ENTRY INTO THE PLAN. An Executive Employee shall become a Participant on the effective date of his or her designation as a Participant on Schedule 3.1. If a Participant's Service is subsequently broken and he or she is later reemployed as an Executive Employee, he or she shall resume his of her participation in the Plan only if he or she is again designated as a Participant by the Board on an amended Schedule 3.1 and only on the effective date of such new designation.

ARTICLE IV - RETIREMENT BENEFITS

4.1 AMOUNT, TIMING AND FORM OF BENEFITS. A Participant who has a Separation from Service after his or her Entry Date shall be entitled to receive the Actuarial Equivalent of his or her Vested Benefit, as determined in accordance with Articles V and VI, commencing on the Participant's Benefit Commencement Date as determined in Article VII, and payable in the form provided

in Article VIII.

ARTICLE V - VESTING AND FORFEITURES

5.1 VESTING PERCENTAGE. A Participant's Vesting Percentage as of any date shall be the greater of (a) one hundred percent (100%) if such date is on or after the date on which a Change in Control occurs, unless such Change in Control was approved by a resolution adopted by at least two-thirds of the members of the Incumbent Board (as defined in Section 2.8), and (b) the percentage specified in the following table for the number of Years of Benefit Service credited to the Participant as of such date:

YEARS OF BENEFIT SERVICE	VESTING PERCENTAGE	YEARS OF BENEFIT SERVICE	VESTING PERCENTAGE
0-5	0.00%	11	81.82%
6	25.00	12	87.50
7	42.86	13	92.31
8	56.25	14	96.43
9	66.67	15	100.00
10	75.00		

5.2 VESTED BENEFIT. A Participant's Vested Benefit under this Plan shall be the product of his or her Accrued Benefit multiplied by his or her Vesting Percentage.

5.3 FORFEITURES. Any portion of a Participant's Accrued Benefit that is not included in his or her Vested Benefit at the time of his or her Separation from Service shall be immediately forfeited. Any amounts forfeited by a Participant shall remain the sole and exclusive property of the Participant's Employing Company and shall not increase the benefits of any other Participant.

5.4 AMENDMENT OF VESTING PROVISIONS. No amendment made to the Plan shall reduce a Participant's Vested Benefit under the Plan. However, an amendment may increase the Service required and impose or change any other requirements or conditions that a Participant must meet in order to become vested or further vested in any Accrued Benefit to the extent not already vested as of the date that the amendment is adopted.

ARTICLE VI - ACCRUED BENEFITS

6.1 DETERMINATION OF ACCRUED BENEFIT. A Participant's Accrued Benefit as

of any date shall be the greater of (a) one hundred percent (100%) of his or her Target Retirement Benefit if such date is on or after the date on which a Change in Control occurs, unless such Change in Control was approved by a resolution adopted by at least two-thirds of the members of the Incumbent Board (as defined in Section 2.8), and (b) six and two-thirds percent (6.667%) of his or her Target Retirement Benefit for each of the first fifteen (15) Years of Benefit Service credited to the Participant under this Plan.

6.2 ADJUSTMENT FOR EARLY OR POSTPONED RETIREMENT. Any benefit that is paid or begun prior to a Participant's Normal Retirement Date or on account of the Participant's death or is postponed beyond the Participant's Normal Retirement Date shall equal the Actuarial Equivalent of the amount that would have been payable if the same benefit were paid on his or her Normal Retirement Date.

ARTICLE VII - BENEFIT COMMENCEMENT DATE

7.1 ELIGIBILITY FOR PAYMENT. A Participant's benefits shall be paid from the Plan only after both of the following conditions are met: (a) the occurrence of the Participant's Separation from Service and (b) the first to occur of (i) the Participant's attainment of his or her Early Retirement Date, (ii) the Participant's death, (iii) a Change in Control, or (iv) the Net Worth Condition.

7.2 BENEFIT COMMENCEMENT DATE.

(a) TIME OF COMMENCEMENT. Unless a Participant or Beneficiary (as the case may be) has made a timely election to defer payment with the approval of the Administrative Committee pursuant to paragraph (b) of this Section 7.2, the Participant's Vested Benefit under this Plan shall be paid or begin 60 days after the date on which the conditions of Section 7.1 are first met. Notwithstanding the foregoing, at any time after a Participant's Separation from Service and prior to the earlier of (i) payment or commencement of the Participant's Benefit pursuant to this Section 7.2 and (ii) the date on which a Change in Control occurs, the Company may elect unilaterally to defer payment or commencement of all or any portion of the Participant's Benefit until the next January following the Participant's Separation from Service if the Participant was a "covered employee" within the meaning of Code Section 162(m) at the time of his or her Separation from Service. Any such election by the Company may be made by either the Board, the Compensation Committee, the Administrative Committee or the Company's chief executive officer, and shall be evidenced in writing and sent to the Participant (at his or her last known address).

(b) BENEFIT COMMENCEMENT ELECTION. Subject to the Administrative Committee's approval, a Participant or Beneficiary may make a one-time irrevocable election to defer payment of benefits to a postponed Benefit Commencement Date on any determinable date beyond the Participant's initial

Benefit Commencement Date determined pursuant to paragraph (a) of this Section 7.2, provided that such election is made on the form prescribed by the Administrative Committee and is received by the Administrative Committee not later than 30 days before such initial Benefit Commencement Date. The Administrative Committee shall have absolute discretion to approve, disapprove or modify before approving any such election to defer benefits. Notwithstanding the foregoing, the Participant's benefits shall be paid immediately in one lump sum if the Net Worth Condition ever occurs and the Participant fails to confirm his or her election, subject to the Administrative Committee's approval, before payment is made.

7.3 HARDSHIP WITHDRAWALS.

(a) DEFINITION. A Hardship exists when a Participant has suffered a severe financial setback resulting from any of the following: (i) a sudden and unexpected illness or accident of the Participant or of a dependent (within the meaning of Code Section 152(a)) of the Participant, (ii) loss of or to the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances, arising in each case from events beyond the Participant's control. Whether circumstances constitute an unforeseeable emergency depends upon the facts of each case. Moreover, in any event, no amount may be paid to a Participant pursuant to this Section

7.3 to the extent that any claimed Hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise or (ii) by liquidation of the Participant's assets, to the extent that such liquidation would not itself cause severe financial hardship. Hardship shall not include payment of college expenses or the purchase of a home.

(b) PROCEDURE. A Participant who has had a Separation from Service or the Beneficiary of a deceased Participant may request withdrawal of a necessary portion of the Participant's Vested Benefit under the Plan on account of Hardship if the Participant or Beneficiary is awaiting payment under Section 7.2 or installment payments under Sections 8.2 or 8.3. Such request must be in writing to the Administrative Committee and shall be accompanied by evidence of the existence of all applicable Hardship conditions specified in paragraph (a) of this Section 7.3. The Administrative Committee shall review each such request and determine whether payment of any amount is justified. If payment is justified, the amount shall be limited to an amount reasonably needed to meet the demonstrated financial Hardship, but including any income and employment taxes reasonably expected to result from the Hardship distribution itself. The Administrative Committee shall also determine the form of any payment to be made to a Participant on account of a demonstrated Hardship. Any remaining amount of the Participant's Vested Benefit after any such Hardship withdrawal shall continue to be held subject to the Plan for later distribution in accordance with the provisions of this Section 7 and of Section 8 of the Plan.

8.1 FORMS OF BENEFIT FOR PARTICIPANTS.

(a) NORMAL FORM OF BENEFITS. Unless a Participant has made a timely election to receive installment payments with the approval of the Administrative Committee pursuant to paragraph (b) below, the Participant's Vested Benefit shall be paid in one lump sum.

(b) INSTALLMENT BENEFIT ELECTION. Subject to the Administrative Committee's approval, a Participant who has had no Separation from Service before attaining his or her Early Retirement Date may make a one-time irrevocable election to receive the Actuarial Equivalent of his or her Vested Benefit in substantially equal annual installments over a period of years not to exceed the Participant's life expectancy or the joint life expectancies of the Participant and his or her spouse, in each case determined as of the date that the installment payments begin. Any such election shall be made on the form prescribed by the Administrative Committee and must be received by the Administrative Committee no later than 30 days before the Benefit is to be paid pursuant to Section 7.2 of the Plan (after taking into account any election made by the Participant under paragraph (b) of Section 7.2). The Administrative Committee shall have absolute discretion to approve, disapprove or modify (including but not limited to changing the number of installments) before approving any such election to receive installment payments. Notwithstanding the foregoing, the Actuarial Equivalent value of the Participant's remaining installment benefits shall be paid immediately in one lump sum if the Net Worth Condition ever occurs and the Participant fails to confirm his or her election, subject to the Administrative Committee's approval, before payment is made.

8.2 FORMS OF BENEFIT FOR SURVIVING SPOUSE BENEFICIARIES.

(a) NORMAL FORM OF BENEFIT. Unless a surviving spouse Beneficiary of a deceased Participant has made a timely election to receive installment payments with the approval of the Administrative Committee pursuant to paragraph (b) below, the Vested Benefit of such surviving spouse Beneficiary shall be paid in one lump sum.

(b) INSTALLMENT BENEFIT ELECTION. Subject to the Administrative Committee's approval, a surviving spouse Beneficiary may make a one-time irrevocable election to receive the Actuarial Equivalent of the Participant's Vested Benefit in substantially equal annual installments over a period of years not to exceed the surviving spouse's life expectancy, as determined on the date that the installment payments begin. Any such election shall be made on the applicable form prescribed by the Administrative Committee and must be received by the Administrative Committee no later than 30 days before the Benefit is to be paid pursuant to Section 7.2 of the Plan (after taking into account any election made by the surviving spouse Beneficiary under paragraph (b) of Section

7.2). The Administrative Committee shall have absolute discretion to approve, disapprove or modify (including but not limited to changing the number of installments) before approving any such election to receive installment payments. Notwithstanding the foregoing, the Actuarial Equivalent value of the Beneficiary's remaining installment benefits shall be paid immediately in one lump sum if the Net Worth Condition ever occurs and the Beneficiary fails to confirm his or her election, subject to the Administrative Committee's approval, before payment is made.

8.3 FORM OF BENEFIT FOR OTHER BENEFICIARIES. Death benefits to any Beneficiary who is not the surviving spouse of the Participant shall be paid in one lump sum.

ARTICLE IX - BENEFICIARIES

9.1 DESIGNATION. Each Participant (and each surviving Beneficiary who is awaiting or receiving payment of a Vested Benefit under the Plan) shall have the right to designate a Beneficiary, and to amend or revoke such designation at any time. Each such designation, amendment or revocation shall be made on the form prescribed by the Administrative Committee, and shall be effective only upon receipt by the Administrative Committee.

9.2 FAILURE TO DESIGNATE A BENEFICIARY. If no designated Beneficiary survives the Participant (or a surviving Beneficiary) and any Vested Benefit is payable following the Participant's (or surviving Beneficiary's) death, the Administrative Committee shall direct that payment of such Vested Benefit be made to the person or persons in the first of the following classes of successive preference Beneficiaries:

(a) Spouse

(b) Descendants, Per Stirpes

(c) Parents

(d) Siblings

(e) Estate

ARTICLE X - PLAN ADMINISTRATION

10.1 ADMINISTRATIVE COMMITTEE. The Plan shall be administered by an Administrative Committee of one or more members appointed by the Board, and shall be the Compensation Committee unless a different appointment is then in effect under this Plan. Each member shall serve at the pleasure of the Board. The Administrative Committee shall act by majority decision of its members. The Committee shall have responsibility for the operation and administration of the Plan and shall have the power and authority to adopt, interpret, alter, amend or

revoke all forms, rules and regulations necessary to administer the Plan, to interpret all provisions of the Plan and determine all questions of eligibility for participation in and benefits under the Plan and all other issues of administration, and to delegate ministerial duties and employ such outside professionals as may be required for prudent administration of the Plan. The Administrative Committee shall also have the authority to enter into agreements on behalf of any Participating Employer as necessary to implement this Plan. The members of the Administrative Committee, if otherwise eligible, may participate in the Plan, but shall not make decisions of the Committee solely with respect to their own benefits or Hardship withdrawals.

10.2 INDEMNIFICATION. Each Employing Company shall jointly and severally indemnify and save harmless any individual acting as a member of the Administrative Committee or in any other fiduciary capacity from, against, for and in respect of any and all damages, losses, obligations, liabilities, liens, deficiencies, attorneys' fees, costs and expenses incident to the performance of such person's duties unless resulting from the gross negligence, willful misconduct, or lack of good faith of such individual. Such indemnification shall apply to any such individual even though at the time liability is imposed the individual was no longer acting in a fiduciary capacity or as a member of the Administrative Committee.

10.3 OWNERSHIP OF ASSETS. All amounts accrued under this Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall remain (until made available to the Participant or Beneficiary) solely the property and rights of the relevant Employing Company (without being restricted to the provision of benefits under this Plan) and shall be subject to the claims of the general creditors of the Company and of each Employing Company. Except after a Change in Control, no trust is created under this Plan and it is not otherwise funded in any manner. No Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of any Employing Company or any Accrued Benefit under the Plan prior to the time such assets are distributed as a Vested Benefit, and all rights created under the Plan shall be mere unsecured contractual rights. Notwithstanding the foregoing, nothing in this Plan shall be construed to prohibit any one or more Participants or Beneficiaries from purchasing insurance to protect against loss on account of the provisions of this Section 10.3, and the Employing Companies shall reasonably cooperate in any effort to obtain such insurance; provided that any such insurance shall be obtained, owned and paid for solely by the insured persons and not by any Employing Company.

10.4 EXPENSES. Each Employing Company shall pay (a) its share of all fees and expenses incurred in administering the Plan, (b) all taxes imposed on such Employing Company in connection with the Plan, and (c) all costs and expenses (including reasonable attorneys' fees)

incurred by each Participant and Beneficiary to enforce the terms of the Plan against the Employing Company or to collect a Vested Benefit under the Plan from the Employing Company.

ARTICLE XI - TRUST AGREEMENT; LIQUIDITY FUND

11.1 TRUST FUND. Except after a Change in Control, no assets of any Employing Company shall be held in trust for any purposes under the Plan. Upon the occurrence of a Change in Control, and from time to time (but at least once each Plan Year) thereafter, the Company shall cause each Employing Company to contribute to the Trust assets sufficient to actuarially meet the Employing Company's liability for all Vested Benefits under the Plan at each time that assets are contributed.

11.2 LIQUIDITY FUND. Any Employing Company at its sole option may from time to time maintain liquid assets representing all or any portion of the value of its Participants' Accrued Benefits. Any such liquidity fund shall be invested at the discretion of the Administrative Committee, shall not be held in trust for any Participant or Beneficiary, and shall in all respects remain subject to the provisions of Section 10.3.

ARTICLE XII - AMENDMENT OF THE PLAN

12.1 AMENDMENT. The Company reserves the right to amend the Plan at any time and from time to time. Each amendment shall be approved by the Compensation Committee. No amendment shall diminish or deprive a Participant of any benefit already accrued. The Company may amend the Plan, and may do so retroactively if necessary, to conform the Plan to mandatory provisions of applicable laws or regulations or as permitted by the Internal Revenue Service or the Department of Labor.

12.2 EFFECT OF AMENDMENTS ON VESTING. Notwithstanding the provisions of the preceding Section 12.1, no amendment to the Plan's vesting provisions shall reduce any Participant's Vested Benefit, determined as of the later of (a) the date of execution of such amendment or (b) the effective date of such amendment.

ARTICLE XIII - TERMINATION OF THE PLAN

13.1 TERMINATION. The Company (for itself and each Employing Company) intends to continue the Plan indefinitely, but it does not assume a contractual obligation to do so, and the Company may terminate the Plan at any time (or terminate the participation of one or more Employing Companies), provided that no such action of the Company shall reduce any Participant's Vested Benefit. Each Employing Company reserves the right by action of its board of directors to withdraw from the Plan, provided that no such withdrawal shall reduce any Participant's Vested Benefit.

13.2 BENEFITS AFTER PLAN TERMINATION. In the event that the Company shall terminate the Plan, in whole or in part, the rights of nonvested Participants to benefits accrued under the Plan as of the date of such termination shall remain

unvested unless the Plan is specifically amended to provide for additional partial or full vesting. In no event shall any person have

recourse against any Employing Company for any reason upon termination of the Plan other than for non-payment of Vested Benefits.

ARTICLE XIV - MISCELLANEOUS

14.1 LIMITATIONS OF RIGHTS; EMPLOYMENT RELATIONSHIP. Neither the establishment of this Plan nor any modification thereof, nor the accrual or vesting of any benefits, nor the creation of any fund or account, nor the payment of any benefits, shall be construed as giving a Participant or any other person any legal or equitable right against any Employing Company except as provided in this Plan. In no event shall the terms of employment of any employee be modified or in any way be affected by the Plan.

14.2 DETERMINATION OF BENEFITS, CLAIMS, PROCEDURE AND ADMINISTRATION.

(a) CLAIM. A person who believes that he or she is being denied a benefit to which he or she is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Company, setting forth his or her claim. The request must be addressed to the Administrative Committee in care of the Company at its then principal place of business.

(b) DECISION ON CLAIM. Upon receipt of a claim, the Administrative Committee shall advise the Claimant that a reply will be forthcoming within 90 days and shall, in fact, deliver such reply within such period. The Administrative Committee may, however, extend the reply period for an additional 90 days for a reasonable cause.

If the claim is denied in whole or in part, the Administrative Committee shall adopt a written opinion, using language calculated to be understood by the Claimant, setting forth:

(i) The specific reason or reasons for such denial

(ii) The specific reference to pertinent provisions of the Plan on which such denial is based

(iii) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or such information is necessary

(iv) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review

(v) The time limits for requesting a review and for completing any such review.

(c) REQUEST FOR REVIEW. Within 60 days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the chief executive officer of the Company (or his designee) review the determination of the Administrative Committee. Such request must be addressed to the chief executive officer of the Company, at the Company's then principal place of business. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the chief executive officer or his designee. If the Claimant does not request a review of the Administrative Committee's determination by the chief

executive officer of the Company within such 60-day period, he or she shall be barred and estopped from challenging the Administrative Committee's determination.

(d) REVIEW OF DECISIONS. Within 60 days after receipt of a request for review, the chief executive officer of the Company or his designee shall review the Administrative Committee's determination. After considering all materials presented by the Claimant the chief executive officer or his designee shall render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for a decision and containing specific references to the pertinent provisions of the Plan on which the decision is based. If special circumstances require that the 60-day time period be extended, the chief executive officer or his designee shall so notify the Claimant and shall render the decision as soon as possible, but not later than 120 days after receipt of the request for review.

14.3 ARBITRATION. Any dispute between any person claiming benefits or any other rights under the Plan and the relevant Employing Company as to the interpretation or application of the provisions of the Plan and amounts payable hereunder that is not finally resolved under the claims procedure in Section 14.2 of the Plan shall be determined exclusively by binding arbitration in the City of Boston, Massachusetts in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction. Except as provided in Section 10.4 after a Change in Control, all fees and expenses of such arbitration shall be paid as determined by the arbitrator.

14.4 NON-ASSIGNABILITY OF BENEFITS. Neither the Participant nor his or her Beneficiary nor any other beneficiary under the Plan shall have any power or right to transfer, assign, anticipate, hypothecate or otherwise encumber any part or all of the amounts payable hereunder, which are expressly declared to be nonassignable and non-transferable. Any such attempted assignment or transfer shall be void. No amount payable under the Plan shall, prior to actual payment

thereof, be subject to seizure by any creditor of any such person for the payment of any debt, judgment or other obligation, by a proceeding at law or in equity, or be transferable by operation of law in the event of the bankruptcy, insolvency, divorce or death of the Participant, his or her designated Beneficiary or any other beneficiary under this Plan.

14.5 FACILITY OF PAYMENTS. In the event that the Administrative Committee shall determine that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is otherwise mentally or physically incompetent, or unable to give a valid receipt, the Committee may cause the payment becoming due to be paid to the person's spouse, child, grandchild, parent, brother or sister, or to any appropriate individual appointed by a court of competent jurisdiction, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment.

14.6 OBLIGATIONS TO WITHHOLD AND PAY TAXES. Each Participant or other recipient of benefits under the Plan shall be liable for all tax obligations, if any, with respect to any sum received pursuant to the Plan and for accurately reporting and paying in full all such taxes to the appropriate federal, state and local authorities. The relevant Employing Company shall have the right to deduct and withhold from any payment due under the Plan or from other amounts owed to or with respect to the Participant all withholding taxes and other amounts required by law or as necessary to set off amounts owed by the Participant to such Employing Company.

14.7 REPRESENTATIONS. No Employing Company hereby represents or guarantees that any particular federal or state income, payroll, personal property or other tax consequence will result from participation in this Plan. A Participant should consult with professional tax advisors to determine the tax consequences of his or her participation.

14.8 SEVERABILITY. If a court of competent jurisdiction holds any provision of this Plan to be invalid or unenforceable, the remaining provisions of the Plan shall continue to be fully effective.

14.9 APPLICABLE LAW. This Plan shall be governed by and construed in accordance with applicable federal law and, to the extent not preempted by such federal law, the laws of the Commonwealth of Massachusetts applicable to contracts that are made and to be wholly performed in such Commonwealth.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed under seal by its duly authorized representative as of the 1st day of January, 1997.

HPSC, INC.

By: /s/ John W. Everets

Title: Chairman and CEO

SCHEDULE 3.1 TO THE HPSC, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(Designation of Participants and Retroactive Benefit Service Credits
Effective as of January 1, 1997)

PARTICIPANT	EFFECTIVE DATE OF PARTICIPATION	RETROACTIVE CREDIT FOR YEARS OF BENEFIT SERVICE PRIOR TO ENTRY DATE
John W. Everets	January 1, 1997	As specified in the Plan document
Raymond Doherty	January 1, 1997	As specified in the Plan document
Rene Lefebvre	January 1, 1997	As specified in the Plan document

EXHIBIT 11.1

HPSC, INC.
CALCULATION OF EARNINGS PER SHARE
OUTSTANDING SHARE RECONCILIATION

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
Weighted Average Shares Outstanding	5,565,461	4,696,376	4,684,147
LESS:			
Unissued ESOP/SESOP	(621,720)	(590,348)	(560,348)
Restricted Stock	--	(224,667)	(278,108)
ADD:			
Option Effect	45,650	--	221,545
SHARES USED TO COMPUTE NET INCOME/(LOSS) PER SHARE	4,989,391	3,881,361	4,067,236

Exhibit 12.1

HPSC, INC.
COMPUTATION OF RATIO OF EARNINGS
BEFORE FIXED CHARGES TO FIXED CHARGES
(IN THOUSANDS, EXCEPT RATIOS)

<TABLE>
<CAPTION>

			YEAR ENDED,			PROFORMA YEAR ENDED,
	DECEMBER 26, 1992	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 31, 1995	DECEMBER 31, 1996	DECEMBER 31, 1996
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Excess (deficiency) of earnings available to cover fixed charges (1)						
Earnings:						
Income (loss) before income taxes	$ 3,244	$(12,148)	$ 750	$ 79	$1,579	$ 653
Add: Fixed charges	10,663	9,057	3,514	5,339	8,146	9,072
Earnings, as adjusted	13,907	(3,091)	4,264	5,418	9,725	9,725
Fixed charges:						
Interest on indebtedness	9,900	8,185	3,476	5,339	8,146	8,922
Amortization of debt issue costs	763	872	38	-	-	150
Fixed charges	10,663	9,057	3,514	5,339	8,146	9,072
Excess (deficiency) of earnings to fixed charges	$ 3,244	$(12,148)	$ 750	$ 79	$1,579	$ 653
Ratio of earnings to fixed charges	1.30	N/A(2)	1.21	1.01	1.19	1.07

</TABLE>

(1) For purposes of these computations, earnings consist of income (loss) before income taxes plus fixed charges. Fixed charges consist of interest on indebtedness and amortization of debt issue costs.

(2) Earnings before income taxes plus fixed charges were insufficient to cover fixed charges in 1993 by $12,148,000.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-20733 of HPSC, Inc. of our report dated February 28, 1997 appearing in the Prospectus, which is a part of such Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

Deloitte & Touche LLP

Boston, Massachusetts
March 10, 1997

EXHIBT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 (File No. 333-20733) of our report dated March 25, 1996, on our audits of the financial statements and financial statement schedules of HPSC, Inc. We also consent to the reference to our firm under the caption "Experts".

/s/ Coopers & Lybrand L.L.P
Coopers & Lybrand L.L.P.

Boston, Massachusetts
March 10, 1997

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