

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **1998-03-06** | Period of Report: **1997-12-31**
SEC Accession No. **0001013176-98-000009**

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FILER

HEADWAY CORPORATE RESOURCES INC

CIK: **914435** | IRS No.: **752134871** | State of Incorpor.: **NV** | Fiscal Year End: **1231**
Type: **10KSB** | Act: **34** | File No.: **000-23170** | Film No.: **98558684**
SIC: **8742** Management consulting services

Business Address
850 THIRD AVE 11TH FL
NEW YORK NY 10022
2122485200

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1997, or

Transition report pursuant to section 13 or 15(d) of the Securities Exchange act of 1934 for the transition period from to

Commission File No. 0-23170

HEADWAY CORPORATE RESOURCES, INC.

(Name of Small Business Issuer as specified in its charter)

Delaware 75-2134871
(State or Other Jurisdiction of (IRS Employer
Incorporation or Organization) Identification No.)

850 Third Avenue, 11th Floor, New York, NY 10022
(Address of Principal Executive Offices and Zip Code)

Issuer's Telephone Number: (212) 508-3560

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

Common Stock, Par Value \$0.0001

Check whether the issuer (1) filed all reports required to be filed by sections 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The issuer's revenues for its most recent fiscal year are \$142,842,000.

The aggregate market value of voting stock held by non-affiliates computed on the basis of the last sale price on March 3, 1998, was \$34,341,470.

As of December 31, 1997, the Registrant had outstanding 8,907,110 shares of Common Stock, par value \$0.0001.

Documents incorporated by reference: Incorporated by reference in Part III of this report is the definitive proxy statement of the Company for the 1998 annual meeting of stockholders, which the Company proposes to file with the Commission on or before April 30, 1998.

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* These items are incorporated by reference from the definitive proxy statement of the Company for the 1998 annual meeting of stockholders to be filed with the Securities and Exchange Commission on or before April 30, 1998.

FORWARD-LOOKING STATEMENT NOTICE

When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27a of the Securities Act of 1933 and Section 21e of the Securities Exchange Act of 1934 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such factors are discussed under the headings "Item 1. Description of Business," and "Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations," and also include general economic factors and conditions that may directly or indirectly impact the Company's financial condition or results of operations.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

Headway Corporate Resources, Inc. ("Headway" or the "Company"), is a provider of human resource and staffing services primarily to the financial services industry. The Company provides a broad range of human resource management services, including temporary staffing, information technology staffing, executive search, permanent placement, contract staffing, project consulting and management, payroll, and other outsourcing services related to employment. The Company has a strong presence in the financial services industry. Headway will continue to focus on this industry in the development and expansion of its business, because the Company believes there is a substantial untapped market for its services in this industry

and because its core strengths of experience with the industry and human resources expertise enable it to develop unique, value-added staffing solutions for the financial services industry.

The Company provides these services through its wholly-owned subsidiaries, Headway Corporate Staffing Services, Inc. ("Staffing Services") and Whitney Partners, L.L.C. ("Whitney"). Staffing Services was formed in 1996 to acquire the first of the Company's temporary staffing businesses based in New York City. In 1996 and 1997 Staffing Services made additional acquisitions of temporary and staffing businesses based in New York, North Carolina, and Connecticut, and opened an office in Southern California. Whitney has provided executive search and human resource management services in New York City since 1984. It provides similar services through its subsidiaries in London, Hong Kong, and Singapore, and an office in Tokyo.

The Company's acquisitions and internal business development over the past two years have resulted in substantial growth for the Company. Total revenues in 1997 were \$142,842,000, as compared to \$53,389,000 in 1996 and \$10,996,000 in 1995. Staffing Services provides temporary and staffing services primarily in the Eastern United States and California, and employs approximately 5,700 temporary workers and consultants per week. Staffing Services contributed \$125,316,000, or 88% to the Company's total revenues in 1997. Whitney services clients in major world financial centers and has grown its business internally and through new client and service opportunities resulting from acquisitions by Staffing Services. Whitney contributed \$17,526,000, or 12% to the Company's total revenues in 1997. The Company will continue to pursue development of its business through acquisitions and internal growth.

The principal offices of the Company are located at 850 Third Avenue, New York, New York, 10022, where its telephone number is (212) 508-3560.

Industry, Market and Growth

The temporary staffing industry, which has grown substantially over the past five years, continues to benefit from increased competitive pressures on businesses to reduce costs. In recent years, businesses have increasingly used temporary staffing employees as a strategy for converting fixed labor costs to flexible, manageable costs and for meeting specialized or fluctuating employment requirements. According to National Association of Temporary Staffing Services, in 1996 the average number of daily temporary staffing employees as a percentage of the total U.S. workforce reached approximately 1.9%, up from approximately 1.0% in 1991. The Company believes this trend will continue as more businesses recognize the value associated with

flexible workforce management.

The Company focuses its services on the financial services industry. The financial services industry consists primarily of investment banking firms, banking institutions, insurance companies, credit card service companies, and other finance companies, and extends by association to real estate companies, appraisal firms, law firms, accounting firms, and other service companies that participate in the financial services industry. Headway's history of service in the industry, which began in 1984 with executive search services, enables it to understand the complexity of the products and services offered by the financial services industry, assist the client in identifying the human resources required to support those products and services, and develop industry specific solutions for the human resources needs of the client.

The Company has realized substantial growth over the past two years, primarily due to the Company's acquisitions of temporary and staffing businesses. These acquisitions are indicative of the Company's strategy to expand its operations through a balance of growth through acquisitions and internal business development. The Company will seek to acquire full service staffing companies in cities throughout the United States that are regional financial service centers. These acquisitions will serve as "hubs" for regional development of the Company's business. The Company intends to develop each regional hub by acquiring and folding in smaller staffing companies. Headway's principal hubs are in the New York-New Jersey metropolitan area, North Carolina, Connecticut, and California. The Company is in the process of seeking new acquisitions to enhance its existing hubs and establish new regional hubs. A number of potential acquisition candidates have been identified by Headway and it has had preliminary discussions with several of these candidates regarding the possibility of acquisition. These discussions have resulted in letters of understanding to acquire four staffing companies in Florida, California, Virginia, and New England. Three of the acquisitions are expected to close by the end of March 1998, and the fourth is expected to close by the end of June 1998, but all of the acquisitions are subject to the Company completing its examination of the acquisition candidates, negotiating and executing final agreements, and obtaining the financing for the acquisitions.

The Company's internal growth strategy focuses on promoting its traditional lines of business, focusing on what management perceives to be the fastest growing segment of the temporary staffing industry -- information technology and other highly skilled temporaries, and, to a lesser extent, cross-selling services offered by the Company's recent acquisitions. Traditionally, the temporary staffing industry has focused on

providing clerical services to businesses. In the last several years, however, there has been an increase in demand for more highly skilled temporary employees, such as computer technicians and programmers, accountants, project managers, and other managerial positions. The more highly skilled workers are placed at higher compensation rates and produce a larger margin of profit for the Company. The Company intends to focus on the recruitment of skilled employees and developing this business in the coming year.

Workforce Services

Temporary staffing services offered by the Company consist of providing employees to clients for periods ranging from one day to several months to satisfy a specific job skill need arising from absenteeism, special projects, fluctuations in the client's volume of business inherent in the business cycle, and other causes. The job skills required by clients and offered by the Company range from entry level clerks and secretaries to master administrative assistants, accountants, computer programmers and technicians, desktop publishing operators, and computer graphic specialists. The thrust of Headway's marketing approach for its services is "SmartSizing", which is a human resource management policy of controlling and minimizing the fixed cost of employees by expanding and contracting the client's workforce as needed to meet its specific business needs as they change. By using Headway's services, clients can make changes in workforce quickly without the administrative burden and cost of hiring and firing. For many of these clients, the Company provides on-site services, including administration, management, recruitment, screening, and training of contingent workforces. In addition to helping clients control the size and cost of their workforces, Headway provides additional services, such as payrolling, which further reduce the employee administrative burden of clients and enables them to focus more on the pursuit of their primary business activities.

Clients also utilize Headway's temporary staffing services as a means for locating and evaluating new personnel with a view to permanent employment. Clients are able to evaluate the abilities and productivity of workers during the period they are provided as temporary employees through the Company and make informed decisions on whether to retain the workers on a permanent basis, all without the administrative burden associated with adding the workers to their workforce from the outset.

Many of the Company's clients use independent contractors on a regular basis to satisfy recurring needs for highly skilled workers in the areas of accounting, computer programming, computer graphics, and other areas requiring a high level of technical expertise. The use of independent contractors on a

regular basis can create a number of problems for clients, including, the possibility that at any time the independent contractors will accept employment elsewhere that prevents them from being available to the clients when needed and the potential that independent contractors will be viewed by federal and state taxing authorities as employees rather than independent contractors for income tax withholding and benefits purposes. To mitigate these potential problems, Headway offers a service where it assumes the position of employer for the independent contractors, manages the scheduling of the independent contractors to make them available to service the needs of the clients, and implements income tax withholding and other employee benefit programs to ensure compliance with the legal requirements of employment under applicable federal and state laws.

For temporary staffing, employee administration, and permanent placement services, the Company is compensated by charging a service fee based on a percentage of the total payroll of the employees under administration or percentage of the salary paid to permanent placements.

Executive Search Services

Headway, through its subsidiary Whitney, is one of the leading executive search firms in the financial services industry. The Company uses a complete consultative approach with its clients, including, market analysis, product recommendations, and staffing new and existing business divisions of its clients. The Company conducts executive searches in a broad range of product areas in the financial services industry, including, investment banking, capital markets, leveraged financing, research, emerging markets, investment management, financial administration, and risk management. For permanent placement services, the Company is compensated by charging a service fee based on a percentage of the salary of the employees placed with clients.

Government Regulation

The temporary staffing operations of the Company are affected by numerous federal, state and local laws relating to labor, tax, insurance, and employment matters. By entering into an employment relationship with employees who work at client company locations, the Company assumes certain obligations and responsibilities of an employer under these laws, which are subject to varying interpretations. The Company believes that its operations are in compliance in all material respects with all applicable federal and state statutes and regulations.

Headway's costs could increase if there are any material changes in government regulations. Recent federal and certain

state legislative proposals have included provisions extending health insurance benefits to employees not presently receiving such benefits and increasing the level of covered services under employer health insurance programs. Legislation enacted at the national level in 1997 substantially increased the cost of health insurance benefits, and it may be expected that national and state proposals currently under consideration would have a similar impact, if enacted. Increased health insurance costs affect the price competitiveness of the Company, as the Company attempts to attract and retain temporary workers and consultants with benefits that are competitive with other temporary staffing companies and at the same time remain competitive with these companies on fees charged clients for the services of temporary workers and consultants. There can be no assurance that Headway will be able to increase the fees charged to its clients in a timely manner and sufficient amount to cover increased costs related to any new benefits that may be extended to temporary employees.

Competition

The Company faces competition in its efforts to attract clients as well as high-quality specialized employment candidates. The temporary staffing industry is highly competitive and fragmented, and there are limited barriers to entry in the industry. Headway competes with national, regional, and local full-service companies and specialized temporary staffing services, some of which have significantly greater marketing and financial resources than those of the Company. In many areas the local companies are the strongest competitors. However, there is a developing practice among large national and regional companies to make centralized purchasing decisions for temporary staffing services on a national or regional basis, which will increase competition in certain market segments including the financial services industry. The most significant competitive factors in the temporary and permanent placement businesses at the local and national levels are price and the reliability of service, both of which are often a function of the availability and quality of personnel. The Company believes that its niche strategy of being a quality, preeminent provider to a broad range of financial services and related clients will allow it to remain competitive.

A significant element in the Company's growth strategy is to locate and acquire regional staffing businesses. The Company believes that further industry consolidation will continue during the next several years, and there is likely to be significant competition which could lead to higher prices being paid for such businesses. The Company believes that it will remain competitive in completing acquisitions as a result of its acquisition experience, the successful assimilation and integration of

previous acquisitions, and its willingness to pay cash as consideration. However, no assurance can be given that the Company's acquisition program will continue to be successful.

Employees

The Company presently has 234 full-time employees consisting of three executive officers, 193 management and supervisory employees, and 41 office employees. These numbers do not include temporary employees and independent contractors employed by the Company, who currently number approximately 5,700 persons. None of the Company's employees is represented by a labor union, and the Company considers its relations with its employees to be good and has not experienced any work stoppages or slowdowns.

Acquisitions and Divestitures, and Other Corporate Changes

1997 Acquisitions

In September 1997, Staffing Services acquired all of the capital stock of E.D.R. Associates, Inc., a Connecticut corporation, and substantially all the assets of Electronic Data Resources, L.L.C., a Connecticut limited liability company (collectively referred to as "EDR"). EDR is engaged in the business of offering information technology staffing and consulting services, and its principal office is located in Windsor, Connecticut.

Also in September 1997, Staffing Services acquired substantially all the assets of Quality OutSourcing, Inc., a New Jersey corporation engaged in the business of offering temporary staffing services, primarily in New York, New Jersey, and North Carolina.

In July 1997, Staffing Services acquired substantially all the assets of Administrative Sales Associates Temporaries, Inc., and Administrative Sales Associates, Inc. (collectively "ASA"), both New York corporations engaged in the business of offering permanent and temporary staffing services to the financial services industry. The principal offices of ASA are located in New York City.

In March 1997, Staffing Services acquired substantially all the assets of Advanced Staffing Solutions, Inc. ("ASSI"), a North Carolina corporation engaged in the business of offering human resource management services similar to those offered by the Company. The principal offices of ASSI are located in Durham, North Carolina.

1996 Acquisitions

In May 1996, Staffing Services acquired Irene Cohen Temps, Inc., Corporate Staffing Alternatives, Inc., Certified Technical Staffing, Inc., and the operating assets of Irene Cohen Personnel, Inc. (collectively the "IC Group"), all of which are based in New York City, and offer temporary and staffing services. In October 1996, Staffing Services acquired the assets of Vogue Personnel Services, Inc., of New York City, which were incorporated into the operations of the IC Group.

Divestitures

In January 1995, the Company acquired Furash & Company, Inc., a Maryland corporation based in Washington, D.C. ("FCI"), engaged in the business of providing strategic planning and consulting services to the banking and financial service industries. On December 31, 1997, the Company sold FCI to InterBank/ Furash, Inc., a privately held corporation ("IBF"), in exchange for 1,500 shares of Series A Preferred Stock of IBF. In connection with the transaction, the Company also received a warrant to acquire up to 18% of the capital stock of FCI, on a fully diluted basis, which expires in January 2008. The sale of FCI represents a determination by the Company to focus on its core business of staffing solutions and human resource management and divest itself of non-core business activities.

As of December 31, 1995, the Company sold certain assets pertaining to its former public relations, advertising, and financial notice business to Citigate Communications Group Limited, a limited company based in England ("Citigate") for an 18.3% interest in Citigate valued at \$2,368,000 and the assumption by Citigate of \$9,191,000 in liabilities. In March 1997, Citigate was acquired by Incepta Group plc, a publicly held company in the United Kingdom ("Incepta"). The Company received in exchange for its stock in Citigate 13,805,406 shares of Incepta plus an earnout based on the earnings of Incepta for the year ended September 30, 1997, payable in additional Incepta shares. The Company subsequently sold the 13,805,406 Incepta shares and recognized a gain of approximately \$1,719,000. The Company is entitled to receive under the earnout 7,072,307 additional Incepta shares, which resulted in the Company recognizing an additional gain of \$2,553,000 in 1997.

Other Corporate Changes

From 1993 through 1996, the Company issued shares of its preferred stock in connection with various financing and acquisition transactions. In 1997 all shares of Series A Convertible Preferred Stock were converted to 1,332,412 shares of common stock of the Company. In 1997 all but 572 shares of the Company's Series B Convertible Preferred Stock were converted to common stock, and the Company received at the beginning of 1998

notice of conversion with respect to the remaining 572 shares, which is expected to be completed before the end of March 1998. A total of 684,485 common shares have, or will be, issued on conversion of the Series B Convertible Preferred Stock. All remaining shares of Series C Convertible Preferred Stock were converted to common stock in 1997, which resulted in the issuance of 39,489 common shares. As of January 1998, the last of the Series D Convertible Preferred Stock was converted to common stock, so that in 1997 and 1998, 623,928 common shares were issued on conversion of this series. Holders of the Series D Convertible Preferred Stock also received warrants to acquire 328,150 shares of the Company's common stock at an exercise price of \$4.25 per share, which expire at the end of April 1999.

ITEM 2. DESCRIPTION OF PROPERTIES

The Company leases its offices from unrelated parties. The following table is a description of the locations, lease rates, and expiration dates of the Company's office leases.

Location	Monthly Rental	Lease Term Expires
850 Third Avenue New York, New York	\$74,700	October 2009
317 Madison Avenue New York, New York	\$34,200	January 2007
317 Madison Avenue New York, New York	\$11,900	December 2007
2003 Highway 54 Durham, North Carolina	\$4,500	May 2002
7901 Strickland Road Raleigh, North Carolina	\$4,700	March 2002
Ten Univac Lane Windsor, Connecticut	\$1,500	October 2001
6865 Washington Blvd. Montebello, California	\$2,500	January 2000
17 Buckingham Gate London, England	\$12,200	February 2003
3-20 Toranomom 5-Chome Minato-ku, Tokyo, Japan	\$9,300	October 1998
Two Exchange Square 8 Connaught Place	\$11,400	October 2000

Central, Hong Kong

Ocean Tower, Room 1004
Raffles Place, Singapore

\$7,500

April 1999

The Company receives monthly rental income based on a sub-lease agreement with Citigate for the office space at 850 Third Avenue. The monthly sublease rental income is approximately \$45,000, expiring December 2000.

ITEM 3. LEGAL PROCEEDINGS

The Company is party to certain legal proceedings arising from the normal course of its business. In the opinion of management, such proceedings involve matters and amounts that, if resolved adversely to the Company and not covered by insurance, would not have a material adverse effect on the Company or its financial position.

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

No matter was submitted to a vote of security holders in the fourth quarter of 1997.

PART III

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Quotations for the Company's Common Stock are reported on the Nasdaq SmallCap Market System under the symbol "HDWY." The following table sets forth, for the respective periods indicated, the prices of the Company's Common Stock in the over-the-counter market, as reported and summarized by the Nasdaq SmallCap Market System. Such prices are based on inter-dealer bid prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

Calendar Quarter Ended	Low Bid (\$)	High Bid (\$)
March 31, 1996	2.00	4.375
June 30, 1996	3.25	6.00
September 30, 1996	3.00	4.9375
December 31, 1996	3.375	5.125
March 31, 1997	3.625	4.750
June 30, 1997	3.00	4.625
September 30, 1997	3.688	5.344
December 31, 1997	4.125	5.938

Since its inception, no dividends have been paid on the Company's Common Stock. Cumulative dividends accrued on the

Series A Convertible Preferred Stock, Series C Convertible Preferred Stock, and Series D Convertible Preferred Stock of the Company at a rate of eight percent per annum on their respective liquidation values during 1997, but all outstanding shares of such preferred stock have been converted to Common Stock so the Company has no further dividend obligation with respect thereto. The Company intends to retain any earnings for use in its business activities, so it is not expected that any dividends on the Common Stock will be declared and paid in the foreseeable future.

At December 31, 1997, there were approximately 227 holders of record of the Company's Common Stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION
AND RESULTS OF OPERATIONS

Results of Operations

Overview

In 1997 the Company continued to execute its strategy of becoming a full service provider of human resource management and staffing services primarily serving the financial services industry. The Company completed four acquisitions and expanded into three new markets during the year. In addition, the Company entered into letters of understanding with four additional staffing companies and is in negotiation with several others. To finance these and future acquisitions, the Company announced its plans for \$110,000,000 of new financing.

The Company is expecting to continue to grow both internally and through additional acquisitions. In 1997, the Company experienced internal growth of 20% while achieving record revenues, net income, and earnings per share. While there are a number of competitive companies in the staffing industry, the Company believes that its strategy of focusing on the financial services industry is unique, as is its ability to provide a broad range of human resource services.

In March 1997, the Company acquired substantially all of the assets of Advanced Staffing Solutions, Inc., ("ASSI") a North Carolina-based provider of temporary staffing and human resource management services. The principal offices of ASSI are located in Durham, North Carolina.

In July 1997, the Company acquired substantially all of the assets of Administrative Sales Associates, Inc., and Administrative Sales Associates Temporaries, Inc. (collectively, OASAO), both New York corporations engaged in the business of

offering permanent and temporary staffing services to the financial services industry. The principal offices of ASA are located in New York City.

In September 1997, the Company acquired substantially all of the assets of Quality OutSourcing, Inc., a New Jersey corporation engaged in the business of offering temporary staffing and outsourcing services, primarily in New Jersey, New York, and North Carolina.

Also in September 1997, the Company acquired all of the capital stock of E.D.R. Associates, Inc., and substantially all the assets of Electronic Data Resources, L.L.C. (collectively OEDRO). EDR is engaged in the business of offering information technology staffing and consulting services. The principal office of EDR is located in Windsor, Connecticut.

Funding for these acquisitions was provided by debt financing obtained from ING Capital Corporation (OINGO), the lender for the Company's acquisitions in 1996. In connection with these acquisitions, ING increased the Company's credit facility from \$15,000,000 to \$50,000,000.

In January 1998, the Company signed commitment letters for \$110,000,000 of proposed new financing consisting of a \$75,000,000 Senior Credit Facility and \$35,000,000 of junior financing. The new financing will be used to refinance existing debt, make additional acquisitions and for general working capital purposes.

In February and March 1998, the Company announced that it has signed letters of understanding with four staffing companies: three temporary staffing companies located in Southern California, Florida, and Virginia, and an information technology staffing company located in Connecticut. Three of these transactions are expected to close by the end of the first quarter of 1998, and the fourth is expected to close by the end of the second quarter of 1998.

In December 1997, the Company completed the sale of Furash & Company, Inc. ("FCI"), in exchange for 1,500 shares of preferred stock in a privately held corporation. The Company recorded a loss on the sale of approximately \$2,700,000 net of tax. Accordingly, FCI's results of operations for 1997 and 1996 are included in discontinued operations. This divestiture marked the completion of the Company's plan to divest all non-core business segments, allowing it to focus on its core business of human resource management and staffing services.

During 1997, the Company realized a gain of approximately \$4,272,000 on its investment in Incepta.

The services of the Company are targeted to the financial services industry, and it is expected that this focus will continue in the current year. Accordingly, the performance of the Company has been, and will continue to be heavily dependent on the performance of the financial services industry.

Consolidated

Consolidated revenues increased \$89,453,000 to \$142,842,000 for the year ended December 31, 1997, from \$53,389,000 for the year ended December 31, 1996. The increase in revenues for 1997 is attributable to a full year of the IC Group and Vogue acquisitions, which were completed in May and October 1996, respectively, as well as the other acquisitions of temporary staffing companies completed during 1997. All acquisitions were effected through the Company's subsidiary, Headway Corporate Staffing Services, Inc. ("Staffing Services"). In addition, the Company experienced internal growth in 1997 of 20% as a result of the continued dependence by the Company's customers on the use of contingent workers. The Company believes that this trend will continue in 1998.

The executive search subsidiary, Whitney Partners, L.L.C. ("Whitney") contributed \$17,526,000 to consolidated revenues in 1997, an increase of \$1,218,000 from \$16,308,000 in 1996. This increase is due to the continued strong performance in the financial services industry and the related increase in the hiring activities of Whitney's clients.

Total operating expenses increased \$85,685,000 to \$135,437,000 for the year ended December 31, 1997, from \$49,752,000 for the year ended December 31, 1996. Of the increase, \$74,693,000 relates to the increase in direct costs which are the wages, taxes, and benefits of worksite employees of Staffing Services. Furthermore, direct costs as a percentage of revenues increased in 1997 as compared to 1996 as a result of the increase in the percentage of the Company's total revenues attributable to the workforce business of Staffing Services. The balance of the increase relates to the operating expenses associated with the acquisitions of the staffing companies in late 1996 and 1997. The total of general and administrative and depreciation and amortization expenses decreased as a percentage of consolidated revenues to 21.7% in 1997 from 37.6% in 1996. This percentage is expected to continue to decrease as the Company grows.

Whitney's operating expenses increased \$1,273,000 to \$14,569,000 for the year ended December 31, 1997 as compared to \$13,296,000 for the same period last year. The increase relates to additional compensation expense directly attributable to the

increase in revenue and start-up costs for WhitneyOs new Hong Kong and Singapore offices.

Consolidated net income from continuing operations increased \$4,059,000 to \$5,805,000 for the year ended December 31, 1997, compared to consolidated net income from continuing operations of \$1,746,000 for the year ended December 31, 1996. The increase in 1997 relates to the acquisitions of the staffing companies in late 1996 and 1997, a gain of approximately \$4,272,000 on the CompanyOs investment in Incepta, and a reversal of a loan reserve of \$750,000. Consolidated net income was \$2,806,000 for the year ended December 31, 1997, compared to consolidated net income of \$1,182,000 for the year ended December 31, 1996. Included in consolidated net income are losses after tax from discontinued operations of \$2,999,000 in 1997 and \$564,000 in 1996.

The Company's operations were not significantly impacted by inflation during the years ended December 31, 1997 and 1996, and it is not anticipated that inflation will have any significant impact on the Company's results of operations for at least the next year.

The software in use at the Company is not susceptible to year 2000 problems because the database does not store dates as plain text. Dates are converted into an internal date format that does not rely on the year to determine the century. New software will conform to the same type of internal date storage specifications and, therefore, escape problems in the next century.

Discontinued Operations

In December 1997, the Company sold its wholly-owned subsidiary FCI. The sale of FCI has been accounted for as a discontinued operations and the prior years financial statements have been restated to reflect the discontinuation of the advisory services segment.

FCI had a loss after tax for the year ended December 31, 1997, of \$301,000 compared to a loss after tax of \$564,000 for the same period in 1996. In addition, the Company recorded a loss on the disposal of the segment of approximately \$2,700,000.

Liquidity and Capital Resources

Cash used in operating activities was \$5,808,000 in 1997 as a result of an increase in accounts receivable primarily from the revenue growth of Staffing Services. In 1996, cash generated from operating activities was \$319,000. This is a trend that is likely to continue as the Company continues to grow the staffing business. In January 1998, the Company signed commitment letters

for \$110,000,000 of proposed new financing which will be used to refinance existing debt, for future acquisitions, and for general working capital. Management is of the opinion, however, that cash on hand, amounts available under current credit facilities, and cash from its operations will be sufficient to meet its operating needs in 1998.

At December 31, 1997, the Company had working capital of \$450,000 compared to working capital at December 31, 1996, of \$2,138,000. This decrease is the result of current earnout obligations affecting non-current assets, which will be paid with the Company's revolving credit facility with ING. Estimated cash earnout payments to be made in 1998 are \$3,667,000, of which \$2,200,000 are included in current liabilities at December 31, 1997. Management anticipates that working capital will improve in 1998 if the Company's performance continues at present levels. Management estimates that cash flow from operations in 1998, as well as the availability under the existing credit facility with ING, will be sufficient for meeting payment obligations and working capital needs as they arise.

Total cash generated from financing activities was \$20,025,000 for the year ended December 31, 1997, compared to \$12,542,000 in fiscal 1996. Cash from financing activities in 1997 was primarily related to the net proceeds from the ING financing arrangement. In 1996, cash generated from financing activities included the net proceeds from ING of \$12,850,000 and the sale of the Company's preferred stock of \$6,267,000, offset by the repayment of loans outstanding prior to the ING financing of \$5,675,000.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements of the Company appear at the end of this report beginning with the Index to Consolidated Financial Statements on page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In September 1996, the accounting firm of Ernst & Young LLP was approved by the Board of Directors of the Company, upon recommendation by the Audit Committee, to serve as independent auditors of the Company for 1996, which was ratified by the stockholders of the Company in November 1996. This change in independent auditors was previously reported in a report on Form 8-K dated September 16, 1996, filed with the Securities and Exchange Commission.

PART III

The information required by each of the Items listed below is incorporated herein by reference to the definitive proxy statement of the Company for the 1998 annual meeting of stockholders, which the Company proposes to file with the Securities and Exchange Commission on or before April 30, 1998:

Information required by "Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act," is incorporated by reference to the proposed caption "Directors and Executive Officers" in the proxy statement;

Information required by "Item 10. Executive Compensation," is incorporated by reference to the proposed caption "Executive Compensation" in the proxy statement;

Information required by "Item 11. Security Ownership of Certain Beneficial Owners and Management," is incorporated by reference to the proposed caption "Security Ownership of Management and Principal Stockholders" in the proxy statement; and

Information required by "Item 12. Certain Relationships and Related Transactions," is incorporated by reference to the proposed caption "Certain Relationships and Related Transactions" in the proxy statement.

ITEM 13.

EXHIBITS AND REPORTS ON FORM 8-K

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

Exhibits.

Exhibit No.	SEC Ref. No.	Title of Document	Location
1	(3) (i)	Certificate of Incorporation (1)	1996 Fm10-K Ex. No. 1
2	(3) (ii)	By-Laws (1)	1996 Fm10-K Ex. No. 2
3	(4)	Certificate of Designation of Preferred Stock (1)	1996 Fm10-K Ex. No. 3
5	(2)	Asset Purchase Agreement dated March 31, 1997 (2)	Mar/Fm8-K Ex. No. 1
6	(2)	Asset Purchase Agreement dated July 28, 1997 (3)	Jul/Fm8-K Ex. No. 1

7	(2)	Asset Purchase Agreement dated September 29, 1997 (4)	Sep/Fm8-K Ex. No. 1
8	(4)	Fourth Amended and Restated Credit Agreement dated September 15, 1997	This Filing Page E-1
9	(4)	Security Agreement dated May 31, 1996 (5)	Fm8-K Ex. No. 9
10	(4)	Warrant Agreement dated May 31, 1996 (5)	Fm8-K Ex. No. 10
11	(4)	Registration Rights Agreement dated May 31, 1996 (5)	Fm8-K Ex. No. 11
12	(21)	Subsidiaries of the Company	This Filing Page E-104
13	(23)	Consent of Ernst & Young LLP	This Filing Page E-105
14	(27)	Financial Data Schedule	This Filing Page E-106

(1) Each of these exhibits are included in the Company's annual report on Form 10-KSB, for the fiscal year ended December 31, 1996, and filed with the Securities and Exchange Commission on March 27, 1997, and are incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 10-KSB.

(2) This exhibit is included in the Company's current report on Form 8-K, dated March 31, 1997, and filed with the Commission on April 14, 1997, and is incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 8-K.

(3) This exhibit is included in the Company's current report on Form 8-K, dated July 28, 1997, and filed with the Commission on August 6, 1997, and is incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 8-K.

(4) This exhibit is included in the Company's current report on Form 8-K, dated September 29, 1997, and filed with the Commission on October 14, 1997, and is incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 8-K.

(5) Each of these exhibits are included in the Company's current

report on Form 8-K, dated May 31, 1996, and filed with the Commission on June 14, 1996, and are incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 8-K.

FORM 8-K FILINGS

On October 14, 1997, the Company filed a report on Form 8-K dated September 29, 1997 reporting under Item 2 the acquisition of Quality Outsourcing, Inc. (QOOSO), and included with this report, under Item 7, are the historical audited financial statements of QOS for the calendar years ended December 31, 1996 and 1995 (audited), and for the periods ended July 4, 1997, and July 5, 1996 (unaudited), consisting of the following:

- Report of Independent Auditors
- Balance Sheets
- Statements of Income and Retained Earnings
- Statements of Cash Flows
- Notes to Financial Statements

In addition, the Company reported under Item 2, the acquisition of E.D.R. Associates, Inc. and Electronic Data Resources, L.L.C. (collectively referred to as OEDRO). Based on significance tests, historical financial statements of EDR were not required.

On November 14, 1997, the Company filed a report on Form 8-K/A dated September 29, 1997, reporting under Item 7, the acquisition of QOS, and included in this report are the pro forma condensed combined balance sheet as of June 30, 1997, giving effect to the acquisition of QOS, and the pro forma condensed combined statements of operations of the Company for the year ended December 31, 1996, and the six months ended June 30, 1997, giving effect to the acquisition of QOS.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEADWAY CORPORATE RESOURCES, INC.

Date: March 4, 1998

By: Barry S. Roseman, President
(Signature)

In accordance with the Exchange Act, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: March 4, 1998

Gary S. Goldstein (Signature)

Principal Executive Officer, Director

Dated: March 4, 1998 Barry S. Roseman (Signature)
Principal Financial and Accounting
Officer, Director

Dated: March 5, 1998 G. Chris Andersen (Signature)
Director

Dated: March 4, 1998 Edward E. Furash (Signature)
Director

Dated: March 4, 1998 Ehud D. Laska (Signature)
Director

Dated: March 4, 1998 Richard B. Salomon (Signature)
Director

Dated: March __, 1998 Bruce R. Ellig (No Signature)
Director

Dated: March 4, 1998 Glen R. Sergeant (Signature)
Director

Headway Corporate Resources, Inc. and Subsidiaries

Index to Consolidated Financial Statements

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Report of Independent Auditors

The Board of Directors and Stockholders
Headway Corporate Resources, Inc.

We have audited the consolidated balance sheet of Headway Corporate Resources, Inc. as of December 31, 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period 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 audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Headway Corporate Resources, Inc. at December 31, 1997 and the consolidated results of their operations and their cash flows for each of the two years in the period then ended in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

New York, New York
February 17, 1998,
except for Note 4, as to which
the date is March 3, 1998

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 1997
(Dollars in Thousands)

Assets

Current assets:	
Cash and cash equivalents	\$ 2,472
Accounts receivable, trade, net of allowance for doubtful accounts of \$371	27,332
Prepaid expenses and other current assets	368
Due from related party	638
Total current assets	30,810
Property and equipment, net	2,181
Intangibles, net of accumulated amortization of \$1,437	28,079
Deferred financing costs	2,821
Deferred income taxes	426
Other assets	3,019
Total assets	\$ 67,336

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Balance Sheet (continued)

December 31, 1997
(Dollars in Thousands)

Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable and accrued expenses	\$ 3,987
Line of credit	13,404
Capital lease obligations, current portion	199
Long-term debt, current portion	1,855
Accrued payroll	8,097
Income taxes payable	618
Other liabilities	2,200
Total current liabilities	30,360
Capital lease obligations, less current portion	318
Long-term debt, less current portion	19,059
Deferred rent	1,147
Commitments and contingencies	
Stockholders' equity:	
Preferred stock-\$.0001 par value, 5,000,000 shares authorized:	
Series B, convertible preferred stock-\$.0001 par value, 6,858 shares authorized, 572 issued and outstanding (aggregate liquidation value \$200)	200
Series D, convertible preferred stock-\$.0001 par value, 44 shares authorized, 4 issued and	

outstanding (aggregate liquidation value \$200)	200
Series E, convertible preferred stock-\$.0001 par value, 575,000 shares authorized, none issued and outstanding	
Common stock-\$.0001 par value, 20,000,000 shares authorized 8,907,110 shares issued and outstanding	1
Additional paid-in capital	13,247
Cumulative translation adjustments	41
Notes receivable	(285)
Retained earnings	3,048
Total stockholders' equity	16,452
Total liabilities and stockholders' equity	\$ 67,336

See accompanying notes.

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Statements of Operations
(Dollars in Thousands)

	Year ended December 31	
	1997	1996
Revenues	\$ 142,842	\$ 53,389
Operating expenses:		
Direct costs	104,396	29,703
General and administrative	29,588	19,535
Depreciation and amortization	1,453	514
	135,437	49,752
Operating income from continuing operations	7,405	3,637
Other (income) expenses:		
Interest expense	2,662	1,088
Interest income	(104)	(91)
Gain on sale of investment	(4,272)	-
Other (income) expense, net	(750)	(51)
	(2,464)	946
Income from continuing operations before income tax expense	9,869	2,691
Income tax expense (benefit):		
Current	3,589	1,775
Deferred	475	(830)
	4,064	945
Income from continuing operations	5,805	1,746

Discontinued operations:			
Loss from operations of discontinued segment (net of income tax benefit of \$95 and \$245)	(301)		(564)
Loss on disposal of segment (net of income tax benefit of \$117)	(2,698)		-
(Loss) from discontinued operations	(2,999)		(564)
Net income	2,806		1,182
Deemed dividend on preferred stock	-		(1,470)
Preferred dividend requirements	(137)		(276)
Net income (loss) available for common stockholders \$	2,669	\$	(564)
Basic earnings (loss) per common share:			
Continuing operations	\$.79	\$	-
Discontinued operations	(.42)		(.11)
Net income (loss)	\$.37	\$	(.11)
Diluted earnings (loss) per common share:			
Continuing operations	\$.58	\$	-
Discontinued operations	(.30)		(.11)
Net income (loss)	\$.28	\$	(.11)

See accompanying notes.

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Dollars in Thousands)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock	
	Shares	Amount	Shares	Amount
Balance-December 31, 1995	2,800	\$ 700	6,858	\$ 2,400
Issuance of preferred stock	-	-	-	-
Notes receivable	-	-	-	-
Conversion of preferred stock	-	-	-	-
Change in par value	-	-	-	-
Retirement of treasury stock	-	-	-	-
Repayment of notes receivable	-	-	-	-
Warrants issued in connection with financing transactions	-	-	-	-
Fair value of warrants issued	-	-	-	-
Preferred stock dividends	-	-	-	-
Translation adjustment	-	-	-	-
Net income	-	-	-	-

Balance-December 31, 1996	2,800	700	6,858	2,400
Conversion of preferred stock	(2,800)	(700)	(6,286)	(2,200)
Retirement of treasury stock	-	-	-	-
Repayment of notes receivable	-	-	-	-
Issuance of stock for acquisition	-	-	-	-
Exercise of options and warrants	-	-	-	-
Fair value of warrants issued	-	-	-	-
Preferred stock dividends	-	-	-	-
Translation adjustment	-	-	-	-
Net income	-	-	-	-
Balance-December 31, 1997	-	\$ -	572	\$ 200

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (continued)
(Dollars in Thousands)

	Series C Convertible Preferred Stock		Series D Convertible Preferred Stock	
	Shares	Amount	Shares	Amount
Balance-December 31, 1995	-	\$ -	-	\$ -
Issuance of preferred stock	150	3,000	80	4,000
Notes receivable	-	-	-	-
Conversion of preferred stock	(145)	(2,900)	(43)	(2,150)
Change in par value	-	-	-	-
Retirement of treasury stock	-	-	-	-
Repayment of notes receivable	-	-	-	-
Warrants issued in connection with financing transactions	-	-	-	-
Fair value of warrants issued	-	-	-	-
Preferred stock dividends	-	-	-	-
Translation adjustment	-	-	-	-
Net income	-	-	-	-
Balance-December 31, 1996	5	100	37	1,850
Conversion of preferred stock	(5)	(100)	(33)	(1,650)
Retirement of treasury stock	-	-	-	-
Repayment of notes receivable	-	-	-	-
Issuance of stock for acquisition	-	-	-	-
Exercise of options and warrants	-	-	-	-
Fair value of warrants issued	-	-	-	-
Preferred stock dividends	-	-	-	-
Translation adjustment	-	-	-	-
Net income	-	-	-	-
Balance-December 31, 1997	-	\$ -	4	\$ 200

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (continued)

(Dollars in Thousands)

	Notes Receivable Amount	Common Shares	Stock Amount	Additional Paid-in Capital
Balance-December 31, 1995	\$ -	4,597,358	\$ 46	\$ 2,592
Issuance of preferred stock	-	-	-	-
Notes receivable	(507)	-	-	-
Conversion of preferred stock	-	1,818,050	-	5,178
Change in par value	-	-	(45)	45
Retirement of treasury	-	(113,960)	-	(577)
Repayment of notes receivable	50	-	-	-
Warrants issued in connection with financing transactions	-	-	-	1,867
Fair value of warrants issued	-	-	-	(734)
Preferred stock dividend	-	-	-	-
Translation adjustment	-	-	-	-
Net income	-	-	-	-
Balance-December 31, 1996	(457)	6,301,448	1	8,371
Conversion of preferred stock	-	2,565,775	-	4,799
Retirement of treasury stock	-	(83,462)	-	(438)
Repayments of notes receivable	172	-	-	-
Issuance of stock for acquisition	-	121,066	-	500
Exercise of options and warrants	-	2,283	-	5
Fair value of warrants issued	-	-	-	10
Preferred stock dividend	-	-	-	-
Translation adjustment	-	-	-	-
Net income	-	-	-	-
Balance-December 31, 1997	\$ (285)	8,907,110	\$ 1	\$ 13,247

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (continued)

(Dollars in Thousands)

	Cumulative Translation Adjustment	Retained Earnings (Deficit)	Total Stockholders' Equity
Balance-December 31, 1995	\$ 90	\$ (527)	\$ 5,301

Issuance of preferred stock	-	-	7,000
Notes receivable	-	-	(507)
Conversion of preferred stock	-	-	128
Change in par value	-	-	-
Retirement of treasury stock	-	-	(577)
Repayment of notes receivable	-	-	50
Warrants issued in connection with financing transactions	-	-	1,867
Fair value of warrants issued	-	-	(734)
Preferred stock dividends	-	(276)	(276)
Translation adjustment	(10)	-	(10)
Net income	-	1,182	1,182
Balance-December 31, 1996	80	379	13,424
Conversion of preferred stock	-	-	149
Retirement of treasury stock	-	-	(438)
Repayment of notes receivable	-	-	172
Issuance of stock for acquisition	-	-	500
Exercise of options and warrants	-	-	5
Fair value of warrants issued	-	-	10
Preferred stock dividends	-	(137)	(137)
Translation adjustment	(39)	-	(39)
Net income	-	2,806	2,806
Balance-December 31, 1997	\$ 41	\$ 3,048	\$ 16,452

See accompanying notes.

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year ended December 31	
	1997	1996
Net income	\$ 2,806	\$ 1,182
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of investment	(4,272)	-
Loss on disposal of segment	2,698	-
Depreciation and amortization	2,253	1,099
Deferred income taxes	475	(830)
Changes in assets and liabilities:		
Accounts receivable	(14,471)	(4,163)
Prepaid expenses and other current assets	54	622
Other assets	264	(329)
Accounts payable and accrued expenses	1,211	347
Accrued payroll	4,222	2,092
Income taxes payable	(568)	260

Deferred rent	-	39
Changes in working capital related to discontinued operations	(480)	-
Net cash provided by (used in) operating activities	(5,808)	319
Investing activities		
Expenditures for property and equipment	(695)	(286)
Repayment from notes receivable	172	50
Advances to employees	-	(257)
Due from related parties	-	(167)
Proceeds from sale of investment	4,363	-
Cash paid for acquisitions	(16,512)	(12,139)
Other assets	(42)	(107)
Net cash used in investing activities	(12,714)	(12,906)
Financing activities		
Cash pledged	-	85
Net change in revolving credit line	9,554	-
Proceeds from long-term debt	14,352	12,850
Repayment of long-term debt	(2,641)	(5,675)
Payment of capital lease obligations	(136)	(72)
Payments of loan acquisition fees	(1,051)	(857)
Sale of preferred stock	-	6,267
Cash dividends paid	(53)	(56)
Net cash provided by financing activities	20,025	12,542

Headway Corporate Resources, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

	Year ended December 31	
	1997	1996
Effect of exchange rate changes on cash and cash equivalents	\$ (39)	\$ (10)
Increase (decrease) in cash and cash equivalents	1,464	(55)
Cash and cash equivalents at beginning of year	1,008	1,063
Cash and cash equivalents at end of year	\$ 2,472	\$ 1,008
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 2,016	\$ 736
Income taxes	\$ 2,870	\$ 1,043

Supplemental schedule of noncash investing and financing activities

In December 1997, an officer and in December 1996, the officer and a former employee sold 83,462 and 113,960 shares of common stock valued at \$438,000 and \$577,000, respectively, to the Company which was used to reduce amounts due to the Company from these individuals.

See accompanying notes.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 1997

1. Organization

Headway Corporate Resources, Inc. and its wholly-owned subsidiaries (i) Headway Corporate Staffing Services, Inc. ("HCSSI") and its wholly-owned subsidiaries and (ii) Whitney Partners LLC and its United Kingdom and Asian Subsidiaries ("WPI"), (collectively referred to as the "Company") provide a wide range of human resource management services. HCSSI provides temporary and permanent staffing and related services, primarily in the New York, New Jersey and Connecticut tri-state area and in North Carolina through its offices in New York City, California, Connecticut and North Carolina. WPI is engaged in providing human resource management, primarily to the financial services market, with offices and principal markets in New York, London, Tokyo, Hong Kong and Singapore.

In December 1997, the Company sold its wholly-owned subsidiary Furash & Company, Inc. ("FCI"), which was engaged in providing management and consulting advisory services, primarily to the financial services market, throughout the United States through its office in Washington, D.C. The disposal of FCI has been accounted for as a discontinued operation and the prior years financial statements have been restated to reflect the discontinuation of the advisory services segment.

In 1997 and 1996, HCSSI purchased the stock or certain assets of several temporary staffing agencies (see Note 6). The results of operations of the companies acquired are included in the consolidated statements of operations from the various dates of acquisition.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Headway Corporate Resources, Inc. and its subsidiaries after elimination of all intercompany accounts and transactions.

Revenue Recognition

Temporary staffing revenue is recognized when the temporary personnel perform the related services and revenue from permanent placement services is recognized when the placement is employed.

WPI's services are primarily engaged on a retainer basis. Income from retainer contracts, which provide for periodic billings over periods of up to one year, is recognized as earned based on the terms of the contract.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

Cash equivalents are comprised of certain highly liquid investments with a maturity of three months or less when purchased.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized utilizing the straight-line method over the lesser of the useful life of the leasehold or the term of the lease.

Deferred Rent

The Company leases premises under leases which provide for periodic increases over the lease term. Pursuant to Statement of Financial Accounting Standards No. 13,

"Accounting for Leases," the Company records rent expense on a straight-line basis. The effect of these differences is recorded as deferred rent.

Deferred Taxes

The Company provides for deferred taxes pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires the recognition of deferred taxes utilizing the liability method.

Cumulative Translation Adjustments

Balance sheet accounts of WPI's United Kingdom and Asian subsidiaries are translated using year end exchange rates. Statement of operations accounts are translated at monthly average exchange rates. The resulting translation adjustment is recorded as a separate component of stockholders' equity.

Goodwill

Goodwill is amortized utilizing the straight-line method over a period of 20 to 30 years. The Company periodically evaluates the carrying value and the periods of amortization of goodwill based on the current and expected future non-discounted income from operations of the entities giving rise to the goodwill to determine whether events and circumstances warrant revised estimates of carrying value or useful lives.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

Deferred financing costs are amortized utilizing the straight-line method over the term of the related debt.

Earnings Per Share

In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share. Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per

share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement 128 requirements.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk include cash and cash equivalents and accounts receivable arising from its normal business activities. The Company places its cash and cash equivalents with high credit quality financial institutions.

The Company believes that its credit risk regarding accounts receivable is limited due to the large number of entities comprising the Company's customer base. In addition, the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts, where appropriate and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 1996 balances have been reclassified to conform to the 1997 presentation.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Stock Based Compensation

The Company accounts for its stock-based compensation plans using the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25").

Under the provisions of "Accounting for Stock-Based Compensation" ("SFAS 123"), companies can elect to account for stock-based compensation plans using a fair-value based method or continue measuring compensation expense for those plans using the intrinsic value method prescribed in APB 25. SFAS 123 requires that companies electing to continue using the intrinsic value method make pro forma disclosures of net income and earnings per share as if the fair-value based method of accounting had been applied. The Company has elected to account for stock based compensation in accordance with the provisions of APB 25 (See Note 8).

3. Property and Equipment

Property and equipment at December 31, 1997 consists of the following:

Leasehold improvements	\$ 881,000
Furniture and fixtures	1,043,000
Office and computer equipment	1,405,000
	3,329,000
Less accumulated depreciation and amortization	1,148,000
	\$ 2,181,000

4. Due from Related Parties and Related Party Transactions

In December 1997, the Chairman repaid approximately \$290,000 of amounts due from him. The remaining \$638,000 due from him as of December 31, 1997 was repaid on March 3, 1998. Accordingly, a \$750,000 reserve against such receivable previously established in 1992 was reversed, and is included in other income in the accompanying statement of operations for the year ended December 31, 1997.

During 1996, certain other borrowings and accrued interest, aggregating \$197,000, were repaid in their entirety by the Chairman.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Due from Related Parties and Related Party Transactions

(continued)

A director of the Company is an employee of an entity that provides financial advisory services to the Company. In 1996, the Company paid \$582,500 and issued warrants to purchase 240,000 shares of common stock at \$4.25 per share to this entity for such services. The warrants were valued at \$270,000. Financial advisory services provided in 1996 related to the Company's debt and equity financings and, accordingly, these expenses were allocated between share issuance expenses (\$160,000) and deferred financing expenses (\$110,000).

During the years ended December 31, 1997 and 1996, the Company paid approximately \$282,000 and \$246,000, respectively, to an entity, whose partner is a member of the Board of Directors, for legal services.

5. Long-Term Debt and Credit Facilities

Under the terms of a credit agreement entered into with ING U.S. Capital Corporation ("ICC") in May 1996, the Company obtained a revolving line of credit of \$6,000,000 and a term loan of \$9,000,000. In connection with this financing agreement, the Company granted to ICC a Series E Warrant to purchase 575,000 shares of Series E Convertible Preferred Stock of the Company at \$.02 per share exercisable at any time through May 31, 2004. At December 31, 1997, such warrants could be converted into approximately 572,000 shares of common stock. The Series E Warrant was valued by an independent appraiser at \$1,757,000 and is being amortized over the period of the term loan.

In 1997, amendments were made to the credit agreement resulting in three term loans with principal balances of \$7,675,000, \$7,360,000 and \$5,425,000 as of December 31, 1997. These term loans are payable in varying quarterly installments and bear interest at varying rates which ranged from 9.16% to 9.40% per annum at December 31, 1997. Under the amended agreement, the Company's revolving line of credit, due on demand, was increased to \$17,000,000 bearing interest at varying rates based on LIBOR (8.66% per annum at December 31, 1997).

Substantially all assets of the Company have been pledged as collateral for this credit agreement. The credit agreement places limits on annual capital expenditures and requires the Company to meet certain financial ratios, as defined.

In connection with an acquisition made in July 1997 (see Note 6), the Company entered into a \$451,000 note payable to

the seller. This note is payable in six equal semiannual installments commencing in January 1998 and bears interest at 6% per annum.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Credit Facilities (continued)

In connection with the Company's May 31, 1996 acquisition (see Note 6), the Company assumed a \$500,000 loan. This loan bore interest at 8.25% per annum and the outstanding balance was repaid in December 1997.

Annual maturities of long-term debt as of December 31, 1997 are as follows:

Year ending December 31:	
1998	\$ 1,855,000
1999	2,399,000
2000	2,736,000
2001	2,841,000
2002	1,750,000
Thereafter	9,333,000
	\$ 20,914,000

6. Acquisitions

In May 1996, the Company acquired all of the capital stock and certain assets of four related New York staffing agencies for cash of \$9,230,000 plus \$500,000, payable based upon future earnings. The purchase price for the capital stock, including transaction expenses of \$491,000, exceeded the fair value of net assets acquired, resulting in goodwill of \$6,700,000.

In October 1996, the Company purchased certain assets of a temporary staffing agency for cash of \$2,418,000, including transaction expenses of \$18,000 of which \$280,000 was allocated to a covenant not-to-compete. Goodwill resulting from this transaction amounted to \$2,118,000. The covenant not-to-compete is being amortized over four years.

In March 1997, the Company purchased certain assets of a North Carolina corporation that provides temporary staffing services, for a purchase price of up to \$7,000,000, of which \$4,000,000 was paid in March 1997, and up to an additional

\$3,000,000 is payable in July 1998 based on future earnings. At December 31, 1997, \$2,200,000 of such additional consideration has been recorded with a corresponding increase to goodwill. The purchase price, including transaction expenses of \$189,000, exceeded the fair value of assets acquired resulting in goodwill of \$6,289,000.

In July 1997, the Company acquired substantially all the assets of two New York corporations engaged in the business of offering permanent and temporary staffing services to the financial services industry. The purchase price consisted of \$4,000,000 in cash, promissory notes in the aggregate amount of \$451,000, 121,066 shares of the Company's restricted common stock valued at \$500,000 and an earnout based on future earnings. The earnout is payable in cash and common stock. The purchase price, including transaction expenses of \$201,000, exceeded the fair value of the assets acquired resulting in goodwill of \$5,152,000.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Acquisitions (continued)

In September 1997, the Company acquired substantially all of the assets of a New Jersey corporation engaged in the business of offering temporary staffing services. The purchase price was \$795,000 in cash, plus an earnout based on future earnings. The Company also advanced \$140,000 to the seller, which will be offset against the earnout. The purchase price, including transaction expenses of \$103,000, exceeded the fair value of assets acquired resulting in goodwill of \$1,038,000.

In September 1997, the Company acquired all of the outstanding stock of a Connecticut corporation and substantially all of the assets of a Connecticut limited liability company affiliated with the corporation. These entities are engaged in the business of offering information technology staffing and consulting services. The purchase price was \$7,000,000 in cash, assumption of liabilities of approximately \$893,000 plus an earnout based on future earnings. The purchase price, including transaction expenses of \$84,000, exceeded the fair value of assets acquired resulting in goodwill of \$6,123,000.

The aforementioned acquisitions have been accounted for as

purchases and have been included in the Company's operations from the dates of the respective purchases. Any additional purchase price based on future earnings related to the aforementioned acquisitions will be recorded as additional goodwill upon the determination that the earnouts have been met.

The pro forma unaudited consolidated results of operations assuming consummation of the above-mentioned transactions as of the beginning of the respective periods, are as follows:

	Year ended	December 31
	1997	1996
Total revenue	\$164,972,000	\$108,197,000
Net income	3,160,000	1,106,000
Net income (loss) available for common stockholders	3,023,000	(640,000)
Earnings per share:		
Basic	\$.42	\$(.13)
Diluted	\$.30	\$(.13)

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Stockholders' Equity

In 1997, 2,800 shares of Series A 8% cumulative convertible preferred stock that were outstanding as of December 31, 1996 were converted into 1,332,412 shares of common stock.

In 1995, 6,858 shares of Series B convertible preferred stock were issued for all of the capital stock of FCI. The Series B preferred stock was convertible into a minimum of 628,600 shares and a maximum of 685,744 shares of common stock and participated fully with the common stock in all dividends. The holders of 6,286 shares of Series B Preferred Stock converted their shares into 628,600 shares of common stock in 1997. The remaining 572 shares of Series B convertible preferred stock at December 31, 1997 are convertible into a maximum of 57,144 shares of common stock.

In April 1996, the Company issued 150 shares of Series C 8% convertible preferred stock for \$3,000,000. Warrants to purchase 240,000 shares of common stock at \$4.25 per share were issued to related parties for services rendered in connection with this transaction. The Series C preferred

stock was convertible to common stock of the Company at the lesser of \$4.558125 or 80% of the market price of Company's common stock. In 1997 and 1996, the holders of 5 and 145 shares of Series C preferred stock, respectively, converted their shares into common stock.

In June 1996, the Company completed a private placement of 80 shares of Series D 8% convertible preferred stock for \$4,000,000. The Series D preferred stock is convertible to common stock of the Company at the lesser of \$5.21065 or 80% of the market price of the Company's common stock. In addition, on conversion, the holders of Series D convertible preferred stock are entitled to receive a warrant to purchase one share of common stock at an exercise price of \$4.25 per share, for every four shares of common stock issued upon conversion. The guaranteed discount on conversion (\$1,000,000) and the valuation of warrants to be issued upon conversion, which amounted to \$470,000 (based on an independent appraisal), was deemed to be a dividend for purposes of calculating net income available to common stockholders. Accordingly, a deemed dividend of \$1,470,000 was recorded and shown as a reduction to earnings available to common stockholders for the year ended December 31, 1996. In 1997 and 1996, the holders of 33 and 43 shares of Series D preferred stock, respectively, converted their shares into common stock. In addition, warrants to purchase 130,743 and 184,470 shares of common stock, respectively, at \$4.25 per share were issued upon conversion.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Stockholders' Equity (continued)

In December 1997 the Chairman and, in December 1996, the Chairman and a former employee of the Company, sold 83,462 and 113,960 shares of common stock, respectively, at the then current market price of \$438,000 and \$577,000, respectively, to the Company. Such amount was used to reduce amounts due to the Company from these individuals. The shares purchased by the Company were retired.

In May 1996, the Company loaned a total of \$507,000 to ten employees of the Company at 8% interest per annum payable quarterly over a term of five years. The funds were used by the employees to purchase a total of 2,170 shares of the Company's Series A Convertible Preferred Stock from the then

current Series A Convertible Preferred stockholder. Such Series A Convertible Preferred Stock was converted into common stock in 1997. The loans outstanding are collateralized by common stock and assets with a value in excess of the principal amount of each loan.

In April 1996, the Company issued warrants to purchase 200,000 shares of common stock at \$3.50 per share as consideration for services rendered in connection with equity financing obtained by Company and investor relations services.

In November 1997, warrants to purchase 50,000 shares of common stock at \$5.25 per share were issued for financial advisory services to be performed over a two year period. Such warrants were valued at approximately \$52,000 and are being amortized over the two year period.

At December 31, 1997, approximately 5,647,000 shares of common stock have been reserved for future issuance as follows:

Convertible Preferred Stock	118,000
Warrants issued and issuable upon conversion of Series D Preferred Stock	328,000
Series E Warrants	572,000
Stock Incentive Plan	3,770,000
Other Warrants	859,000
	5,647,000

At December 31, 1997, all warrants issued by the Company are fully vested and have exercise prices ranging from \$.02 to \$5.25.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 1997 and 1996:

	1997	1996
Numerator:		
Income from continuing operations	\$ 5,805,000	\$ 1,791,000
Discontinued operations	(2,999,000)	(609,000)
Deemed dividend on preferred stock	-	(1,470,000)

Preferred dividend requirements	(137,000)	(276,000)
Numerator for basic earnings per share-net income (loss) available for common stockholders	2,669,000	(564,000)
Effect of dilutive securities:		
Preferred dividend requirements	137,000	-
Numerator for diluted earnings per share-net income (loss) available for common stockholders after assumed conversions	\$ 2,806,000	\$ (564,000)
Denominator:		
Denominator for basic earnings per share-weighted average shares	7,223,462	4,995,523
Effect of dilutive securities:		
Stock options	373,984	-
Warrants	746,340	-
Convertible preferred stock	1,758,412	-
Dilutive potential common stock	2,878,736	4,995,523
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	10,102,198	4,995,523
Basic earnings (loss) per share	\$.37	\$ (.11)
Diluted earnings (loss) per share	\$.28	\$ (.11)

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Income Taxes

Income tax expense from continuing operations consists of the following:

	December 31	
	1997	1996
Current:		
Domestic	\$ 3,545,000	\$1,737,000
Foreign	44,000	38,000
	3,589,000	1,775,000
Deferred expense (benefit):		
Domestic	475,000	(830,000)
Total deferred expense (benefit)	475,000	(830,000)
	\$ 4,064,000	\$ 945,000

The components of deferred tax assets and liabilities are as follows:

December 31,
1997

Deferred tax assets:	
Deferred rent	\$ 528,000
Allowances for doubtful accounts	150,000
	678,000
Deferred tax liabilities:	
Depreciation	(29,000)
Intangibles	(51,000)
Cash to accrual adjustments	(172,000)
	(252,000)
	\$ 426,000

The Company recorded a change in the valuation allowance of \$69,000 for the year ended December 31, 1996.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Income Taxes (continued)

A reconciliation of the statutory Federal income tax rate to the effective rates is as follows:

	December 31	
	1997	1996
Statutory rate	34%	34%
State and local income taxes (net of federal tax benefit)	6	22
Deferred tax benefit	-	(21)
Other	1	-
Effective tax rate	41%	35%

10. Stock Incentive Plan

Pursuant to the Company's Stock Incentive Plan (the "Plan"), up to 3,771,567 options to purchase common stock were reserved for grant. The Plan provides for the granting of stock options, stock appreciation rights and stock awards. Stock options intended to be incentive stock options will be granted at prices equal to at least market price on the date of the grant. A summary of the activity in the Plan is as follows:

Number of Shares	Weighted Average Exercise Price
---------------------	------------------------------------

Outstanding at December 31, 1995	593,500	\$2.86
Granted	719,950	3.28
Canceled	(92,503)	2.85
Outstanding at December 31, 1996	1,220,947	3.12
Granted	641,962	4.13
Canceled	(161,964)	2.91
Exercised	(1,033)	2.55
Outstanding at December 31, 1997	1,699,912	3.52
Exercisable at December 31, 1996	374,225	\$2.74
Exercisable at December 31, 1997	758,443	\$3.32

Options generally vest equally over 3 years. Options outstanding as of December 31, 1997 have exercise prices ranging from \$2.50 to \$5.50 per share.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Stock Based Compensation

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options and warrants under the fair value method of SFAS 123. The fair value for these options and warrants was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1997 and 1996:

Assumption	1997	1996
Risk-free rate	5.65%	6.6%
Dividend yield	0%	0%
Volatility factor of the expected market price of the Company's common stock	.62	.50
Average life	3 years	3 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock has characteristics significantly different from those of traded options, and because changes in the subjective input

assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options and stock appreciation rights.

For purposes of pro forma disclosures, the estimated fair value of the options and warrants is amortized to expense over the vesting period of the options and warrants. The Company's pro forma information is as follows:

	1997	1996
Pro forma net income (loss) available for common stockholders	\$ 2,112,000	\$ (897,000)
Pro forma earnings per share:		
Basic	\$.29	\$ (.18)
Diluted	\$.21	\$ (.18)

The weighted average fair value of options granted during the years ended December 31, 1997 and 1996 was \$1.84 and \$1.32, respectively. The weighted average remaining contractual life of options exercisable at December 31, 1997 is 7.9 years.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies

The Company leases office space under operating leases which expire through 2009. The leases provide for additional rent based on increases in operating costs and real estate taxes. The Company also leases equipment under capital leases expiring at various times through 2001.

Future minimum lease payments under capital leases and noncancelable operating leases (shown net of \$538,000 of sublease income per annum through 2000) with remaining terms of one year or more are as follows at December 31, 1997:

	Capital Leases	Operating Leases
1998	\$ 238,000	\$ 1,602,000
1999	195,000	1,468,000
2000	128,000	1,424,000

2001	25,000	1,805,000
2002	-	1,714,000
Thereafter	-	8,997,000
Total minimum lease payments	586,000	\$17,010,000
Less amounts representing interest	69,000	
Present value of net minimum lease payments	517,000	
Less current portion	199,000	
Long-term portion	\$ 318,000	

Included in property and equipment at December 31, 1997 are assets recorded under capital leases with a cost of \$714,000 and accumulated depreciation and amortization of \$140,000. Amortization of assets recorded under capital leases is included with depreciation expense.

Rent expense, including escalation charges, for the years ended December 31, 1997 and 1996 was \$1,661,000 (net of sublease income of \$538,000) and \$1,524,000 (net of sublease income of \$628,000), respectively.

The Company is party to litigation arising out of the normal course of its business. In the opinion of management, all matters are adequately covered by insurance or, if not covered, are without merit or are of such kind or involve such amounts, as would not have a material adverse effect on the financial position of the Company if disposed of unfavorably.

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Retirement Plan

The Company had four 401(k) plans covering substantially all its domestic employees. One plan required the Company to make matching contributions equal to 25% of the employees' contributions. Company contributions into the plan, which have been charged to operations, totaled \$53,000 and \$55,000 for the years ended December 31, 1997 and 1996, respectively. Effective January 1, 1998, the Company replaced the existing 401(k) plans covering substantially all employees. The new plan does not require a matching contribution by the Company.

14. Major Customer

For the year ended December 31, 1997, one customer accounted

for 10% of revenues from continuing operations. Another customer accounted for 11% of revenues from continuing operations for the year ended December 31, 1996.

15. Geographic Information

	Year ended December 31, 1997			
	United States	Europe	Asia	Consolidated
Revenue	\$ 138,148	\$ 3,247	\$ 1,447	\$ 142,842
Income (loss) from continuing operations	7,364	26	15	7,405
Other expense (income)	(2,445)	(19)	-	(2,464)
Income from continuing operations before income tax expense	9,809	45	15	9,869
Identifiable assets	65,438	1,390	508	67,336

	Year ended December 31, 1996			
	United States	Europe	Asia	Consolidated
Revenue	\$ 47,742	\$ 4,557	\$ 1,090	\$ 53,389
Income (loss) from continuing operations	3,635	35	(33)	3,637
Other expense (income)	950	(4)	-	946
Income from continuing operations before income tax expense	2,685	39	(33)	2,691
Identifiable assets	30,627	1,642	143	32,412

Headway Corporate Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Discontinued Operations

In December 1997, the Company sold its wholly-owned subsidiary FCI to InterBank/Furash, Inc. ("IBF") in exchange for 1,500 shares of Series A Preferred Stock of IBF. In addition, the Company provided a short-term working capital advance to FCI of \$250,000 which was repaid within a week following the sale. In consideration for providing the short-term loan, the Company received a warrant to purchase approximately 18% of the outstanding common stock of FCI at an exercise price of \$.10 per share. FCI has had recurring losses and, accordingly, no value was assigned to the Series A Preferred Stock or warrant. The sale of FCI has been

accounted for as a discontinued operation and the prior year's statement of operations have been restated to reflect the discontinuation of FCI. The loss on the disposal of the segment represents the write-off of (i) unamortized goodwill related to the purchase of FCI in 1995 amounting to approximately \$1,500,000 and (ii) advances to FCI of \$1,200,000.

17. Gain on Sale of Investment

In December 1995, the Company adopted a formal plan to discontinue its marketing communications segment and entered into an agreement to exchange substantially all of the operating assets of the segment to Citigate Communications Group Limited ("Citigate") for an 18.3% interest in Citigate valued at \$2,368,000 and the assumption by Citigate of \$9,191,000 in liabilities. In March 1997, Citigate was acquired by Incepta Group, plc. ("Incepta"), a United Kingdom public company. The Company received 13,805,406 shares of Incepta in exchange for its investment in Citigate. The Company sold these shares in March and October 1997 for \$4,363,000 and recognized a gain of approximately \$1,719,000. The Company was also entitled to an additional 7,072,307 shares of Incepta if Incepta meets certain earnings targets for the year ended September 30, 1997. In October 1997, the Company was advised that such targets had been met and, accordingly, an additional gain of approximately \$2,553,000 was recognized. The shares receivable are included in other assets as of December 31, 1997.

18. Subsequent Event

In January 1998, the Company entered into non-binding commitment letters for (i) a revolving credit facility of \$75,000,000, (ii) subordinated debt financing of approximately \$11,667,000 and (iii) a commitment for the purchase of \$23,333,000 of Series F Convertible Preferred Stock to be issued by the Company. The proceeds from these financings will be used for future acquisitions, to refinance certain existing indebtedness and working capital. However, there can be no assurances that such financings will occur.

Exhibit No. 8
Headway Corporate Resources, Inc.
Form 10-KSB
File No. 0-23170

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of September 15, 1997

by and among

HEADWAY CORPORATE RESOURCES, INC.

as Borrower,

VARIOUS LENDERS

and

ING (U.S.) CAPITAL CORPORATION,

as Agent for the Lenders

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FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of September 15, 1997, by and among HEADWAY CORPORATE RESOURCES, INC., a Delaware corporation, various lenders as are, or may from time to time become, parties hereto, and ING (U.S.) CAPITAL CORPORATION (formerly known as Internationale Nederlanden (U.S.) Capital Corporation), a Delaware corporation, as Agent for the Lenders.

W I T N E S S E T H:

RECITALS.

A. The Borrower, the Agent and the Lenders have entered into that certain Amended and Restated Credit Agreement dated as of December 13, 1996, that certain Second Amended and Restated Credit Agreement dated as of March 31, 1997, and that certain Third Amended and Restated Credit Agreement dated as of June 6, 1997 (as amended to the date hereof, the "Prior Credit Agreement") providing certain credit facilities to the Borrower;

B. The Borrower has requested, and the Agent and the Lenders have agreed, to amend the Prior Credit Agreement to increase the commitment and to make certain other amendments as set forth herein;

C. The parties wish to amend and restate the Prior Credit Agreement on the terms and conditions set forth below;

NOW, THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1.

DEFINITIONS

A. SECTION 1.1 Defined Terms. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"Account" means any "account" (as such term is defined in Section 9-106 of the UCC) of the Borrower or its Eligible Subsidiaries arising from the sale or lease of goods or providing of services in the ordinary course of business.

"Account Debtor" means any Person who is or may become obligated to the Borrower or its Eligible Subsidiaries under, with respect to, or on account of, an Account.

"Acquisition" means the acquisition by the Borrower of the "Companies Stock" (as such term is defined in the Acquisition Agreement) in exchange for the payment of the "Preliminary Purchase Price" and the "Additional Amount" (as such terms are defined in the Acquisition Agreement) pursuant

to the terms and conditions of the Acquisition Agreement.

"Acquisition - ASA" means the acquisition by ASA Personnel Services, Inc. of certain assets of ASA Temporaries, Inc. and ASA Associates, Inc. pursuant to the Acquisition Agreement - ASA.

"Acquisition - ASS" means the acquisition by HNC of certain assets of Advanced Staffing Solutions, Inc. pursuant to the Acquisition Agreement - ASS.

"Acquisition Agreement" means that certain Stock Purchase Agreement, dated as of April 10, 1996, between the Borrower, Irene Cohen, CSA, CTS, and the Sellers, as amended, modified or supplemented to the date hereof.

"Acquisition Agreement - ASA" means that certain Asset Purchase Agreement, dated as of July 28, 1997 between Borrower, ASA Personnel Services, Inc., ASA Temporaries, Inc., ASA Associates, Inc., Richard Brody, and Arnold Katz.

"Acquisition Agreement - ASS" means that certain Asset Purchase Agreement dated as of March 31, 1997 between Borrower, HNC, Advanced Staffing Solutions, Inc., H. Wade Gresham, and Mark Herron.

"Affiliate" of any Person means any other Person which, directly or indirectly, controls or is controlled by or under common control with such Person (excluding any trustee under, or any committee with responsibility for administering, any Plan). A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote 5% or more of the securities having ordinary voting power for the election of directors of such Person, or (b) to direct or cause the direction of the management or policies of such Person whether by contract or otherwise; provided that no Lender shall be deemed to constitute an Affiliate of the Borrower.

"Agent" means ING as agent for the Lenders pursuant hereto, or such other Person as shall have subsequently been appointed as the successor agent pursuant to Section 8.4.

"Agreement" means, on any date, this Amended and Restated Credit Agreement as in effect on the date hereof and as thereafter from time to time amended, supplemented, amended and restated, extended or otherwise modified and in effect.

"Applicable Lending Office" means, with respect to any Lender, the branch or office of such Lender at which Loans of a certain type are maintained.

"Approved Acquisition Expenditures" means, in connection with any purchase or other acquisition by Borrower or any Subsidiary of any Temporary Staffing Business, including the acquisition of all or substantially all of the assets or stock of any Person (or of any operating division or unit thereof), the net consideration paid in cash in connection with such purchase or acquisition which shall have been approved in advance in writing by the Required Lenders in their discretion and (i) for which no Loan shall be made which shall be used, directly or indirectly, to pay an aggregate purchase price or consideration (excluding earnout payments based upon post-acquisition actual EBITDA of the acquired business or entity and excluding any accounts receivable and cash acquired) exceeding 5.5 times Historical Pro Forma Adjusted EBITDA and (ii) for which the aggregate purchase price or consideration (excluding earnout payments based upon post-acquisition actual EBITDA of the acquired business or entity and excluding accounts receivable and cash acquired) shall not exceed 6.5 times Historical Pro Forma Adjusted EBITDA; provided, that nothing contained in this definition shall in any event be deemed a consent to any purchase or acquisition which is otherwise prohibited under the terms of this Agreement or the other Loan Documents unless such purchase or acquisition is consented to in writing by the Required Lenders.

"ASA" means ASA Personnel Services, Inc., a Delaware corporation.

"ASS" means Advanced Staffing Solutions, Inc., a North Carolina corporation.

"Authorized Officer" means, relative to any Loan Party those officers of such Loan Party whose signatures, incumbency and authority shall have been certified to the Agent and the Lenders pursuant to Section 4.1.1.

"Base Rate Loans" means Loans, or portions thereof, interest rates on which are determined on the basis of the ING Alternate Base Rate.

"Borrower" means Headway Corporate Resources, Inc., a Delaware corporation.

"Borrowing" means the Loans or portions thereof of the same type and, in the case of Eurodollar Loans, having the same Interest Period, in each case made, converted or continued by the Lenders on the same Business Day pursuant to the same Borrowing Request or Continuation/Conversion Notice in accordance with Sections 3.1 or 3.4.3.

"Borrowing Request" means a loan request and certificate duly executed by an Authorized Officer of the Borrower in the form of Exhibit A.

"Borrower Pledge Agreement" means the Stock and Notes Pledge Agreement, dated as of the Original Closing Date, made by the Borrower in favor of the Agent, for its benefit and the ratable benefit of the Lenders as originally in effect on the Original Closing Date and as thereafter from time to time amended, supplemented, amended and restated, extended or otherwise modified and in effect, pursuant to which the Borrower shall pledge to the Agent as security for the Obligations all of the issued and outstanding Stock of its direct Subsidiaries incorporated in the United States, sixty-six percent (66%) of all the issued and outstanding Stock of its direct Subsidiaries incorporated in countries other than the United States, and all promissory notes, other instruments and securities held by the Borrower (including without limitation, the Subsidiary Notes).

"Borrower Trademark Assignment" means the Collateral Assignment and Security Agreement (Trademarks), dated as of the Original Closing Date, made by the Borrower in favor of the Agent, for its benefit and the ratable benefit of the Lenders, as originally in effect on the Original Closing Date and as thereafter from time to time amended, supplemented, amended and restated, extended or otherwise modified and in effect.

"Borrowing Base" means an amount equal to: (a) eighty-five percent (85%) of Eligible Accounts, as the percentage set forth in this clause (a) may be decreased pursuant to Section 2.2.1 hereof, minus (b) reserves established from time to time pursuant to Section 2.2.2 hereof.

"Borrowing Base Certificate" means a certificate of the chief executive, accounting or financial Authorized Officer of the Borrower in the form of Exhibit B attached hereto.

"Business Day" means:

(a) any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York, New York; and

(b) relative to the making, continuing, prepaying or repaying of any Eurodollar Loans, any day on which dealings in Dollars are carried on in the London interbank market.

"Capital" means the sum of Indebtedness plus net worth, as determined in accordance with GAAP.

"Capitalized Lease Liabilities" means all monetary obligations of the Borrower and its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, are or would be classified as capitalized leases.

"Cash Equivalent Investment" means, at any time:

(a) any direct obligation issued or guaranteed by the United States of America or any agency or instrumentality thereof and backed by the full faith and credit of the United States of America, or issued by any state or political subdivision or public instrumentality thereof, (i) which has a remaining maturity at the time of purchase of not more than one (1) year or which is subject to a repurchase agreement with any Lender or any Eligible Lending Institution exercisable within one (1) year from the time of purchase so long as such direct obligation remains in the possession of the Borrower or in the possession of any Lender and (ii) which, in the case of obligations of any state or political subdivision or public instrumentality thereof, is rated AA or better by Moody's Investors Service, Inc.;

(b) certificates of deposit, time deposits, demand deposits and bankers' acceptances, having a remaining maturity at the time of purchase of not more than one (1) year, issued by any Lender or by any Eligible Lending Institution;

(c) corporate obligations rated Prime-1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Corporation, having a remaining maturity at the time of purchase of not more than one (1) year; and

(d) shares of funds registered under the Investment Company Act of 1940, as amended, having assets of at least \$100,000,000 which invest only in obligations described above and which shares are rated by Moody's Investors Service, Inc. or Standard & Poor's Corporation in one of the two highest rating categories assigned by such agencies for obligations of such nature.

"Cash Flow" means, for any period, an amount equal to (without duplication) the consolidated Net Income of the Borrower and its Subsidiaries, plus depreciation, amortization of intangible assets and other non-cash charges of the Borrower and its Subsidiaries, minus non-cash credits and revenues, plus decreases in the Borrower's and its Subsidiaries' working capital (excluding changes in cash, Cash

Equivalent Investments and current maturities of Indebtedness), minus increases in the Borrower's and its Subsidiaries' working capital (excluding changes in cash, Cash Equivalent Investments and current maturities of Indebtedness).

"Change in Control" means (i) the failure of Gary S. Goldstein to own at least 85% of the Stock of the Borrower which he owned on the Original Closing Date, provided, however, that any Stock of the Borrower sold or transferred to the Borrower in satisfaction of the Goldstein Note shall not be considered for the purposes of this clause (i), or (ii) the failure of either (A) Gary S. Goldstein to be the Chairman of the Board and Chief Executive Officer of the Borrower and to be actively involved in the management of the Borrower and its Subsidiaries or (B) any two of the following individuals to be actively involved in the management of the Borrower and its Subsidiaries at any time prior to the third anniversary of the Original Closing Date or, thereafter, at least one of the following individuals to be actively involved in the management of the Borrower and its Subsidiaries at any time after the Original Closing Date: (1) Irene Cohen, (2) Michael List, and (3) Ron Wendlinger, (iii) the acquisition by any Person or group of Persons of beneficial ownership of more than 20% of the outstanding Stock of the Borrower (within the meaning of Section 13(d) or 14(d) of the Securities and Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder); provided, however, that this clause (iii) shall not apply to an underwriter(s) who acquires Stock of the Borrower in connection with a public offering of Stock of the Borrower which is being underwritten by such underwriter(s), or (iv) during any period of 12 consecutive months (whether commencing before or after the Original Closing Date), the failure of individuals who on the first day of such period were directors of the Borrower (together with any replacement or additional directors who were nominated or elected by a majority of directors then in office) to constitute a majority of the Board of Directors of the Borrower.

"Charges" means all federal, state, county, city, municipal, local, foreign or other governmental (including, without limitation, PBGC) (a) taxes at the time due and payable and (b) levies, assessments, charges, liens, claims or encumbrances upon or relating to (i) the Collateral, (ii) the Obligations, (iii) the Borrower's and its Subsidiaries' employees, payroll, income or gross receipts, (iv) the Borrower's and its Subsidiaries' ownership or use of their assets, or (v) any other aspect of the Borrower's and its Subsidiaries' business.

"Closing Date" means September 15, 1997.

"Collateral" means all property and interests in property and proceeds thereof now owned or hereafter acquired by the Borrower or any Subsidiary in or upon which a Lien is granted to the Agent, for its benefit and the ratable benefit of the Lenders, under any of the Loan Documents.

"Commitment" means, collectively, the Revolving Loan Commitments, the Term Loan Commitment and the Letter of Credit Commitment.

"Commonly Controlled Entity" means, with respect to any Person, an entity or trade or business, whether or not incorporated, which is from time to time a member of a controlled group or a group under common control with such Person within the meaning of Sections 414(b), 414(c), 414(m) or 414(o) of the IRC or Section 4001(a)(14) of ERISA. Unless otherwise indicated in this Agreement, Commonly Controlled Entity shall refer to a Commonly Controlled Entity with respect to the Borrower.

"Compliance Certificate" means a certificate duly executed by the chief executive, operating, accounting or financial Authorized Officer of the Borrower in the form of Exhibit C, together with such changes as the Required Lenders may from time to time reasonably request through the Agent for purposes of monitoring the Borrower's compliance herewith.

"Consolidated Capital Expenditures" means, for any period, without duplication, the sum of (a) the gross dollar amount of additions during such period to property, plant, equipment and other fixed assets of the Borrower and its Subsidiaries, including those additions made in the ordinary course of business, but excluding routine maintenance and repairs, plus (b) the aggregate amount of Capitalized Lease Liabilities incurred during such period by the Borrower and its Subsidiaries.

"Continuation/Conversion Notice" means a notice of continuation or conversion and certificate duly executed by the chief executive, accounting or financial Authorized Officer of the Borrower in the form of Exhibit D attached hereto.

"Contract" means any agreement or agreements pursuant to or under which an Account Debtor shall be obligated to pay for services rendered or merchandise sold to any Person from time to time.

"Contractual Obligation" means, relative to any

Person, any provision of any security issued by such Person or of any Instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"CSA" means Corporate Staffing Alternatives, Inc., a New York corporation which is a wholly-owned Subsidiary of HCSS.

"CTS" means Certified Technical Staffing, Inc., a New York corporation which is a wholly-owned Subsidiary of HCSS.

"Current Ratio" means, at any date, the ratio at such date of (a) current assets at such date, to (b) current liabilities excluding current maturities of the Obligations at such date, determined on a consolidated basis for the Borrower and its Subsidiaries in accordance with GAAP and excluding the Earnout.

"Default" means any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

"Disclosure Schedule" means the Disclosure Schedule attached hereto as Schedule 1, as it may be amended, supplemented or otherwise modified from time to time by the Borrower with the consent of the Required Lenders as provided in Section 4.2.2.

"Dollar" and the sign "\$" mean lawful money of the United States.

"Earnout" means the deferred amounts due to the sellers under the Acquisition Agreement - ASS up to a maximum amount of \$3,000,000.

"Earnout - ASA" means the deferred amounts due to the sellers under the Acquisition Agreement - ASA.

"EBITDA" means, for any period, an amount equal to Net Income plus (to the extent deducted in determining Net Income) interest expense, provisions for income taxes, depreciation, amortization of intangible assets and other non-cash charges, minus (to the extent included in determining Net Income) non-cash credits and revenues, in each case for the Borrower and its Subsidiaries on a consolidated basis.

"Eligible Accounts" means the net outstanding balance, less all finance charges, late fees and other fees which are unearned, of all Accounts of the Borrower and its Eligible Subsidiaries, provided that no Account shall be

deemed eligible if:

(a) any representation or warranty contained in this Agreement, the Security Agreement or any of the other Loan Documents applicable either to Accounts in general or to any such specific Account has been breached as of any date made in any material respect with respect to such Account;

(b) fifty percent (50%) or more of the outstanding Accounts from the Account Debtor are ineligible;

(c) the Account Debtor has (i) become insolvent or generally failed to pay, or admitted in writing its inability to pay, debts as they become due, (ii) applied for, consented to, or acquiesced in, the appointment of a trustee, receiver, sequestrator or other custodian for such Account Debtor or any property thereof or made a general assignment for the benefit of creditors, (iii) in the absence of such application, consent or acquiescence, permitted or suffered to exist the appointment of a trustee, receiver, sequestrator or other custodian for such Account Debtor or for a substantial part of its property, or (iv) permitted or suffered to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law or any dissolution, winding up or liquidation proceeding in respect of such Account Debtor;

(d) such Account is billed on other than standard terms of payment;

(e) as of any date, such Account has remained unpaid for a period exceeding 90 days after the due date of the invoice issued with respect thereto;

(f) the sale represented by such Account is to an Account Debtor outside the United States, unless the payment of such Account is backed by a letter of credit denominated in Dollars issued or confirmed by a United States bank or a foreign bank with an office located in the United States, in each case acceptable to the Agent and on terms acceptable to the Agent, and the Agent has received an assignment of the Borrower's or its Eligible Subsidiary's rights under such letter of credit or acceptance or has been irrevocably designated the payee of such letter of credit or acceptance;

(g) the Account Debtor is an Affiliate or employee of the Borrower or any Subsidiary;

(h) the Account is subject to any set-off by the Account Debtor, in which event such Account will be deemed ineligible to the extent of such set-off;

(i) the Account is denominated in other than Dollars or is payable outside the United States;

(j) based on the customary credit decisions of the Agent, collection of such Account is insecure for any reason or there is a reasonable probability that such Account may not be paid provided that no such Account shall be excluded unless the Agent shall have given to the Borrower not less than ten (10) days prior written notice;

(k) the Account is subject to a material claim or dispute by the Account Debtor;

(l) the Account is subject to any Lien whatsoever, other than Liens in favor of the Agent, for its benefit and the ratable benefit of the Lenders;

(m) the Account is not evidenced by an invoice or other writing in form reasonably acceptable to the Agent;

(n) the Account is evidenced by chattel paper or an instrument unless such chattel paper or instrument is pledged to the Agent as security pursuant to the Borrower Pledge Agreement or the Subsidiary Pledge Agreement;

(o) the Account or Accounts represent, individually or when aggregated with all other outstanding Accounts of the same Account Debtor, (i) more than fifteen percent (15%) of the net outstanding balance of all Eligible Accounts of the Borrower and the Eligible Subsidiaries (on a consolidated basis) then outstanding for all Account Debtors other than Merrill Lynch & Co. and Affiliates or (ii) more than twenty percent (20%) of the net outstanding balance of all Eligible Accounts of the Borrower and the Eligible Subsidiaries (on a consolidated basis) then outstanding for Merrill Lynch & Co. and Affiliates as Account Debtor;

(p) the Account or Accounts exceed any credit limit established by the Borrower or its Eligible Subsidiary (which limit shall be reasonably satisfactory to the Agent) for the Account Debtor based on the Borrower's customary credit considerations, in which case such Account or Accounts will be deemed ineligible to the extent of such excess;

(q) the Borrower or its Eligible Subsidiary, in order to be entitled to collect such Account (or, if such Account is evidenced by multiple invoices, the amount of such Account evidenced by any such invoice), is required to perform any additional service for, or perform or incur any additional obligation to, the Account Debtor in respect of such Account

(or amount so invoiced);

(r) the Account is an account of the United States government or any agency or instrumentality of the United States, unless the Borrower or its Subsidiary has complied with the requirements of the Federal Assignment of Claims Act (31 U.S.C. 3727), or the Account is an account of any state government or agency thereof unless the Borrower or its Eligible Subsidiary has complied with any state assignment of claims or similar laws relative to the assignment of such Account to and the right to receive payment thereof by, the Agent, for its benefit and the ratable benefit of the Lenders;

(s) the Borrower or its Eligible Subsidiary, as the case may be, has not submitted all necessary documentation or supplied all necessary information to the Account debtor for payment of such Account or has not fulfilled all other obligations in respect thereof, including verification of the eligibility of the Account for payment by such Account Debtor;

(t) the Account or the Contract related thereto contravenes in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, consumer protection, truth-in-lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) or any party related to such Contract is in violation of any such law, rule or regulation in any material respect;

(u) the Account Debtor is located in the State of Minnesota or any other state imposing conditions on the right of a foreign (out-of-state) creditor to collect accounts receivable from Accounts Debtors located in such state, and the Borrower or the Eligible Subsidiary has not satisfied such conditions for the then current year;

(v) the Account has not been adjusted to reflect reimbursement policies of the Account Debtor with respect thereto including, without limitation, any capitation arrangement, fee schedule, discount formula, cost-based reimbursement, or other adjustment or limitation to the usual charges; and

(w) the related Contract is not, or was not at the time of the services giving rise to the Account, in full force and effect, such Contract does not constitute the legal, valid and binding obligation of the Account Debtor enforceable against such Account Debtor in accordance with its terms, or such account was not created in accordance with the requirements of the Contract or applicable Requirements of Law, including, without limitation, compliance with any

restrictions on fees or charges.

The determination by the Agent that any Account shall be deemed ineligible by virtue of its being described by one of such categories shall not be deemed to indicate that such Account may not also be deemed ineligible by virtue of being described by any other such category or to preclude the Agent from reclassifying such Account into such other category, should the Account cease to be described by the first such category.

"Eligible Lending Institution" means a financial institution having a branch or office in the United States and having capital and surplus and undivided profits aggregating at least \$100,000,000 and rated Prime-1 or better by Moody's Investors Service, Inc. or A-1 or better by Standard & Poor's Corporation.

"Eligible Subsidiaries" means, collectively, (a) Furash, (b) Whitney Partners, (c) HCSS, (d) Irene Cohen, (e) CSA, (f) CTS, (g) Headway Personnel, (h) HNC, (i) ASA, and any other Subsidiary which executes and delivers to the Agent a Subsidiary Note, a joinder in all appropriate Security Documents and such other documents as the Lenders may require.

"Eligible Subsidiary" means any of the Eligible Subsidiaries.

"Environment" means soil, surface waters, ground waters, land, streams, sediments, surface or subsurface strata and ambient air.

"Environmental Laws" means all federal, state, local and foreign laws or regulations, codes, common law, consent agreements, orders, decrees, judgments or injunctions issued, promulgated, approved or entered thereunder relating to pollution or protection of the Environment, natural resource or occupational health and safety.

"Environmental Liabilities and Costs" means all liabilities, obligations, responsibilities, remedial actions, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, expert and consulting fees and costs of investigation and feasibility studies), fines, penalties, settlement costs, sanctions and interest incurred as a result of any claim or demand, by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, any Environmental Law, permit, order, variance or agreement with a Governmental Authority or other Person, arising from or

related to the administration of any Environmental Law or arising from environmental, health or safety conditions or a release or threatened release resulting from the past, present or future operations of the Borrower or its Subsidiaries or affecting any of their properties, or any release or threatened release for which the Borrower or any of its Subsidiaries is otherwise responsible under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulation thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA Insolvency" or "ERISA Insolvent" means, at any particular time, a Multiemployer Pension Plan is insolvent within the meaning of Section 4245 of ERISA.

"Eurodollar Base Rate" means, with respect to any Borrowing of Eurodollar Loans for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/16 of 1%) which appears on Telerate Page 3750 for Dollar deposits comparable to the amount of such Borrowing in the London interbank market as of 11:00 a.m. London time (or as soon thereafter as practicable) on the date two (2) Business Days prior to the first day of such Interest Period having a term comparable to such Interest Period. If such Telerate Page is unavailable, the "Eurodollar Base Rate" shall mean with respect to any Borrowing of Eurodollar Loans for any Interest Period therefor, the arithmetic average (rounded upwards, if necessary, to the nearest 1/16 of 1%) of the rates per annum which appear on the Reuters Screen LIBO Page, or if such Reuters Screen LIBO Page is unavailable, the "Eurodollar Base Rate" shall mean with respect to any Borrowing of Eurodollar Loans for any Interest Period therefor, the arithmetic average (rounded upwards, if necessary, to the nearest 1/16 of 1%) of the rates per annum for Dollar deposits comparable to the amount of such Borrowing offered to each of the Reference Lenders in the London interbank market as of 11:00 a.m. London time (or as soon thereafter as practicable) on the date two (2) Business Days prior to the first day of such Interest Period of Dollar deposits having a term comparable to such Interest Period.

"Eurodollar Loans" means Loans or portions thereof interest rates on which are determined on the basis of the Eurodollar Rate.

"Eurodollar Rate" means, with respect to any Borrowing of Eurodollar Loans for any Interest Period

therefor, the rate per annum (rounded upward, if necessary, to the nearest 1/16 of 1%) determined by the Agent to be equal to (i) the Eurodollar Base Rate for such Borrowing for such Interest Period divided by (ii) one (1) minus the Reserve Requirement. The Eurodollar Rate for any Interest Period will be determined initially by the Agent on the basis of the Reserve Requirement in effect on the date two (2) Business Days prior to the commencement of such Interest Period and, from time to time thereafter during such Interest Period, such Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Requirement during such Interest Period.

"Event of Default" means any of the events set forth in Section 7.1.

"Excess Cash Flow" means, for any Fiscal Year, the excess of : (a) Cash Flow for such Fiscal Year minus (b) the sum of (i) the lesser of the amount of Consolidated Capital Expenditures permitted during such Fiscal Year pursuant to Section 6.2.5 and actual Consolidated Capital Expenditures during such Fiscal Year, provided, however, that to the extent that such Consolidated Capital Expenditures are funded with Capitalized Leases or Purchase Money Indebtedness, only the annual principal amount of payments shall be included under this clause (i), plus (ii) repayments of the Term Loan during such Fiscal Year pursuant to clauses (c), (d) and (e) of Section 3.3.1 and repayments by Borrower or any of its Subsidiaries of promissory notes issued in connection with any Acquisition approved hereunder, minus (c) Approved Acquisition Expenditures to the extent not funded with Term Loan C, plus the Earnout payments and Earnout ASA payments associated with Approved Acquisition Expenditures to the extent not funded with Term Loan C.

"Facility Fee Letter" means the letter agreement, dated as of the Closing Date, between ING and the Borrower.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to:

(a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the arithmetic average of the

quotations for such transactions received by the Agent, in its sole discretion, either from (i) three federal funds brokers of recognized standing selected by the Agent in its sole discretion or (ii) the Reference Lenders.

"Financing Statements" means the financing statements under the Uniform Commercial Codes of the applicable jurisdictions, filed with respect to the Security Documents pursuant to clause (c) of Section 4.1.8.

"Fiscal Quarter" means any quarter of a Fiscal Year.

"Fiscal Year" means, subject to Sections 6.2.16 and 9.14 (b), each twelve-month accounting period ending December 31. References to a Fiscal Year with a number corresponding to any calendar year (e.g., the "1996 Fiscal Year") refer to the Fiscal Year ending on December 31 in such calendar year.

"Fixed Charge Coverage Ratio" means, for any period, the ratio of (a) EBITDA for such period to (b) Fixed Charges during such period.

"Fixed Charges" means, for any period, the sum of (a) Interest Expense during such period, plus (b) scheduled repayments of Indebtedness (including, without limitation, scheduled payments of principal in respect of Capitalized Lease Liabilities), plus (c) Consolidated Capital Expenditures by the Borrower and its Subsidiaries during such period (but excluding any Capitalized Lease Liabilities included within such Consolidated Capital Expenditures), plus (d) provisions for taxes for such period.

"Foreign Lender" means any Lender organized under the laws of a jurisdiction outside the United States.

"F.R.S. Board" means the Board of Governors of the Federal Reserve System (or any successor).

"Furash" means Furash & Company, Inc., a Maryland corporation which is a wholly-owned Subsidiary of the Borrower.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States.

"Goldstein Note" means that certain promissory note dated May 31, 1996 made by Gary S. Goldstein payable to the order of the Borrower in the original principal amount of \$1,065,722 and having a balance on the Closing Date of \$928,189.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"HCSS" means Headway Corporate Staffing Services, Inc., a Delaware corporation which is a wholly owned Subsidiary of the Borrower.

"Headway Personnel" means Headway Personnel, Inc., a Delaware corporation which is a wholly-owned Subsidiary of HCSS.

"herein", "hereof", "hereto", "hereunder" and similar terms contained in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular Section, clause or provision of this Agreement or such other Loan Document.

"Historical Pro Forma Adjusted EBITDA" means trailing twelve month historical EBITDA adjusted for reasonable non-recurring expenses to reflect historical financial performance of the acquisition target as if Borrower had been the owner and operator of such business, as adjusted by the Borrower in accordance with GAAP.

"HNC" means Headway Corporate Staffing Services of North Carolina, Inc., a Delaware corporation which is a wholly-owned subsidiary of HCSS.

"Incepta Shares" means all shares of stock of Incepta Group plc, an English company, owned by the Borrower and its Subsidiaries which, as of the Closing Date, is equal to 8,853,476 ordinary shares.

"including" means including without limiting the generality of any description preceding such term.

"Indebtedness" of any Person means, without duplication:

(a) all obligations of such Person for borrowed money (including all notes payable and drafts accepted representing extensions of credit) and all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments on which interest charges are customarily paid;

(b) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for the account

of such Person;

(c) all Capitalized Lease Liabilities of such Person (to the extent required by GAAP to be included on the balance sheet of such Person);

(d) whether or not so included as liabilities in accordance with GAAP (i) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable for other than borrowed money arising in the ordinary course of business) and indebtedness secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse, and (ii) all obligations of such Person in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise assure a creditor against loss in respect of, Indebtedness of another Person;

(e) all net obligations of such Person under Interest Rate Contracts; and

(f) all obligations of such Person to redeem, purchase or otherwise retire or extinguish any of its Stock at a fixed or determinable date (whether by operation of a sinking fund or otherwise), at another's option or upon the occurrence of a condition not solely within the control of such Person (e.g., redemption from future earnings).

"Indemnified Liabilities" means any and all actions, causes of action, suits, losses, costs, liabilities, damages and expenses incurred by or asserted or awarded against any Lender Party and against which the Borrower has indemnified the Lender Parties as provided in Section 9.4.

"ING" means ING (U.S.) Capital Corporation, a Delaware corporation.

"ING Alternate Base Rate" means a fluctuating rate of interest per annum equal to the higher of:

(a) the arithmetic average of rates of interest announced by each of the Reference Lenders from time to time at such Reference Lender's principal New York City office as its prime (or base) rate for U.S. domestic commercial loans; and

(b) the Federal Funds Rate from time to time in effect plus 1/2 of 1% (0.50%).

Changes in the rate of interest on the Base Rate Loans shall take effect on the date of each change in the ING Alternate Base Rate. The Agent shall give notice promptly to the Borrower and the Lenders of changes in the ING Alternate Base Rate.

"Instrument" means any contract, agreement, letter of credit, indenture, mortgage, deed, certificate of title, document or writing (whether by formal agreement, letter or otherwise) under which any obligation is evidenced, assumed or undertaken, any Lien (or right or interest therein) is granted or perfected, or any property (or right or interest therein) is conveyed.

"Intellectual Property" means, collectively, (a) patents, patent rights and patent applications, copyrights and copyright applications, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights, applications for registration of trademarks, trade names and service marks, fictitious names registrations and trademark, trade name and servicemark registrations, including, without limitation, the names Whitney Group, Viva, On-Line, Vogue and Vogue Personnel Services, Inc. and all derivations thereof, and (b) patent licenses, trademark licenses, copyright licenses and other licenses to use any of the items described in clause (a), or any other items necessary to conduct or operate the business of the Borrower and its Subsidiaries.

"Interest Coverage Ratio" means, for any period, the ratio of (a) EBITDA for such period to (b) Interest Expense during such period.

"Interest Expense" means, for any period, the sum of the Borrower's consolidated interest expense accrued during such period in respect of all Indebtedness of the Borrower and its Subsidiaries.

"Interest Period" means, relative to any Eurodollar Loans comprising part of the same Borrowing, the period beginning on (and including) the date on which such Eurodollar Loans are made or continued as, or converted into, Eurodollar Loans pursuant to Section 3.1 or Section 3.4.3 and ending on (but excluding) the date which numerically corresponds to such date one, two, three or six months thereafter (or, if such month has no numerically corresponding date, on the last Business Day of such month), in either case as the Borrower may select in its relevant notice pursuant to Section 3.1 or Section 3.4.3; provided, however, that:

(a) the Borrower shall not be permitted to select Interest Periods to be in effect at any one time which have

expiration dates occurring on more than five (5) dates with respect to the Term Loans and two (2) dates with respect to the Revolving Loans;

(b) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day (unless such next following Business Day is the first Business Day of a calendar month, in which case such Interest Period shall end on the Business Day next preceding such numerically corresponding date);

(c) in the case of Interest Periods for Revolving Loans, no such Interest Period may end later than the Stated Maturity Date for Revolving Loans; and

(d) in the case of Interest Periods for the Term Loans no such Interest Period may end later than (i) the Stated Maturity Date of the Term Loans or (ii) the date of any principal repayment with respect to the Term Loans as set forth in clauses (c), (d), and (e) of Section 3.3.1, if on such date the Borrower otherwise would be required to repay any portion of any Borrowing prior to the end of the Interest Period relative to such Borrowing.

"Interest Rate Contract" means any interest rate cap agreement, interest rate collar agreement, interest rate swap agreement or other agreement or arrangement designed to protect against fluctuations in interest rates.

"Internal Revenue Service" means the Internal Revenue Service of the United States of America.

"Investment" means, relative to any Person:

(a) any loan or advance made by such Person to any other Person (excluding commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business);

(b) any ownership or similar interest held by such Person in any other Person; and

(c) the purchase of any debt or equity securities or instruments issued by any other Person (including, without limitation, Stock, notes, debentures, drafts and acceptances, trust certificates, partnership interests or units or membership interests in limited liability companies).

The amount of any Investment of the nature referred to in clause (a) or (b) shall be the original principal or capital amount thereof less all returns of principal or equity thereon

(and without adjustment by reason of the financial condition of such other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property.

"IRC" means the Internal Revenue Code of 1986, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of the IRC also refer to any successor sections.

"Irene Cohen" means Irene Cohen Temps, Inc., a New York corporation which is a wholly-owned Subsidiary of HCSS.

"Lender" means any of the various lenders as are, or may from time to time become, parties to this Agreement.

"Lender Parties" means, collectively, the Agent and each Lender, and each of their respective successors and assigns, and each of the respective officers, directors, employees, attorneys and agents of the Agent and each Lender and of each of their respective successors and assigns, indemnified by the Borrower as provided in Section 9.4.

"Letter of Credit Commitment" means the collective commitments of the Lenders to issue, or jointly apply for, Letters of Credit, not in excess of \$500,000 in the aggregate, pursuant to Section 2.1.4 if the conditions set forth in Section 4.1 and 4.2 are met.

"Letter of Credit Percentage" of any Lender means, at any time, in respect of the Letters of Credit, the percentage set forth opposite such Lender's signature hereto under the caption "Percentage," as the same may be adjusted pursuant to Section 9.11.

"Letters of Credit" means the letters of credit issued pursuant to Article 2 hereof for the account of the Borrower or an Eligible Subsidiary, or the joint account with the Agent, pursuant to the Letter of Credit Commitments.

"Leverage Ratio" means, for any period, the ratio of (a) the aggregate outstanding principal amount of Indebtedness of the Borrower and its Subsidiaries as of the last day of such period to (b) EBITDA for such period.

"Lien" means any mortgage, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, lien (statutory or other), adverse claim or preference, priority or other security agreement or preferential arrangement of any

kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease involving substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC or comparable law of any jurisdiction).

"Loan" means, as the context may require, the Term Loans or the Revolving Loans.

"Loan Documents" means, collectively, this Agreement, the Notes, the Letters of Credit, each Security Document, each Borrowing Request, any Interest Rate Contract entered into by the Borrower with a Lender that has executed and delivered to the Agent an acknowledgment in the form of Exhibit F, and each other Instrument executed and delivered by the Borrower as of the date hereof or at any time thereafter, in connection with the transactions contemplated by this Agreement, in each case, as amended, modified or supplemented from time to time.

"Loan Party" means any of the Borrower, its Subsidiaries which is a party to any of the Loan Documents.

"Loss" means any loss, damage, destruction, theft, or seizure of, or any other casualty with respect to, or any condemnation of, any property or asset of any Person in an amount in excess of \$100,000 individually or \$250,000 in the aggregate for any Fiscal Year; and the "amount" of any Loss means (i) if such asset or property is repaired or replaced, the greater of (A) the cost to repair or replace the property or asset that was the subject of such Loss and (B) the amount of insurance proceeds or condemnation awards payable as a result of such Loss, and (ii) if such asset or property is not repaired or replaced, the amount of insurance proceeds or condemnation awards payable as a result of such loss.

"Material Adverse Change" means a material adverse change in (a) the condition (financial or otherwise), operations, performance, business, properties or prospects of the Borrower and its Subsidiaries taken as a whole; or (b) the rights and remedies of the Lenders or the Agent under the Loan Documents; or (c) the ability of the Borrower to repay the Obligations or of the Borrower or any Subsidiary to perform their respective obligations under the Loan Documents; or (d) the legality, validity or enforceability of any Loan Document; or (e) the Liens granted the Agent pursuant to the Security Documents.

"Maturity" means relative to any Loan or portion thereof, the earlier of such Loan's Stated Maturity Date or such other date when such Loan or portion thereof shall be or

become due and payable in accordance with the terms of this Agreement, whether by required repayment, prepayment, declaration or otherwise.

"Mortgage" means any mortgage, deed of trust, deed to secure debt, leasehold mortgage, leasehold deed of trust or leasehold deed to secure debt covering real property, as such instruments are originally executed or supplemented, amended, renewed, extended or otherwise modified from time to time.

"Multiemployer Pension Plan" means a Multiemployer Plan which is subject to Subtitle E of Title IV of ERISA.

"Multiemployer Plan" means a Plan which is a "multiemployer plan" within the meaning of Section 3(37) of ERISA.

"Net Disposition Proceeds" means, with respect to any disposition of the assets of the Borrower or any Subsidiary, the excess of: (a) the gross cash proceeds received by the Borrower or any Subsidiary from such disposition (including any cash proceeds subsequently received in respect of notes and other non-cash proceeds received by the Borrower or any of its Subsidiaries from such disposition), minus (b) the sum of (i) all reasonable out-of-pocket fees and expenses incurred in connection therewith, plus (ii) all taxes paid or payable in connection with such sale.

"Net Income" means, as to any Person, for any period, the net income (or loss) of such Person for such period, determined in accordance with GAAP, but excluding extraordinary gains or losses for such period.

"Net Indebtedness Proceeds" means, with respect to the issuance or incurrence by the Borrower or any Subsidiary of any Indebtedness, the excess of: (a) the gross cash proceeds received by the Borrower or any Subsidiary from such Indebtedness, minus (b) all reasonable out-of-pocket fees and expenses incurred in connection therewith.

"Net Securities Proceeds" means, with respect to the issuance or sale by the Borrower or any Subsidiary of any equity securities (not including upon the exercise of existing stock options or employee stock options or any dividend investment plan), the excess of: (a) the gross cash proceeds received by the Borrower or any Subsidiary from such issuance and sale minus (b) all reasonable out-of-pocket fees and expenses incurred in connection with such issuance and sale.

"Note" means, as the context may require, any Term

Note or any Revolving Note.

"Notes" means, collectively, the Term Notes and the Revolving Notes.

"Obligations" means all payment and performance obligations of the Loan Parties (monetary or otherwise) arising under or in connection with this Agreement, the Notes, the Letters of Credit and the other Loan Documents.

"Organic Document" means, relative to any Person, its articles or certificate of incorporation or organization or certificate of limited partnership or organization, its bylaws, partnership or operating agreement or other organizational documents, and all stockholders agreements, voting trusts and similar arrangements applicable to any of its Stock or partnership interests or other ownership interests.

"Original Closing Date" means May 31, 1996.

"Participant" means the banks or other entities that purchase participating interests in any Loan, Note, Revolving Loan Commitment, or Letter of Credit or other interest hereunder, as provided in clause (a) of Section 9.11.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Plan" means any Plan which is subject to the provisions of Title IV of ERISA, or to the provisions of Section 302 of ERISA or Section 412 of the IRC.

"Percentage" means, as the context requires, either (a) the Revolving Percentage, (b) the Term Percentage, (c) the Letter of Credit Percentage or (d) all of the above.

"Person" means any natural person, corporation, partnership, limited liability company, firm, association, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

"Plan" shall mean, at a particular time, any employee benefit plan (within the meaning of Section 3(3) of ERISA), which is covered by ERISA and in respect of which the Borrower, a Subsidiary or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Plan Reorganization" means with respect to any Multiemployer Pension Plan, the condition that such plan is in reorganization within the meaning of such term as used in Section 4241 of ERISA.

"Plan Reportable Event" means (i) a reportable event described in Section 4043 of ERISA and regulations thereunder (other than any reportable event described in Section 4043(b)(2) or (7)), (ii) a withdrawal by a "substantial employer" (within the meaning of Section 4001(a)(2) of ERISA) from a Single Employer Plan to which more than one employer contributes, as referred to in Section 4063(b) of ERISA, or (iii) a cessation of operations at a facility causing more than twenty percent (20%) of participants under a Single Employer Plan to be separated from employment, as referred to in Section 4062(e) of ERISA.

"Post-Default Rate" means (a) in the case of each Loan, the sum of the rate per annum otherwise applicable to such Loan from time to time plus two percent (2%) per annum and (b) in the case of all other Obligations, the sum of the highest rate per annum then applicable to any Loan (other than by application of the Post-Default Rate) plus two percent (2%) per annum.

"Prior Closing Date" means June 6, 1997.

"Projections" means the projected balance sheets and statements of operations and changes in cash flows of the Borrower (after giving effect to the Acquisition - ASS and Acquisition - ASA) for the Fiscal Years 1997-2005 inclusive, together with supporting details and a statement of underlying assumptions, which have been delivered to the Lenders prior to the Closing Date.

"Purchase Money Indebtedness" means Indebtedness incurred to finance part or all of (but not more than) the purchase price of equipment in which neither the Borrower nor any of its Subsidiaries had an interest at any time prior to such purchase.

"Purchasing Lender" means any Person purchasing all or any part of the rights and obligations under this Agreement and the Notes of any Lender pursuant to a Transfer Supplement in accordance with Section 9.11.

"Quarterly Payment Date" means the last day of each March, June, September and December or, if such day is not a Business Day, the immediately preceding Business Day.

"Reference Lenders" means, collectively, The Chase

Manhattan Bank, N.A. (or any successor thereto), Citibank, N.A. and Morgan Guaranty Trust Company of New York.

"Register" means the register for the recordation of the names and addresses of the Lenders and the Revolving Loan Commitment of, and the principal amounts of the Loans owing to, each Lender from time to time, as provided in clause (c) of Section 9.11.

"Regulatory Approval" means each and every approval, consent, filing and registration by or with any federal, state or other regulatory authority (domestic or foreign) necessary to authorize or permit the execution, delivery or performance of this Agreement, the Notes or any other Loan Document, for the granting of any security contemplated hereby or thereby, for the validity or enforceability hereof or thereof, or for the consummation of the transaction contemplated by the Loan Documents, including, without limitation, the Acquisition.

"Regulatory Change" means, as to any or all of the Lenders or the Agent, the adoption of or any change in (including, without limitation, any change in the interpretation of) any:

(a) United States federal or state law or foreign law applicable to the Agent or such Lender; or

(b) regulation, interpretation, directive, guideline or request (whether or not having the force of law) applicable to the Agent or such Lender of any court or Governmental Authority charged with the interpretation or administration of any law referred to in clause (a) or of any central bank or fiscal, monetary or other authority having jurisdiction over the Agent or such Lender.

"Required Lenders" means, as the context may require at any time, Lenders having, in the aggregate, 66-2/3% or more of the Revolving Loan Commitment, the Revolving Loans, the Term Loans, the Letters of Credit and the Letter of Credit Commitment.

"Requirements of Law" means, as to any Person, the Organic Documents of such Person, and all federal, state and local laws, rules, regulations, orders, decrees or other determinations of an arbitrator, court or other Governmental Authority, including, without limitation, all disclosure and other requirements of ERISA, the requirements of Environmental Laws and Environmental Permits, the requirements of OSHA, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserve Requirement" means, relative to any Interest Period for any Eurodollar Loans, from time to time during such Interest Period, the reserve percentage (expressed as a decimal) equal to the maximum aggregate reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) specified under regulations issued from time to time by the F.R.S. Board and then applicable to assets or liabilities consisting of or including "Eurodollar Liabilities", as currently defined under Regulation D of the F.R.S. Board, having a term approximately equal or comparable to such Interest Period.

"Responsible Officer" means the chief executive officer, the chief operating officer or the chief financial officer of any Person.

"Revolving Loan" means, relative to any Lender, any Loan made by such Lender to the Borrower pursuant to Section 2.1.2.

"Revolving Loan Availability" means, on any date, the excess of (a) the Revolving Loan Commitment Amount minus (b) the then aggregate principal amount of all outstanding Revolving Loans.

"Revolving Loan Commitment" means the collective commitments of the Lenders to make Revolving Loans pursuant to Section 2.1.2 if the conditions set forth in Section 4.1 and 4.2 are met.

"Revolving Loan Commitment Amount" means \$16,500,000 plus the unused portion, if any, of the Letter of Credit Commitment.

"Revolving Loan Commitment Termination Date" means the earliest of:

- (a) the Stated Maturity Date for Revolving Loans;
- (b) immediately and without further action upon the occurrence of any Event of Default described in Section 7.1.4;
- (c) immediately when any other Event of Default shall have occurred and be continuing and either:
 - (i) the Revolving Loans shall be declared to be due and payable pursuant to Section 7.3; or

(ii) in the absence of such declaration, the Agent, acting at the direction of the Required Lenders, shall give notice to the Borrower that the Revolving Loan Commitment has been terminated; and

(d) immediately upon the occurrence of a Change in Control.

"Revolving Note" means a promissory note of the Borrower dated the date hereof and substantially in the form of Exhibit E-1, and shall also refer to all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"Revolving Percentage" of any Lender means, at any time, in respect of the Revolving Loan Commitment and the Revolving Loans, the percentage set forth opposite such Lender's signature hereto under the caption "Percentage," as the same may be adjusted pursuant to Section 9.11.

"Secretary" means, with respect to any Person, the secretary, assistant secretary, clerk, assistant clerk or comparable officer of such Person.

"Security Agreement" means the Security Agreement, dated as of the Original Closing Date, made by the Borrower and its Subsidiaries in favor of the Agent, for its benefit and the ratable benefit of the Lenders as originally in effect on the Original Closing Date and as thereafter from time to time amended, supplemented, amended and restated, extended or otherwise modified and in effect.

"Security Documents" means, collectively, the Security Agreement, the Borrower Pledge Agreement, the Borrower Trademark Assignment, the Subsidiary Guaranty, the Subsidiary Pledge Agreement, the Subsidiary Trademark Assignment, the assignment of "key-man" life insurance described in clause (g) of Section 4.1.8, the assignment of the Interest Rate Contracts described in Section 6.1.13, the assignment of rights described in clause (f) of Section 4.1.8, each other Instrument at any time delivered in connection with this Agreement to secure the Obligations.

"Sellers" means the "Stockholders" as such terms is defined in the Acquisition Agreement.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Solvent" means, with respect to any Person on a particular date, that on such date (i) the fair value of the

assets of such Person (both at fair valuation and at present fair saleable value) is, on the date of determination, greater than the total amount of liabilities of such Person (including all liabilities and obligations of such Person, fixed or contingent, direct or indirect, disputed or undisputed, and whether or not required to be reflected on a balance sheet prepared in accordance with GAAP), (ii) such Person is able to pay all liabilities of such Person as they mature, and (iii) such Person does not have unreasonably small capital with which to carry on its business. The amount attributed to contingent liabilities shall be discounted to reflect the likelihood that such liabilities shall become payable.

"Stated Maturity Date" means, with respect to (i) the Revolving Loans, September 30, 2002, which may be subject to a 21-month extension at the sole discretion of the Lenders; (ii) Term Loan A, June 30, 2002; (iii) Term Loan B, June 30, 2004; (iv) Term Loan C, September 30, 2003, and (v) the Letters of Credit Commitment, September 30, 2002, which may be subject to a 21-month extension at the sole discretion of the Lenders.

"Stock" means all shares of capital stock of or in a corporation, whether voting or non-voting, and including, without limitation, common stock and preferred stock.

"Subsidiary" of any corporation means any other corporation greater than 50% of the outstanding shares of Stock of which having ordinary voting power for the election of directors is owned directly or indirectly by such corporation, and, except as otherwise indicated herein, references to Subsidiaries shall refer to Subsidiaries of the Borrower. For purposes of this Agreement and the other Loan documents, references to Subsidiaries of the Borrower shall include, at all times, the Eligible Subsidiaries.

"Subsidiary Guaranty" means the Subsidiary Guaranty, dated as of the Original Closing Date, made by each of the Borrower's Subsidiaries in favor of the Agent and the Lenders as originally in effect on the Original Closing Date and as thereafter from time to time amended, supplemented, amended and restated, extended or otherwise modified and in effect.

"Subsidiary Note" means a promissory note made by a Subsidiary payable to the Borrower and meeting the requirements of Section 6.2.7(e).

"Subsidiary Pledge Agreement" means the Stock and Notes Pledge Agreement, dated as of the Original Closing Date, made by each of HCSS and Whitney Partners (as successor by merger to AFGL, Inc.) in favor of the Agent, for its benefit

and the ratable benefit of the Lenders, as originally in effect on the Original Closing Date and as thereafter from time to time amended, supplemented, amended and restated, extended or otherwise modified and in effect, pursuant to which each Subsidiary shall pledge to the Agent all of the Stock of companies incorporated in the United States held by such Subsidiary, all of the Stock of companies incorporated in countries other than the United States (up to sixty-six percent (66%) of all of the issued and outstanding Stock of any such company) held by such Subsidiaries, and all promissory notes, other instruments and securities held by such Subsidiary as security for the Obligations.

"Subsidiary Trademark Assignment" means the Collateral Assignment and Security Agreement (Trademarks), dated as of the Original Closing Date, made by the Subsidiaries in favor of the Agent, for its benefit and the ratable benefit of the Lenders as originally in effect on the Original Closing Date and as thereafter from time to time amended, supplemented, amended and restated, extended or otherwise modified and in effect.

"Taxes" means all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on or measured by its net income and franchise taxes imposed on it.

"Temporary Staffing Business" means the business of the placement or provision of temporary, permanent, "payrolled" or leased personnel. For the purposes of this definition, "payrolled" employees means (i) those employees who are hired by an entity on behalf of a client and are considered as full-time permanent employees of such client, but whose compensation is paid by such entity, or (ii) those employees of an entity who are considered to be payrolled employees under industry practice or understanding prevailing at the time.

"Term Loan A" means the Term Loan having an outstanding principal balance of \$9,000,000 as of the Closing Date.

"Term Loan B" means the Term Loan in the maximum principal amount of \$8,000,000 as of the Closing Date.

"Term Loan C" means the facility to be used for funding acquisitions by the Borrower which are approved by the Required Lenders in the original maximum principal amount of \$16,000,000.

"Term Loans" means, collectively, Term Loan A in the maximum principal amount of \$9,000,000, Term Loan B in the maximum principal amount of \$8,000,000, and Term Loan C in the maximum principal amount of \$16,000,000, in an aggregate principal amount equal to \$33,000,000 made to the Borrower or such lesser principal amounts outstanding on or after the Closing Date by the Lenders pursuant to Section 2.1.1.

"Term Loan Commitment" means the collective commitments of the Lenders to extend the Term Loans pursuant to Section 2.1.1.

"Term Notes" means, collectively, Term Note A, Term Note B, and Term Note C.

"Term Note A" means a promissory note of the Borrower dated the date hereof and substantially in the form of Exhibit E-2, and shall also refer to all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"Term Note B" means a promissory note of the Borrower dated the date hereof and substantially in the form of Exhibit E-3, and shall also refer to all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"Term Note C" means a promissory note of the Borrower dated the date hereof and substantially in the form of Exhibit E-4, and shall also refer to all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"Term Percentage" of any Lender means, at any time, in respect of each of the Term Loans, the percentage set forth opposite such Lender's signature hereto under the caption "Percentage," as the same may be adjusted pursuant to Section 9.11.

"Transfer Supplement" means a Commitment Transfer Supplement, substantially in the form of Exhibit F, executed pursuant to Section 9.11.

"type" means, relative to any Borrowing or Loan, the portion thereof being maintained as a Base Rate Loan or a Eurodollar Rate Loan.

"UCC" means the Uniform Commercial Code of any applicable jurisdiction, as in effect from time to time.

"United States" or "U.S." means the United States of

America, its 50 States and the District of Columbia.

"Whitney Asia Limited" means The Whitney Group (Asia) Limited, a corporation organized under the laws of Hong Kong which is 100% owned by Whitney Partners.

"Whitney Asia PTE" means Whitney Asia PTE Ltd., a corporation organized under the laws of Singapore which is 100% owned by the Borrower.

"Whitney Group" means Whitney Group (Europe) Limited, a corporation organized under the laws of the United Kingdom which is 100% owned by Whitney Partners.

"Whitney Partners" means Whitney Partners, Inc., a Delaware corporation which is a wholly-owned Subsidiary of the Borrower.

"written" or "in writing" means any form of written communication or a communication by means of telephonic facsimile device.

SECTION 1.2 Use of Defined Terms. Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meanings when used in the Disclosure Schedule and each Note, Borrowing Request, Compliance Certificate, Continuation/Conversion Notice, notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

SECTION 1.3 Cross-References. Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article or Section are references to such Article or Section of this Agreement or such other Loan Document, as the case may be, and unless otherwise specified, references in any Article, Section, or definition to any clause are references to such clause of such Section, Article or definition.

SECTION 1.4 Accounting and Financial Determinations. Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, all accounting determinations and computations hereunder or thereunder shall be made, and all financial statements required to be delivered hereunder or thereunder shall be prepared in accordance with GAAP.

ARTICLE 2.

COMMITMENTS

SECTION 2.1 Term Loans and Revolving Loan Commitment. Subject to the terms and conditions of this Agreement, each Lender severally and for itself alone agrees to make its Term Percentage of the Term Loans described in Section 2.1.1 and to provide its Revolving Percentage of the Revolving Loan Commitment described in Section 2.1.2.

SECTION 2.1.1 Term Loans.

(a) On the Closing Date, each Lender will make a Term Loan A advance to the Borrower equal to its Term Percentage of Term Loan A.

(b) On the Closing Date, each Lender will make a Term Loan B advance to the Borrower equal to its Term Percentage of Term Loan B.

(c) On and prior to September 30, 1998, each Lender will make available Term Loans to the Borrower, upon request of the Borrower and satisfaction of all conditions precedent contained herein, equal to its Term Percentage of Term Loan C up to the maximum aggregate amount of \$16,000,000, of which \$13,500,000 will be available for 12 months subsequent to the Closing Date for future Temporary Staffing Business acquisitions which are Approved Acquisition Expenditures. Of the funds remaining under Term Loan C, \$1,100,000 associated with Acquisition - ASS and \$1,400,000 associated with Acquisition - ASA, will be reserved and shall be available from July 30, 1998 to 37 months subsequent to the Closing Date solely to fund not more than the lesser of the Earnout or \$1,100,000 with respect to Acquisition - ASS and the Earnout - ASA or \$1,400,000 with respect to Acquisition - ASA.

SECTION 2.1.2. Revolving Loan Commitment. Subject to the limitations in Section 2.1.3, each Lender will, from time to time on any Business Day occurring during the period commencing on the Closing Date and continuing to (but not including) the Revolving Loan Commitment Termination Date, make Revolving Loans to the Borrower equal to its Revolving Percentage of the aggregate amount of any Borrowing of Revolving Loans requested by the Borrower to be made on such Business Day in accordance with Section 3.1.

SECTION 2.1.3. Limitations on Revolving Credit Commitment. No Lender shall be required to make any Revolving Loan, if after giving effect thereto:

(a) the then aggregate outstanding principal amount of all Revolving Loans plus the aggregate outstanding face

amounts of all Letters of Credit would exceed the lesser of (i) \$17,000,000 or (ii) the Borrowing Base; or

(b) the then aggregate outstanding principal amount of such Lender's Revolving Loans plus such Lender's Letter of Credit Percentage of the aggregate outstanding face amounts of all Letters of Credit would exceed its Revolving Percentage of the lesser of (i) \$17,000,000 or (ii) the Borrowing Base.

Subject to the terms hereof, the Borrower may from time to time borrow, prepay and reborrow Revolving Loans, in all cases pursuant to the Revolving Loan Commitment.

SECTION 2.1.4. Letter of Credit Commitment. Subject to the terms and conditions of this Agreement, the Borrower may request, in accordance with the provisions of this Section 2.1.4 and Section 2.1.5 and the other terms of this Agreement, that on and after the date hereof but prior to the Stated Maturity Date for the Letter of Credit Commitment, the Agent issue or, as a joint applicant with Borrower or an Eligible Subsidiary, that another institution issue a Letter or Letters of Credit for the account of the Borrower or an Eligible Subsidiary; provided (i) that the application for such Letters of Credit shall be in the form substantially identical to Exhibit G attached hereto, (ii) that no Letter of Credit shall have an expiration date later than one year after the date of issuance thereof (provided that a Letter of Credit may provide that it is extendible for consecutive one year periods); (iii) that no Letter of Credit issued hereunder shall have an expiration date (or be extended so that it will expire) later than the Stated Maturity Date for the Letter of Credit Commitment; and (iv) that the Borrower shall not request the issuance of any Letter of Credit, if, after giving effect to such issuance, either (x) the aggregate outstanding face amounts of all Letters of Credit would exceed \$500,000.00 or (y) the aggregate outstanding face amounts of all Letters of Credit plus the aggregate outstanding principal amount of the Revolving Loans would exceed the lesser of (i) \$17,000,000 or (ii) the Borrowing Base.

SECTION 2.1.5. Notice of Issuance of Letter of Credit; Agreement to Issue.

(a) Whenever the Borrower desires the issuance of a Letter of Credit, it shall, in addition to any application and documentation procedures required by the Agent for the issuance of or joint application for such Letter of Credit, deliver to the Agent a written notice no later than 11:00 AM (local time for the Agent) at least five (5) days in advance of the proposed date of issuance and the Agent shall promptly forward a copy of such notice to each of the Lenders. Each such notice shall specify (i) the proposed date of issuance

(which shall be a Business Day); (ii) the face amount of the Letter of Credit; (iii) the expiration date of the Letter of Credit; and (iv) the name and address of the beneficiary with respect to such Letter of Credit and shall attach a precise description of the documentation and a verbatim text of any certificate to be presented by the beneficiary of such Letter of Credit which would require the issuer to make payment under the Letter of Credit, provided that the Agent may require changes in any such documents and certificates in accordance with its customary letter of credit practices, and provided further, that no Letter of Credit shall require payment against a conforming draft to be made thereunder on the same Business Day that such draft is presented if such presentation is made after 11:00 AM (New York, New York time). In determining whether to pay any draft under any Letter of Credit, the Agent shall be responsible only to determine that the documents and certificate required to be delivered under its Letter of Credit have been delivered, and that they comply on their face with the requirements of the Letter of Credit. Promptly after receiving the notice of issuance of a Letter of Credit, the Agent shall notify each Lender of such Lender's respective participation therein, determined in accordance with its respective Letter of Credit Percentage.

(b) The Agent agrees, subject to the terms and conditions set forth in this Agreement, to issue for or jointly apply for the issuance on the account of the Borrower or an Eligible Subsidiary a Letter of Credit in a face amount equal to the face amount requested under paragraph (a) above, following its receipt of a notice required by Section 2.1.5(a). Immediately upon the issuance of or joint application for each Letter of Credit, each Lender shall be deemed to, and hereby agrees to, have irrevocably purchased from the Agent a participation in such Letter of Credit and any drawing thereunder in an amount equal to such Letter of Credit Percentage multiplied by the face amount of such Letter of Credit. Upon issuance and amendment or extension of any Letter of Credit, the Agent shall provide a copy of each such Letter of Credit issued, amended or extended hereunder to each of the Lenders.

SECTION 2.1.6. Payment of Amounts drawn under Letters of Credit.

(a) In the event of any request for a drawing under any Letter of Credit by the beneficiary thereof, the Agent shall notify the Borrower and the Lenders on or before the date on which the Agent or other issuer shall make any payment under such Letter of Credit, and the Borrower shall reimburse the Agent on the day on which such drawing is honored in an amount, in same day funds, equal to the amount of such

drawing. If the Borrower does not reimburse the Agent on the day on which such drawing is honored in an amount, in same day funds, equal to the amount of such drawing, such drawing shall be deemed to be a request by Borrower for a Base Rate Revolving Loan in the amount of such drawing and such Base Rate Revolving Loan may be used to repay the drawing under the Letter of Credit.

(b) Notwithstanding any provision of this Agreement to the contrary, to the extent that any Letter of Credit or portion thereof will remain outstanding after the Stated Maturity Date for the Letter of Credit Commitment, for any reason whatsoever, the parties hereto hereby agree that the beneficiary or beneficiaries thereof shall be deemed to have made a drawing of all available amounts pursuant to such Letters of Credit on the Stated Maturity Date for the Letter of Credit Commitment which amount shall be held by the Agent as cash collateral for its remaining obligations pursuant to such Letters of Credit.

(c) As between the Borrower and the Agent, the Borrower assumes all risk of the acts and omissions of, or misuse of, the Letters of Credit by the respective beneficiaries of such Letters of Credit, other than losses resulting from the gross negligence and willful misconduct of the Agent. In furtherance and not in limitation of the foregoing but subject to the exception for the Agent's gross negligence or willful misconduct set forth above, the Agent shall not be responsible (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of such Letters of Credit, even if it should in fact prove to be in any or all respects insufficient, inaccurate, fraudulent or forged or otherwise invalid; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof in whole or in part which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of any such Letter of Credit to comply fully with the conditions required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, telecopy or otherwise; (v) for good faith errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or the proceeds thereof; (vii) for the misapplication by the beneficiary of any such Letter of Credit; and (viii) for any consequences arising from causes beyond the control of the Agent.

SECTION 2.1.7. Payment by Lenders. In the event that the Borrower shall fail to reimburse the Agent as provided in Section 2.1.6, the Agent shall promptly notify each Lender of the unreimbursed amount of such drawing and of such Lender's respective participation therein. Each Lender shall make available to the Agent an amount equal to its respective participation, in Dollars and in immediately available funds, at the office of the Agent specified in such notice not later than 1:00 P.M. (New York, New York time) on the Business Day after the date notified by the Agent and such amount shall be deemed to be outstanding hereunder as a Base Rate Revolving Loan. Each Lender shall be obligated to make such Revolving Loan hereunder regardless of whether the conditions precedent in Article 4 are satisfied and regardless of whether such Revolving Loan complies with the minimum borrowing requirements hereunder. In the event that any such Lender fails to make available to the Agent the amount of such Lender's participation in such drawing under any Letter of Credit, the Agent shall be entitled to recover such amount on demand from such Lender together with interest as provided for in Section 3.4.2. The Agent shall distribute to each Lender which has paid all amounts payable under this Section with respect to any Letter of Credit, such Lender's Revolving Percentage of all payments received by the Agent from the Borrower in reimbursement of drawings honored by the Agent under such Letter of Credit when such payments are received.

SECTION 2.2. Changes in Advance Ratios; Establishment of Reserves.

SECTION 2.2.1 Advance Ratios. The Borrower acknowledges that the advance ratio against Eligible Accounts provided for in the definition of "Borrowing Base" in Section 1.1 have been established based upon the Agent's determination of the loan value of the Borrower's Eligible Accounts as of the date of this Agreement. Upon the occurrence and during the continuation of an Event of Default, based on the Agent's customary credit considerations, the Agent may decrease the advance ratios against Eligible Accounts, and any such decrease shall become effective immediately upon the Agent's giving notice thereof to the Borrower.

SECTION 2.2.2 Establishment of Reserves. The Agent shall have the right to establish, in such amounts, and with respect to such matters, as the Agent, based on the Agent's customary credit considerations, shall deem necessary or appropriate, reserves with respect to (i) Charges and Liens; (ii) Environmental Liabilities and Costs, (iii) sums as to which the Agent and the Lenders are permitted to make Revolving Loans on the Borrower's behalf under Section 3.3.3

of this Agreement; and (iv) such other matters, events, conditions or contingencies as to which the Agent, based on the Agent's customary credit considerations, reasonably determines reserves should be established from time to time hereunder.

SECTION 2.3 Commitment Fee

(a) The Borrower agrees to pay to the Agent, for the account of each Lender, a nonrefundable fee for the period from the Closing Date to and including the Revolving Loan Commitment Termination Date, equal to such Lender's Revolving Percentage of one-half of one percent (0.50%) per annum of (i) the difference between (A) the Revolving Loan Commitment Amount and (B) the average daily aggregate outstanding principal amount of all Revolving Loans and (ii) the unfunded portion of the Term Loan Commitment with respect to Term Loan C. The fee described in this Section 2.3(a) shall be calculated on a daily basis and shall be payable by the Borrower in arrears on each Quarterly Payment Date and on the Revolving Loan Commitment Termination Date.

(b) The Borrower agrees to pay to the Agent, for the account of each Lender, a nonrefundable fee for the period from the date hereof to and including the Revolving Loan Commitment Termination Date, equal to such Lender's Letter of Credit Percentage of two and three-quarters percent (2.75%) per annum of the aggregate outstanding face amounts of all Letters of Credit. The fee described in this Section 2.3(b) shall be calculated on a daily basis and shall be payable by the Borrower in arrears on each Quarterly Payment Date and on the Revolving Loan Commitment Termination Date.

SECTION 2.4. Increased Costs; Capital Adequacy

(a) The Borrower shall pay to each Lender from time to time on demand such amounts as such Lender may determine to be reasonably necessary to compensate it or its holding company for any costs which such Lender determines are attributable to its making or maintaining Loans, issuing or maintaining Letters of Credit (or participations therein), or maintaining Commitments hereunder or its obligation to make any such Loans or issue or maintain any Letters of Credit (or participations therein) hereunder, or any reduction in any amount receivable by such Lender hereunder in respect of any such Loans, Letters of Credit Commitments or obligation, in each case resulting from any Regulatory Change which: (i) changes the basis of taxation of any amounts payable to such Lender under this Agreement in respect of any of such Loans,

Letters of Credit (or participations therein) or Commitments (other than taxes imposed on the overall net income of such Lender or of its Applicable Lending Office); or (ii) imposes or modifies any reserve, special deposit, deposit insurance or assessment, minimum capital, capital ratio or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender or any holding company of such bank (including, without limitation, a request or requirement which affects the manner in which any Lender or the holding company of any thereof allocates capital resources to commitments, including the Commitments and obligations of such Lender hereunder). Each Lender will notify the Borrower of any event occurring after the date of this Agreement which will entitle such Lender to compensation pursuant to this clause (a) as promptly as practicable after it obtains knowledge thereof and determines to request such compensation.

(b) Without limiting the effect of the foregoing provisions of this Section 2.4 (but without duplication), the Borrower shall pay to each Lender from time to time upon demand by such Lender such amounts as the Lender may determine to be reasonably necessary to compensate such Lender for any costs which it determines are attributable to the maintenance by it or its holding company, pursuant to any law or regulation of any jurisdiction or any interpretation, directive or request (whether or not having the force of law) of any court or governmental or monetary authority, whether in effect on the date of this Agreement or thereafter, of capital in respect of its Loans or any Letters of Credit, its obligation to make the Loans, or issue or participate in any Letters of Credit hereunder (such compensation to include, without limitation, an amount equal to any reduction in return on assets or equity of such Lender or its holding company to a level below that which it could have achieved but for such law, regulation, interpretation, directive or request). The Lender will notify the Borrower with a copy to the Agent) if it is entitled to compensation pursuant to this clause (b) as promptly as practicable after it determines to request such compensation.

(c) Each notice delivered by any Lender pursuant to this Section 2.4 shall contain a statement of such Lender as to any such additional amount or amounts (including calculations thereof in reasonable detail) which shall, in the absence of manifest error, be conclusive of the matters stated therein and be binding upon the Borrower. In determining such amount, any Lender may use any method of averaging and attribution that it in good faith shall deem applicable.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder or under any other Loan Document, the agreements and obligations of the Borrower contained in this Section 2.4 shall survive the payment in full of principal, interest and other amounts payable hereunder and under the other Loan Documents for a period of one year after the date of the last payment.

(e) Notwithstanding anything in this Section 2.4 to the contrary, to the extent that notice is given by any Lender to the Borrower of any amount owing to such Lender under this Section 2.4 more than 180 days after the occurrence of the event giving rise to such obligation, such Lender shall not be entitled to compensation under this Section 2.4 for any amounts incurred or accruing 180 days prior to the giving of such notice to the Borrower.

(f) Each Lender agrees that, upon the occurrence of any event giving rise to a claim for any amount owing to such Lender under this Section 2.4, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another Applicable Lending Office, provided that such designation is made on terms that such Lender suffers no economic, legal, regulatory or other disadvantage, with the object of avoiding the consequence which gave rise to the claim for any amount owing under this Section 2.4.

ARTICLE 3.

LOANS AND NOTES

SECTION 3.1. Borrowing Procedure. By delivering a Borrowing Request to the Agent at the Agent's Atlanta Office on or before 11:00 a.m., New York City time, on a Business Day, the Borrower may (a) request, on not less than one (1) Business Day's advance notice in the case of Base Rate Loans and not less than three (3) Business Days' advance notice in the case of Eurodollar Loans, that Term Loan A and Term Loan B be made on the Closing Date; and (b) from time to time request, on not less than one (1) nor more than three (3) Business Days' notice, in the case of Base Rate Loans, and not less than three (3) nor more than five (5) Business Days' notice in the case of Eurodollar Loans, that a Borrowing of Revolving Loans or Term Loan C loans be made on the Business Day specified in such Borrowing Request. The Agent shall promptly notify the Lenders of each such Borrowing Request. Subject to Section 2.1.6(a), Borrowings of Base Rate Loans shall be in a minimum aggregate amount equal to \$100,000 and

in integral multiples of \$25,000 or, if less, the amount of the Revolving Loan Availability immediately prior to such Borrowing. Borrowings of Eurodollar Loans shall be in a minimum aggregate amount of \$250,000 and in integral multiples of \$50,000. Each Revolving Loan or Term Loan C loans shall be made on the Business Day specified in the Borrowing Request therefor (including the initial Revolving Loans to be made on the Closing Date), which Business Day shall be on or after the Closing Date. On such Business Day, each Lender shall, on or before 2:00 p.m., New York City time, deposit same day funds with the Agent in an amount equal to such Lender's Percentage of the requested Borrowing, such deposit to be made to such account as the Agent shall specify from time to time by notice to the Lenders. The proceeds of all Borrowings shall be made available to the Borrower on the Business Day specified in the Borrowing Request by wire transfer of such proceeds to such transferees, or to such accounts of the Borrower, as the Borrower shall have specified in the Borrowing Request therefor; provided, however, that in each case the Agent shall be required to make available to the Borrower the proceeds of any Borrowing only to the extent received by it in same day funds from the Lenders. No Lender's obligation to make any Loan shall be affected by any other Lender's failure to make any Loan.

SECTION 3.2. Notes. All Loans made by each Lender shall be evidenced:

(a) in the case of such Lender's portion of the Term Loans, by a Term Note payable to the order of such Lender in a principal amount equal to such Lender's Term Percentage of the Term Loans; and

(b) in the case of such Lender's Revolving Loans, by a Revolving Note payable to the order of such Lender in a principal amount equal to such Lender's Revolving Percentage of the Revolving Loan Commitment Amount.

The Borrower hereby irrevocably authorizes each Lender to make (or cause to be made) appropriate notations on a grid schedule attached to such Lender's Revolving Note (or on a continuation of any such grid attached to any Revolving Note and made a part thereof), which notations shall evidence, inter alia, the date and outstanding principal amount of the Revolving Loans evidenced thereby. The notations on any such grid (and on any such continuation) indicating the outstanding principal amount of such Lender's Revolving Loans shall be presumptive evidence of the principal amount thereof owing and unpaid, but the failure to record any such amount on any such grid (or on any such continuation) shall not limit or otherwise affect the obligations of the Borrower hereunder or under such Note to

make payments of principal of or interest on such Loans when due.

SECTION 3.3 Principal Payments. Repayments and prepayments of principal of the Loans shall be made in accordance with this Section 3.3.

SECTION 3.3.1 Repayments and Prepayments. The Borrower will make payment in full of all unpaid principal of each Loan at its Stated Maturity Date (or such earlier date as such Loan may become or be declared due and payable pursuant to Article 7). Prior thereto, the Borrower:

(a) may, from time to time on any Business Day, make a voluntary prepayment, in whole or in part, of the outstanding principal amount of any Loans; provided, however, that (i) as to partial prepayments of the Term Loans and Revolving Loans, all such voluntary prepayments shall require at least one (1) Business Day prior notice to the Agent, (ii) as to the Term Loans and the Revolving Loans, all such voluntary prepayments shall be in a minimum amount of \$50,000 (subject to the Borrower's right to prepay in full the entire unpaid principal amount of each Term Loan or the Revolving Loans, as the case may be), (iii) as to the Term Loans, all such voluntary prepayments shall be applied to such Term Loans as the Borrower shall indicate in such notice, and (iv) as to the voluntary prepayment in full of the Term Loans and the termination of the Revolving Loan Commitment and the Letter of Credit Commitment, such prepayment shall require at least five (5) Business Days prior written notice to the Agent;

(b) shall, on any Business Day on which the aggregate outstanding principal amount of all Revolving Loans plus the aggregate outstanding face amounts of all Letters of Credit exceeds the lesser of (i) \$17,000,000 or (ii) the Borrowing Base, make a mandatory prepayment of the outstanding principal amount of Revolving Loans in an amount equal to such excess amount;

(c) shall, on each Quarterly Payment Date, commencing on September 30, 1997, make a scheduled payment of a portion of the outstanding principal amount of the Term Loan A equal to the amount shown below opposite each such Quarterly Payment Date:

Quarterly

Principal

Quarterly Payment Dates Occurring During the Period from: Payment

Closing Date through (and including) June 30, 1998	362,500
July 1, 1998 through (and including) June 30, 1999	400,000
July 1, 1999 through (and including) June 30, 2000	437,500
July 1, 2000 through (and including) June 30, 2001	500,000
July 1, 2001 through (and including) June 30, 2002	550,000

(d) shall, on each Quarterly Payment Date, commencing September 30, 1998, make a scheduled payment of a portion of the outstanding principal amount of the Term Loan B equal to the amount shown below opposite each such Quarterly Payment Date:

Quarterly

Principal

Quarterly Payment Dates Occurring During the Period from: Payment

Closing Date through (and including) June 30, 1998	\$ 20,000
July 1, 1998 through (and including) June 30, 1999	\$ 20,000
July 1, 1999 through (and including) June 30, 2000	\$ 20,000
July 1, 2000 through (and including) June 30, 2001	\$ 20,000
July 1, 2001 through (and including) June 30, 2002	\$ 20,000
July 1, 2002 through (and including) June 30, 2003	\$ 250,000
July 1, 2003 through (and including) June 30, 2004	\$1,650,000

(e) shall, on each Quarterly Payment Date, commencing December 31, 1998, make a scheduled payment of a portion of the outstanding principal amount of the Term Loan C in the amount shown below opposite each such Quarterly Payment Date:

Quarterly Principal

Payment as a Percentage of the Total Term Loan C outstanding

Quarterly Payment Dates Occurring During the Period from: on September 30, 1998

December 31, 1998 through (and including) September 30, 1999	2.0%
October 1, 1999 through (and including) September 30, 2000	

3.4375%

October 1, 2000 through (and including) September 30, 2001
4.9375%

October 1, 2001 through (and including) September 30, 2002
5.9375%

October 1, 2002 through (and including) September 30, 2003
8.6875%

provided, however, to the extent advances under Term Loan C are made subsequent to September 30, 1998, such advances shall be repaid pro rata among the remaining payments set forth above, and, in any event, all amounts outstanding under Term Loan C shall be due and payable on the stated Maturity Date.

(f) shall, concurrently with the receipt by the Borrower or any Subsidiary of any Net Disposition Proceeds in excess of \$20,000 in the aggregate during any Fiscal Year, make a mandatory prepayment of the Loans, in each case in an aggregate amount equal to such Net Disposition Proceeds; provided, that should Borrower or any Subsidiary receive any Net Disposition Proceeds from the disposition of the Incepta Shares and no Default or an Event of Default shall have occurred and be continuing, (i) the mandatory prepayment of the Loans Borrower shall be required to make under this clause (f) of Section 3.3.1 shall be limited to one-third of such Net Disposition Proceeds; (ii) an additional one-third of such Net Disposition Proceeds shall be used to repay any outstanding Revolving Loans, if any; and (iii) one-third of such Net Disposition Proceeds shall be available to the Borrower or any Subsidiary to pay Approved Acquisition Expenditures incurred within one hundred eighty (180) days of such disposition, if Approved Acquisition Expenditures are not incurred within such period, the amounts subject to this clause (iii) shall be divided equally and applied as set forth in clauses (i) and (ii) above; provided, further, that this clause (f) of Section 3.3.1 shall not in any event be deemed a consent to any disposition by the Borrower or any Subsidiary which is otherwise prohibited by the terms of this Agreement or of any of the other Loan Documents;

(g) shall, concurrently with the receipt by the Borrower or any Subsidiary of any Net Securities Proceeds in excess of \$2,000,000 in the aggregate during the term of this Agreement, make a mandatory prepayment of the Loans if the Leverage Ratio as of the last Fiscal Quarter exceeds 3.00:1.00 in an aggregate amount sufficient to reduce the Leverage Ratio to 3.00:1.00; provided that this clause (e) of Section 3.3.1 shall not in any event be deemed a consent to any issuance of Stock or the incurrence of Indebtedness by the Borrower or any Subsidiary which is otherwise prohibited by the terms of this Agreement or of any of the other Loan Documents;

(h) shall, concurrently with receipt by the Borrower or any Subsidiary of any Net Indebtedness Proceeds in excess of \$50,000 in the aggregate during any Fiscal Year, make a mandatory prepayment of the Loans, in an aggregate amount equal to such Net Indebtedness Proceeds; provided that this clause (f) of Section 3.3.1 shall not in any event be deemed a consent to any issuance of Indebtedness by the Borrower or any Subsidiary which is otherwise prohibited by the terms of this Agreement or any of the other Loan Documents;

(i) shall, concurrently with the delivery of the financial information required under clause (a)(i) of Section 6.1.1 (but in no event later than the date such information is required to be delivered), make a mandatory prepayment of a portion of the outstanding principal amount of the Loans in an amount equal to 70% of Excess Cash Flow for the Fiscal Year with respect to which such financial information was delivered or is required to be delivered;

(j) shall, within 180 days after receipt by the Borrower or any Subsidiary or the Agent of any condemnation awards with respect to any Loss, make a mandatory prepayment of the Loans in an amount by which such condemnation awards exceed the actual cost incurred to replace or restore the property or asset which was the subject of such Loss as nearly as practicable to conditions prior to such Loss;

(k) shall, within 180 days after receipt by the Borrower or any Subsidiary or the Agent of any insurance proceeds with respect to any Loss resulting from a casualty, make a mandatory prepayment of the Loans in an amount by which such insurance proceeds exceed the actual cost incurred by the Borrower or such Subsidiary to repair or replace the property or asset which was the subject of the Loss or deemed Loss giving rise to such insurance proceeds;

(l) shall, within 180 days after receipt by the Borrower or any Subsidiary or the Agent of any insurance proceeds with respect to any Loss resulting from a liability, make a mandatory prepayment of the Loans in an amount by which such insurance proceeds exceed the amount of the liability to be satisfied with such proceeds (to the extent such liability is so satisfied);

(m) shall, concurrently with the receipt by the Borrower of any proceeds of the life insurance policies described in clause (b) of Section 6.1.5, make a mandatory prepayment of the Loans in an amount equal to the amount of such insurance proceeds;

(n) shall, concurrently with the receipt by the Borrower of any amount payable by the Sellers to the Borrower pursuant to or as a result of the breach by the Sellers of the Acquisition Agreement, make a mandatory prepayment in an aggregate amount equal to the amount so received;

(o) shall prepay the entire outstanding principal amount of the Loans together with accrued and unpaid interest and all of the outstanding Obligations hereunder upon the occurrence of a Change in Control; and

(p) shall, concurrently with the delivery of the Borrowing Base Certificate required under clause (i) of Section 6.1.1, make a mandatory prepayment of Revolving Loans in the amount, if any, by which the aggregate Revolving Loans outstanding and Letters of Credit outstanding exceed the Borrowing Base shown thereon.

SECTION 3.3.2. Application. Each prepayment or repayment of principal required under clauses (f) through (o) of Section 3.3.1 shall be applied (i) if made on or prior to September 30, 1998, first, pro rata to the scheduled installments due on Term Loan A under clause (c) of Section 3.3.1 and to the scheduled installments due on Term Loan B under clause (d) of Section 3.3.1, each in inverse order of maturity until Term Loan A and Term Loan B have been fully repaid; then to scheduled installments due on Term Loan C under clause (e) of Section 3.3.1 in inverse order of maturity and to any Revolving Loans, in each case on a pro rata basis until fully repaid, and (ii) if made thereafter, to the scheduled installments due on the Term Loans under clauses (c), (d), and (e) of Section 3.3.1 in inverse order of maturity, in each case on a pro rata basis until repaid, and then to any Revolving Loans.

SECTION 3.3.3. Revolving Loans on Borrower's Behalf. The Lenders are authorized to, and at their option may, make Revolving Loans on behalf of the Borrower for payment of all fees, expenses, charges, costs, principal and interest owed by the Borrower to the Lenders or the Agent under this Agreement and the other Loan Documents. Such Revolving Loans shall be made when and as the Borrower fails promptly to pay same, and all such Revolving Loans shall constitute Revolving Loans made to the Borrower and shall be secured by all of the Collateral.

SECTION 3.3.4. Reduction of Revolving Loan Commitment. The Revolving Loan Commitment shall be permanently reduced by the amount of any prepayments required to be applied to any Revolving Loans pursuant to Section 3.3.2

(such reduction to occur regardless of whether any Revolving Loans are outstanding).

SECTION 3.4 Interest. Interest on the outstanding principal amount of the Loans and other outstanding Obligations shall accrue and be payable in accordance with this Section 3.4.

SECTION Term Loan Rate. Subject to Section 3.4.4, the Term Loans or any portion thereof shall accrue interest at the following rates per annum, at the election of the Borrower, pursuant to an appropriately delivered Borrowing Request or Continuation/Conversion Notice:

(a) during such periods as Term Loan A or Term Loan C or any portion thereof are Base Rate Loans, the ING Alternate Base Rate (as in effect from time to time) plus 1.75%;

(b) during such periods as Term Loan A or Term Loan C or any portion thereof are Eurodollar Loans, for each Interest Period relating thereto, the Eurodollar Rate for such Interest Period plus 3.25%;

(c) during such periods as Term Loan B or any portion thereof is a Base Rate Loan, the ING Alternate Base Rate (as in effect from time to time) plus 2.00%;

(d) during such periods as Term Loan B or any portion thereof is a Eurodollar Loan, for each Interest Period relating thereto, the Eurodollar Rate for such Interest Period plus 3.50%.

SECTION 3.4.2. Revolving Loan Rate. Subject to Section 3.4.4, Borrowings of Revolving Loans shall accrue interest at the following rates per annum, at the election of the Borrower pursuant to an appropriately delivered Borrowing Request or Continuation/Conversion Notice:

(a) during such periods as such Borrowing consists of Base Rate Loans, the ING Alternate Base Rate (as in effect from time to time) plus 1.25%, and

(b) during such periods as such Borrowing consists of Eurodollar Loans, for each Interest Period relating thereto, the Eurodollar Rate for such Interest Period plus 2.75%.

SECTION 3.4.3. Continuation and Conversion Elections. By delivering a Continuation/Conversion Notice to the Agent on or before 11:00 a.m., New York City time, on a Business Day, the Borrower may from time to time irrevocably

elect, on not less than three (3) nor more than five (5) Business Days' notice, that all or any portion in an aggregate minimum amount of \$250,000 and an integral multiple of \$50,000 in excess thereof of Revolving Loans or the Term Loans be, in the case of Base Rate Loans, converted to Eurodollar Loans or continued as Eurodollar Loans; provided, however, that:

(a) each such continuation or conversion shall be pro rata among the applicable outstanding Term Percentages of the Term Loans or Revolving Percentages of Revolving Loans, as the case may be, of all Lenders; and

(b) no portion of the outstanding principal amount of any Loan may be continued as, or converted into, a Eurodollar Loan when any Default has occurred and is continuing.

The Agent shall give prompt telephonic notice to each Lender of the interest rate determined pursuant to this Section 3.4.3 with respect to such Loans. Absent delivery of a Continuation/Conversion Notice with respect to any Eurodollar Loan at least three (3) Business Days before the last day of the then current Interest Period with respect thereto, such Eurodollar Loan shall, on such last day, automatically convert to a Base Rate Loan.

SECTION 3.4.4. Post-Default Rates. From and after the occurrence of an Event of Default and during the continuance thereof, the Borrower shall pay interest (after as well as before judgment) on the outstanding principal amount of all Loans and other Obligations at a rate per annum equal to the Post-Default Rate applicable to such Loans and Obligations.

SECTION 3.4.5. Payment Dates. Accrued interest on any Loans shall be payable, without duplication:

(a) on the Stated Maturity Date applicable to such Loans;

(b) with respect to any portion of any Loan prepaid or repaid pursuant to Section 3.3.1, on the date such prepayment or repayment is due as provided in Section 3.3.1 and, in the case of a voluntary prepayment, on the date set forth in any notice required for such prepayment;

(c) with respect to Base Rate Loans, on each Quarterly Payment Date, commencing with the first such day following the Closing Date;

(d) with respect to Eurodollar Loans, on the last

day of each applicable Interest Period (and if such Interest Period shall exceed three months, also on the numerically corresponding day of the third calendar month after the commencement of such Interest Period);

(e) with respect to any Base Rate Loans converted into Eurodollar Loans on a day which is not a Quarterly Payment Date, on the date of such conversion; and

(f) on the date of acceleration of such Loans pursuant to Section 7.2 or 7.3.

Interest accruing at the Post-Default Rate and, to the extent permitted by applicable law, interest on overdue amounts (including overdue interest), shall be payable upon demand.

SECTION 3.4.6. Rate Determinations. All determinations by the Agent of the rate of interest applicable to any Loan shall be conclusive in the absence of manifest error.

SECTION 3.4.7. Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if on or prior to the determination of any Eurodollar Rate for any Interest Period:

(a) the Agent determines in good faith, which determination shall be conclusive, that quotations of interest rates for the relevant deposits referred to in the definition of "Eurodollar Rate" are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for Eurodollar Loans as provided herein; or

(b) the Required Lenders determine in good faith, which determination shall be conclusive, and notify the Agent that the relevant rates of interest referred to in the definition of "Eurodollar Rate" upon the basis of which the rate of interest for Eurodollar Loans for such Interest Period is to be determined are not likely to cover adequately the cost to such Lenders of making or maintaining Eurodollar Loans for such Interest Period;

then the Agent shall give the Borrower and each Lender prompt notice thereof, and so long as such condition remains in effect, the Lenders shall be under no obligation to make additional Eurodollar Loans, to continue Eurodollar Loans or to convert Base Rate Loans into Eurodollar Loans, and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Eurodollar Loans, either prepay such Loans or such Loans shall be converted into

SECTION 3.4.8. Illegality

(a) Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain Eurodollar Loans hereunder, then such Lender shall promptly notify the Borrower thereof (with a copy to the Agent) and such Lender's obligation to make or continue, or to convert Base Rate Loans into, Eurodollar Loans shall be suspended until such time as such Lender may again make and maintain Eurodollar Loans (in which case the provisions of Section 3.4.9 hereof shall be applicable).

(b) Notwithstanding any other provision contained in this Agreement, the Agent shall not be obligated to issue or jointly apply for any Letter of Credit, nor shall any Lender be obligated to purchase its participation in any Letter of Credit hereunder, if the issuance of or joint application for such Letter of Credit or purchase of such participation shall have become unlawful or prohibited by compliance by Agent or such Lender in good faith with any law, governmental rule, guideline, request, order, injunction, judgment or decree (whether or not having the force of law); provided that in the case of the obligation of a Lender to purchase such participation, such Lender shall have notified the Agent to such effect at least three (3) Business Days' prior to the issuance thereof by the Agent, which notice shall relieve the Agent of its obligation to issue such Letter of Credit pursuant to Sections 2.1.4 and 2.1.5 hereof.

SECTION 3.4.9. Treatment of Affected Loans. If the obligation of any Lender to make Eurodollar Loans or continue, or to convert Base Rate Loans into, Eurodollar Loans shall be suspended pursuant to Sections 3.4.7 or 3.4.8 hereof, such Lender's Eurodollar Loans shall be automatically converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for Eurodollar Loans (or, in the case of a conversion required by Sections 3.4.7 or 3.4.8 hereof, on such earlier date as such Lender may specify to the Borrower with a copy to the Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Sections 3.4.7 or 3.4.8 hereof which gave rise to such conversion no longer exist:

(a) to the extent that such Lender's Eurodollar Loans have been so converted, all payments and prepayments of principal which would otherwise be applied to such Lender's

Eurodollar Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans which would otherwise be made or continued by such Lender as Eurodollar Loans shall be made or continued instead as Base Rate Loans and all Base Rate Loans of such Lender which would otherwise be converted into Eurodollar Loans shall remain as Base Rate Loans.

Promptly after the circumstances specified in Sections 3.4.7 or 3.4.8 which gave rise to the conversion of such Lender's Eurodollar Loans pursuant to this Section 3.4.9 no longer exist, such Lender shall give the Agent and the Borrower notice thereof, and the Borrower may thereafter request conversion of such Loans to Eurodollar Loans, subject to the subsequent application of Section 3.4.7 or 3.4.8.

SECTION 3.4.10. Compensation. The Borrower shall pay to the Agent for the account of each Lender, upon the request of such Lender through the Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost or expense which such Lender determines is attributable to:

(a) any payment, prepayment or conversion of a Eurodollar Loan made by such Lender for any reason (including, without limitation, the acceleration of the Loans pursuant to Article 7 hereof) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any of the conditions precedent specified in Article 4 hereof to be satisfied) to borrow a Eurodollar Loan from such Lender on the date for such borrowing specified in the Borrowing Request given pursuant to Section 3.1 hereof.

SECTION 3.5. Taxes

(a) Any and all payments by the Borrower hereunder or under the Notes or any other Loan Document shall be made, in accordance with this Section 3.5, free and clear of and without deduction for any and all present or future Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5), such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been

made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or intangibles taxes or any other excise or property taxes, transfer taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to this Agreement, the Notes, or any other Loan Document.

(c) The Borrower will indemnify each Lender and the Agent for the full amount of the taxes, charges and levies described in clauses (a) and (b) of this Section 3.5 (including, without limitation, any such taxes, charges and levies imposed by any jurisdiction on amounts payable under this Section 3.5) paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such taxes, charges and levies were correctly or legally asserted. Payment under this clause (c) shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 9.2, the original or a certified copy of any receipt received by the Borrower evidencing payment thereof.

(e) On or prior to the Closing Date and on or prior to the first Business Day of each calendar year thereafter, each Foreign Lender shall provide the Agent and the Borrower with two properly executed original Forms 4224 and 1001 (or any successor form) prescribed by the Internal Revenue Service or other documents satisfactory to the Borrower and the Agent, and properly executed Internal Revenue Service Forms W-8 or W-9, as the case may be, certifying (i) as to such Foreign Lenders's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to such Foreign Lender hereunder and under the Notes or (ii) that all payments to be made to such Foreign Lender hereunder and under the Notes are subject to such taxes at a rate reduced to zero by an applicable tax treaty. Each Foreign Lender agrees to provide the Agent and the Borrower with new forms prescribed by the Internal Revenue Service upon the expiration or obsolescence of any previously delivered form, or after the occurrence of any event requiring a change in the most recent forms delivered by it to the Agent and the

Borrower.

(f) In the event that the Agent or any Lender receives a refund or credit that, in the sole determination of the Agent or such Lender, is attributable to any taxes paid on its behalf by the Borrower in accordance with this Section 3.5, the Agent or such Lenders, as the case may be, shall pay an amount equal to such refund or credit to the Borrower.

(g) Without prejudice to the survival of any other agreement hereunder, the agreements and obligations contained in this Section 3.5 shall survive the payment in full of principal and interest hereunder and under the Notes.

SECTION 3.6. Payments, Interest Rate Computations, Other Computations, etc. All payments by the Borrower pursuant to this Agreement, the Notes or any other Loan Document, (a) in respect of principal or interest on the Term Notes, shall be made by the Borrower to the Agent for the account of the Lenders, pro rata according to their respective unpaid principal amounts of the Term Notes, and, (b) in respect of principal or interest on the Revolving Notes, shall be made by the Borrower to the Agent for the account of the Lenders, pro rata according to their respective unpaid principal amounts of the Revolving Notes. The payment of the commitment fee referred to in Section 2.3 (a) shall be made by the Borrower to the Agent for the account of the Lenders entitled thereto pro rata according to their respective Revolving Percentages. The payment of the Letter of Credit Fee referred to in Section 2.3(b) shall be made by the Borrower to the Agent for the account of the Lenders entitled thereto pro rata according to their respective Letter of Credit. All other amounts payable to the Agent or any Lender under this Agreement or any other Loan Document (except under Section 2.3) shall be paid to the Agent for the account of the Person entitled thereto. All such payments required to be made to the Agent shall be made, without setoff, deduction or counterclaim, not later than 2:00 p.m., New York City time, on the date due, in immediately available funds, to such account as the Agent shall specify from time to time by notice to the Borrower. Funds received after that time shall be deemed to have been received by the Agent on the next following Business Day. The Agent shall promptly remit in the type of funds received to each Lender notified to the Agent its share, if any, of such payments received by the Agent for the account of such Lender or holder. All interest and fees shall be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such interest or fee is payable over a year comprised of 360 days (365 days in the case of interest computed on the basis of the ING Alternate Base Rate).

Whenever any payment to be made shall otherwise be due on a day which is not a Business Day, such payment shall be made on the immediately preceding Business Day

SECTION 3.7. Proration of Payments. If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of setoff or otherwise) on account of principal of or interest on any Loan or other Obligations in excess of such Lender's or holder's pro rata share of payments then or therewith obtained thereon by all Lenders, such Lender which has received in excess of its pro rata share shall purchase from the other Lenders such participations in such Notes or other Obligations held by them as shall be necessary to cause such purchaser to share the excess payment or other recovery ratably with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing holder, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 3.7 may, to the fullest extent permitted by law, exercise all its rights of payment (including pursuant to Section 3.8) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 3.7 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 3.7 to share in the benefits of any recovery on such secured claim.

SECTION 3.8. Setoff. In addition to, and not in limitation of, any rights of any Lender under applicable law, each Lender shall, upon the occurrence and during the continuance of any Event of Default, have the right to appropriate and apply to the payment of the Obligations owing to it (whether or not then due), and (as security for such Obligations) the Borrower hereby grants to each Lender, a continuing security interest in, any and all balances, credits, deposits, accounts or moneys of the Borrower then or thereafter maintained with such Lender; provided, however, that any such appropriation and application shall be subject to the provisions of Section 3.7.

SECTION 3.9. Use of Proceeds.

(a) The Borrower shall use the proceeds of the Term Loans and the Revolving Loans (i) to pay costs and expenses arising in connection with the transactions contemplated hereby which are set forth in Item 1 ("Transaction Costs") of the Disclosure Schedule (subject to the Agent's approval of such costs and expenses), (ii) to refinance existing Indebtedness to the Lenders, (iii) to pay the Earnout and Earnout - ASA or for Approved Acquisition Expenditures, and (iv) to make Acquisitions of Temporary Staffing Businesses approved in writing by the Lenders in their sole discretion.

(b) The Borrower shall use the proceeds of the Revolving Loans made after the Closing Date for the on-going working capital needs of the Borrower and its Subsidiaries.

(c) No part of the proceeds of any Loans shall be used for any purpose which violates Regulations G, T, U or X of the F.R.S. Board.

SECTION 3.10. Letter of Credit Obligations Absolute. The obligation of the Borrower to reimburse the Agent for drawings made under Letters of Credit issued for the account of the Borrower or any Eligible Subsidiary, whether or not issued for the joint account of the Agent, and the Lenders' obligation to honor their participations purchased therein shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including without limitation, the following circumstances:

(a) Any lack of validity or enforceability of any Letter of Credit;

(b) The existence of any claim, set-off, defense or other right which the Borrower or any Subsidiary or Affiliate of the Borrower may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such beneficiary or transferee may be acting), any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including without limitation any underlying transaction between the Borrower or any of its Subsidiaries and Affiliates and the beneficiary for which such Letter of Credit was procured); provided that nothing in this Section shall affect the right of the Borrower to seek relief against any beneficiary, transferee, Lender or any other Person in any action or proceeding or to bring a counterclaim in any suit involving such Persons;

(c) Any draft, demand, certificate or any other

document presented under any Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;

(d) Payment by the Agent under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(e) Any other circumstance or happening whatsoever which is similar to any of the foregoing; or

(f) The fact that a Default or an Event of Default shall have occurred and be continuing.

Nothing in this Section 3.10 shall prevent an action against the Agent for its gross negligence or willful misconduct in honoring drafts under the Letters of Credit.

ARTICLE 4.

CONDITIONS TO LOANS

SECTION 4.1. Initial Loans and Letters of Credit. The obligations of the Lenders to fund the Term Loans and the Revolving Loans and issue or jointly apply for Letters of Credit on or after the Closing Date shall be subject to the prior or concurrent satisfaction of each of the conditions precedent set forth in this Section 4.1.

SECTION 4.1.1. Resolutions, etc. The Agent shall have received:

(a) a certificate, dated the Closing Date, of the Secretary of the Borrower and each Eligible Subsidiary as of the Closing Date as to:

(i) resolutions of its Board of Directors, then in full force and effect authorizing the execution, delivery and performance of the Loan Documents to which such Loan Party is a party and the related transactions contemplated thereby, and

(ii) the incumbency and signatures of those of its officers authorized to act with respect to the Loan Documents to which it is party, upon which certificate each Lender may conclusively rely until it shall have received further certificates of the Secretary of such Loan Party canceling or amending such prior certificates;

(b) a so-called "good standing" certificate with respect to the Borrower as of the Closing Date from the appropriate Governmental Authority of the State of its

incorporation;

(c) evidence of qualification of the Borrower as of the Closing Date to do business in each other jurisdiction in which the failure to so qualify could result in a Material Adverse Change; and

(d) such other documents (certified if requested) as the Agent or the Required Lenders may reasonably request, with respect to this Agreement, the Notes, any other Loan Document, the transactions contemplated hereby and thereby, or any Organic Document, Contractual Obligation or Regulatory Approval.

SECTION 4.1.2. Notes. The Agent shall have received for the account of each Lender, such Lender's Term Notes and Revolving Note, in each case duly executed and delivered pursuant to Section 3.2.

SECTION 4.1.3. Subsidiary Guaranty. The Agent shall have received for the account of each Lender the Subsidiary Guaranty, duly executed and delivered by each Subsidiary of the Borrower.

SECTION 4.1.4. No Contest, etc. No litigation, arbitration, governmental investigation, injunction, proceeding or inquiry shall be pending or, to the knowledge of the Borrower, threatened which:

(a) seeks to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated by or in connection with the Acquisition Agreement, this Agreement or any Loan Document; or

(b) would, in the opinion of the Agent, be materially adverse to any of the parties hereto with respect to the transactions contemplated hereby;

No litigation set forth in Item 3 (Litigation) of the Disclosure Schedule, in the reasonable opinion of the Agent, could result in a Material Adverse Change or give rise to any liability on the part of the Agent or any Lender in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

SECTION 4.1.5. Certificate as to Completed Conditions, Warranties, No Default, etc. The Agent shall have received a certificate, dated the Closing Date, of the chief executive officer of the Borrower, to the effect that:

(a) all conditions precedent set forth in this Section 4.1 have been satisfied;

(b) all representations and warranties set forth in Article 5 are true and correct in all material respects;

(c) all representations and warranties set forth in the Loan Documents are true and correct in all material respects;

(d) no Default or Event of Default has occurred and is continuing; and

(e) there has been no change in any Organic Document of Borrower or any Eligible Subsidiary since the Prior Closing Date (or each Eligible Subsidiary has delivered to the Agent a Secretary's Certificate signed by the chief executive officer of such Subsidiary to similar effect as to such Subsidiary).

SECTION 4.1.6. Opinions of Counsel. The Agent shall have received opinion letters, dated the Closing Date and addressed to the Agent and all Lenders, from Christy & Viener or other counsel to the Borrower and its Subsidiaries, in form and substance satisfactory to the Agent, and covering such matters as the Agent may request. Additionally, the Agent shall have received opinion letters, dated the Closing Date and addressed to the Agent and all Lenders from local counsel, in form and substance satisfactory to the Agent and covering such matters as the Agent may request.

SECTION 4.1.7. Closing Fees, Expenses, etc. The Agent shall have received the facility fee, which was due and payable pursuant to the terms of the Facility Fee Letter, and all costs and expenses which have been invoiced and are payable upon the initial Borrowing pursuant to Section 9.3.

SECTION 4.1.8. Security Documents and Perfection. The Agent shall have received:

(a) The Security Agreement, duly executed by an Authorized Officer of the Borrower and each Eligible Subsidiary of the Borrower;

(b) The Borrower Trademark Assignment duly executed by an Authorized Officer of the Borrower, and the Subsidiary Trademark Assignment duly executed by an Authorized Officer of each Subsidiary of the Borrower owning U.S. patents or trademarks;

(c) Evidence of the execution and delivery of all

filings of the Financing Statements with respect to the Security Agreement and other Security Documents; searches or other evidence as to the absence of any perfected security interests or Liens (except those previously disclosed to and consented to by the Lenders); and evidence that all other actions (including all actions necessary such that the Trademark Assignment are acceptable for filing in the United States Patent and Trademark Office and the payment of all documentary, intangibles, filing and recording taxes and fees) with respect to the Liens created by the Security Documents have been taken as are necessary or appropriate to perfect such Liens;

(d) The Borrower Pledge Agreement, duly executed by an Authorized Officer of the Borrower, and the Subsidiary Pledge Agreement, duly executed by an Authorized Officer of each Subsidiary.

(e) All (i) stock certificates and undated stock powers duly executed in blank relating thereto with respect to the pledged securities under the Borrower Pledge Agreement or the Subsidiary Pledge Agreement, which pledged securities shall consist of the Incepta Shares, all outstanding Stock of all other Subsidiaries of the Borrower incorporated in the United States, sixty-six percent (66%) of all other Subsidiaries of the Borrower incorporated in countries other than the United States, and all stock of the Borrower pledged to the Borrower by its employees, officers and directors, and (ii) all promissory notes, including, without limitation, the Goldstein Note, and other instruments owned by Borrower or other Subsidiaries duly endorsed in blank pledged under the Borrower Pledge Agreement or the Subsidiary Pledge Agreement.

(f) A collateral assignment to the Agent, for its benefit and the ratable benefit of the Lenders, of the Borrower's rights under all acquisition agreements and all other documents executed or delivered by any seller of a Temporary Staffing Business to Borrower or an Affiliate pursuant to such acquisition agreements, duly consented to by such Sellers, which assignment shall be in form and substance satisfactory to the Agent; and

(g) An assignment to the Agent, for its benefit and the ratable benefit of the Lenders, of the insurance policies described in Section 4.1.12 (with respect to which the insurer shall have executed and delivered to the Agent a written consent), which assignment shall be in form and substance satisfactory to the Agent.

SECTION 4.1.9. Employment Agreements; Compensation.
The Agent shall have received, certified by the Borrower,

copies of all employment agreements to which the Borrower or any of its Subsidiaries is a party and the Agent shall be satisfied in all respects with the levels of compensation (including, without limitation, fees, wages, salaries, bonuses, deferred payment arrangements, stock options, incentive plans and pension or employee benefit contributions) paid to key members of management.

SECTION 4.1.10 Pension and Welfare Liabilities. The Agent shall have received (i) the most recent actuarial valuation report for each Single Employer Plan, if any, and a copy of Schedule B to the Annual Report on Form 5500 of the Internal Revenue Service for each such Single Employer Plan most recently filed with the Internal Revenue Service, and (ii) a report prepared by the Borrower in form and substance satisfactory to the Agent detailing any liabilities of the Borrower and each of its Subsidiaries, and of each Commonly Controlled Entity of the Borrower for post-retirement benefits under Plans which are welfare benefit plans.

SECTION 4.1.11. Insurance. The Agent shall have received evidence satisfactory to it that the insurance maintained by the Borrower and its Subsidiaries is issued by an insurance company with a Best's rating of "A" or better and a financial size category of not less than XII, is in amounts satisfactory to the Agent and, in the case of insurance maintained by the Borrower and its Subsidiaries, under policies naming the Agent as loss payee (in the case of casualty insurance policies) and as additional insured (in the case of liability policies), and otherwise complying with the requirements of this Agreement and the Security Documents.

SECTION 4.1.12. Key Man Insurance. The Borrower shall have purchased "key-man" life insurance policies in the total amount of not less than \$7,960,700 on the lives of [Gary S. Goldstein, Barry Roseman, Alicia C. Lazaro, Eugene Y. Shen, Ken Watanabe, Ronald Wendlinger, Michael List and Irene Cohen].

SECTION 4.1.13. Financial Information, etc. The Agent shall have received the historical financial statements referred to in Section 5.4, and the Projections.

SECTION 4.1.14. Solvency, etc. As of the Closing Date the assets of the Borrower and each Eligible Subsidiary shall be at least \$100,000 greater than the liabilities of the Borrower and each Eligible Subsidiary (including all liabilities and obligations of the Borrower and each Eligible Subsidiary, fixed or contingent, direct or indirect, disputed or undisputed, and whether or not required to be reflected on a balance sheet prepared in accordance with

GAAP, except to the extent noted thereon); and the Agent shall have received a certificate of the chief operating officer of the Borrower and each Eligible Subsidiary dated the Closing Date, stating that, after giving effect to the consummation of the transactions contemplated by this Agreement to occur on the Closing Date, the Borrower and each Eligible Subsidiary is Solvent.

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SECTION 4.1.18. Review of the Borrower's Operations. The Agent or its representatives shall have completed their review of the Borrower's management information systems, accounting, financial reporting and cash management systems as well as the legal structure of each Loan Party and the nature of each Loan Party's asset composition and contingent liabilities, and the Agent shall be satisfied in all respects with the results of such review.

SECTION 4.1.19. Material Contracts. The Agent shall have received a certificate from an Authorized Officer of the Borrower and each Eligible Subsidiary to the effect that attached thereto are true and correct copies of each of the items listed on Item 5 ("Material Contracts") of the Disclosure Schedule, other than those delivered to the Agent as of the Original Closing Date and the Acquisition Agreement - ASS, the Acquisition Agreement - ASA, and the documents related to the Vogue acquisition, and the Agent shall be satisfied in all respects with terms of such items.

SECTION 4.1.20. Letter to Accountants. The Agent shall have received satisfactory evidence that the Borrower has delivered a letter to its independent public accountants authorizing such public accountants to discuss the Borrower's and each other Loan Party's financial matters with the Agent and each Lender or any of their respective representatives whether or not a representative of the Borrower is present.

SECTION 4.1.21. Other Documents, Certificates, Etc. The Agent shall have received such other documents, certificates, opinions of counsel or other materials as it reasonably requests from any Loan Party.

SECTION 4.2. All Loans and Letters of Credit. The obligations of the Lenders to fund the Revolving Loans and issue or jointly apply for Letters of Credit after the Closing

Date shall be subject to the prior or concurrent satisfaction of each of the conditions precedent set forth in this Section 4.2.

SECTION 4.2.1. Compliance with Warranties, No Default, etc. The representations and warranties set forth in Article 5 shall have been true and correct in all material respects as of the date initially made. In addition, both before and after giving effect to the making of any such Loan:

(a) such representations and warranties shall be true and correct in all material respects with the same effect as if then made (except to the extent expressly made as of a specified date, in which case such representations and warranties shall be true as of such specified date);

(b) all representations and warranties set forth in the Security Documents shall be true and correct in all material respects with the same effect as if then made (except to the extent expressly made as of a specified date, in which case such representations and warranties shall be true as of such specified date);

(c) no material adverse development shall have occurred in any litigation, arbitration or governmental investigation, proceeding or inquiry disclosed pursuant to Section 5.7 which renders such litigation, arbitration or governmental investigation or inquiry or proceeding, in the reasonable opinion of the Required Lenders, likely to be adversely determined and, if adversely determined, could result in a Material Adverse Change;

(d) no Default or Event of Default shall have occurred and be continuing; and

(e) the aggregate of all Revolving Loans outstanding plus the aggregate face amounts of all outstanding Letters of Credit does not exceed the Borrowing Base.

SECTION 4.2.3. Satisfactory Legal Form. All documents executed or submitted by or on behalf of the Borrower or any Subsidiary shall be reasonably satisfactory in form and substance to the Agent and its counsel, the Agent and its counsel shall have received all information, and such counterpart originals or such certified or other copies of such Instruments, as the Agent or its counsel may request. All legal matters incident to the transactions contemplated by this Agreement shall be satisfactory to counsel to the Agent.

SECTION 4.2.4. Margin Regulations. The making of such Loan and the use of the proceeds thereof shall not

violate Regulations G, T, U and X of the F.R.S. Board.

SECTION 4.2.5. Adverse Change. In the reasonable judgment of the Required Lenders, no Material Adverse Change shall have occurred since the Original Closing Date.

SECTION 4.2.6. Change in Law. On the date of such Loan, no change shall have occurred in applicable law, or in applicable regulations thereunder or in interpretations thereof by any court or Governmental Authority which, in the opinion of any Lender, would make it illegal for such Lender to make the Loan required to be made on such date.

ARTICLE 5

WARRANTIES, ETC.

In order to induce the Lenders and the Agent to enter into this Agreement, to engage in the transactions contemplated herein and in the other Loan Documents and to make the Loans and issue or jointly apply for or participate in the Letters of Credit, the Borrower represents and warrants to the Agent and each Lender as set forth in this Article 5.

SECTION 5.1. Organization, Power, Authority, etc. Each of the Borrower and its Subsidiaries (i) is a corporation validly organized and existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the failure to so qualify could result in a Material Adverse Change, and (iii) has full power and authority, and, except as set forth in Item 6 ("Governmental Licenses") of the Disclosure Schedule, holds all governmental licenses, permits, registrations and other Regulatory Approvals required under all Requirements of Law, to own and hold under lease its property and to conduct its business as conducted prior to the Closing Date and as contemplated to be conducted subsequent to the Closing Date. The Borrower has full power and authority to enter into and perform its Obligations under this Agreement, the Notes and each other Loan Document executed or to be executed by it and to obtain Loans hereunder.

SECTION 5.2. Due Authorization. The execution and delivery by each Loan Party of each Loan Document executed or to be executed by it, and the incurrence and performance by such Loan Party of the Obligations have been duly authorized by all necessary corporate action, do not require any Regulatory Approval (except those Regulatory Approvals already obtained), do not and will not conflict with, result in any violation of, or constitute any default under, any provision of any Organic Document or Contractual

Obligation of such Loan Party or any law or governmental regulation or court decree or order, and will not result in or require the creation or imposition of any such Lien on such Loan Party's properties pursuant to the provisions of any Contractual Obligation of such Loan Party.

SECTION 5.3. Validity, etc. Each of this Agreement, the Notes and the other Loan Documents constitutes, the legal, valid and binding obligation of the each Loan Party executing and delivering such Loan Document, enforceable in accordance with its terms subject to the effect of any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally, and the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 5.4. Financial Information; Solvency

(a) Except as disclosed in Item 7 ("Exceptions to GAAP") of the Disclosure Schedule, all balance sheets, all statements of operations, stockholders' equity and cash flows, and all other financial information of the Borrower and its Subsidiaries which have been furnished by or on behalf of the Borrower and its Subsidiaries to the Agent and the Lenders for the purposes of or in connection with this Agreement or any transaction contemplated hereby, including:

(i) the consolidated audited balance sheets of the Borrower as of December 31, 1994, December 31, 1995, and December 31, 1996, and the related consolidated statements of income and cash flows for each of the three (3) fiscal years of the Borrower ending December 31, 1994, December 31, 1995 and December 31, 1996, together with the opinion thereon of Mortenson and Associates, P.C. for Fiscal Years 1994 and 1995 and of Ernst & Young, L.L.P. for Fiscal Year 1996 and the unaudited consolidated financial statements for the Borrower as of June 30, 1997;

(ii) the consolidated audit balance sheets of ASS as of December 31, 1995 and December 31, 1996, and the related consolidated statements of income and cash flows for each of the two (2) fiscal years of ASS ending December 31, 1995 and December 31, 1996 together with the opinion thereon of Ernst & Young, L.L.P.

(iii) the consolidated reviewed balance sheets of Irene Cohen as of December 31, 1994 and December 31, 1995, and the related consolidated statements of income and cash flows for each of the two (2) fiscal years of Irene Cohen ending December 31, 1994 and December 31, 1995, together with the opinion thereon of Rosenblatt,

(iv) the consolidated financial statements for Administrative Sales Associates Temps, Inc. and Administrative Sales Associates, Inc. for December 31, 1995 and December 31, 1996;

(v) the Projections;

have been prepared in accordance with GAAP consistently applied (except to the extent items in the Projections are based upon estimates) throughout the periods involved and present fairly in all material respects the matters reflected therein subject, in the case of unaudited statements, to changes resulting from normal year-end audit adjustments and except as to the absence of footnotes. As of the Closing Date, the Borrower nor any of its respective Subsidiaries has material contingent liabilities or material liabilities for taxes, long-term leases or unusual forward or long-term commitments which are not reflected in the financial statements described in clauses (i), (ii), (iii) and (iv).

(b) After giving effect to the consummation of the transactions contemplated by this Agreement and the other Loan Documents to occur on the Closing Date (including the Acquisition and the Loan and the initial Revolving Loans), the Borrower and each Subsidiary is Solvent.

SECTION 5.5. Material Adverse Change. Since December 31, 1995, there has been no material adverse change in the condition (financial or otherwise), operations, performance, business, properties or prospects of the Borrower and its Subsidiaries taken as a whole, or in any industry in which the Borrower or any of its Subsidiaries is engaged in any material respect.

SECTION 5.6. Absence of Default. Neither the Borrower nor any Subsidiary is in default in the payment of (or in the performance of any material obligation applicable to) any Indebtedness, or is in material default under any regulation of any Governmental Agency or court decree or order, or is in default under any Requirements of Law which default could result in a Material Adverse Change.

SECTION 5.7. Litigation, Legislation, etc. Except as disclosed in Item 3 (Litigation) of the Disclosure Schedule, there is no pending or, to the knowledge of the Borrower, threatened litigation, arbitration or governmental investigation, proceeding or inquiry which, if adversely determined, could result in a Material Adverse Change; and none of the proceedings set forth in such Item 3 seeks to

amend, modify or enjoin the transactions contemplated hereby or is likely to be adversely determined. To the knowledge of the Borrower, there is no legislation, governmental regulation or judicial decision that could result in a Material Adverse Change.

SECTION 5.8. Regulations G, T, U and X. Neither the Borrower nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock (as defined in F.R.S. Board Regulation G or U) and, no assets of the Borrower or any Subsidiary consist of Margin Stock. The Loans hereunder will not be used for a purpose which violates, or would be inconsistent with, F.R.S. Board Regulation G, T, U or X.

SECTION 5.9. Government Regulation. Neither the Borrower nor any Subsidiary is an "investment company" within the meaning of the Investment Holding Company Act of 1940, as amended, or a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended, or subject to regulation under the Federal Power Act, the Interstate Commerce Act or any other federal or state law limiting its ability to incur Indebtedness or to execute, deliver or perform the Loan Documents to which it is party.

SECTION 5.10. Taxes. Each of the Borrower and its present or past Subsidiaries has filed all tax returns and reports required by law to have been filed by it and has paid all taxes and Charges thereby shown to be owing, except any such taxes or Charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

SECTION 5.11. Pension and Welfare Plans. (a) Except as disclosed in Item 8 (Benefit Plans) of the Disclosure Schedule, neither the Borrower nor any Subsidiary or Commonly Controlled Entity has assumed any material liability under any employee benefit plan, fund, program, arrangement, agreement or commitment maintained by or on behalf of or contributed to by or on behalf of any entity or trade or business which, together with any of such corporations, is treated as a single employer under Sections 414(b), (c), (m) or (o) of the IRC. Neither the Borrower nor any Subsidiary or Commonly Controlled Entity shall be subject (directly or indirectly) to any material liability, tax or penalty whatsoever to any person whomsoever with respect to any employee benefit plan, fund, program, arrangement,

agreement or commitment described in the immediately preceding sentence.

(b) No Reportable Event which could result in a Material Adverse Change has occurred during the six-year period prior to the date on which this representation is made or deemed made with respect to any Single Employer Plan. The Borrower, each Commonly Controlled Entity, each Subsidiary, each Plan, and each trust maintained pursuant to any such Plan have complied in all material respects with the applicable provisions of ERISA, the IRC, and any other applicable laws. Except as disclosed in Item 8 (Benefit Plans) of the Disclosure Schedule, the present value of all "benefit liabilities" (within the meaning of Section 4001(a)(16) of ERISA) under each Single Employer Plan maintained by the Borrower, any Subsidiary or any Commonly Controlled Entity (based on those assumptions that would be used in a termination of each such Plan) did not, as of the last annual valuation date for which an actuarial valuation report has been done, exceed the value of the assets of such Plan as of such date. Except as disclosed in such Item 8, neither the Borrower nor any Commonly Controlled Entity or Subsidiary has incurred any liability to the PBGC or to any other Person under Section 4062, 4063 or Section 4064 of ERISA on account of the termination of, or its withdrawal from, a Single Employer Plan, and no Lien has been imposed on the assets of the Borrower or any Commonly Controlled Entity or Subsidiary under Section 4068 of ERISA. To the knowledge of the Borrower and any Commonly Controlled Entities and Subsidiaries, there does not exist any event or condition which would permit the institution of proceedings to terminate any Single Employer Plan pursuant to Section 4042 of ERISA. Except as disclosed in Item 8 of the Disclosure Schedule, no "accumulated funding deficiency" (as defined in Section 302 of ERISA or Section 412 of IRC), whether or not waived, exists with respect to any Pension Plan. The Borrower and each Commonly Controlled Entity and Subsidiary have timely made in full each quarterly installment payment to any Pension Plan required under Section 302(e) of ERISA or Section 412(m) of the IRC and have also made full and timely payment of any other costs or expenses related to such a Plan. The Borrower and all Commonly Controlled Entities and Subsidiaries have made full and timely payment of all contributions to Multiemployer Plans required under ERISA, the IRC or applicable collective bargaining agreements. Neither the Borrower nor any Commonly Controlled Entity or Subsidiary has had a complete or partial withdrawal from any Multiemployer Pension Plan and the liability to which the Borrower or any Commonly Controlled Entity or Subsidiary would become subject under ERISA if the Borrower or any such Commonly Controlled Entity or Subsidiary were to withdraw completely from all Multiemployer Pension Plans as of the

valuation date most closely preceding the date hereof is not in excess of \$100,000. No such Multiemployer Pension Plan has been terminated or is in Plan Reorganization or ERISA Insolvent, nor, to the knowledge of the Borrower and any Commonly Controlled Entities and Subsidiaries, is any such Multiemployer Pension Plan likely to be terminated or to become in Plan Reorganization or ERISA Insolvent. To the knowledge of the Borrower and any Commonly Controlled Entities and Subsidiaries, no "accumulated funding deficiency" (as defined in Section 302 of ERISA or Section 412 of the IRC), whether or not waived, exists with respect to any Multiemployer Plan. The present value (determined using assumptions which are reasonable in respect of the benefits provided and the employees participating) of the aggregate liability of the Borrower and each Subsidiary and Commonly Controlled Entity for post-retirement benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA) is not in excess of \$100,000. No written notice of liability has been received with respect to the Borrower, any of its Subsidiaries, or any Plan for any "prohibited transaction" (within the meaning of Section 4975 of the IRC or Section 406 of ERISA), nor has any such prohibited transaction resulting in material liability to the Borrower or any of its Subsidiaries occurred. Neither the Borrower nor any Subsidiary or Commonly Controlled Entity will, as a result of consummating the transactions contemplated by this Agreement (pursuant to the provisions of the Agreement, by operation of law or otherwise) (i) have incurred or become liable for any tax assessed by the Internal Revenue Service for any alleged violations of Section 4975 of the IRC or any civil penalty imposed by the Department of Labor for any alleged violations of Section 406 of ERISA, (ii) have caused or permitted to occur any "prohibited transaction" within the meaning of such Section 4975 of the IRC or Section 406 of ERISA with respect to any Plan for which no exemption is available or (iii) have incurred any liability to the PBGC (other than ordinary and usual PBGC premium liability) or any liability for complete or partial withdrawal to any Multiemployer Plan. Neither the Borrower nor any Subsidiary is subject (directly or indirectly) to, and no facts exist which could subject the Borrower or any Subsidiary (directly or indirectly) to, any other liability, penalty, tax or lien whatsoever, which could result in a Material Adverse Change and which is directly or indirectly related to any Plan, including, but not limited to, liability for any damages or penalties arising under Title I or Title IV of ERISA, liability for any tax or penalty resulting from a loss of deduction under Section 404 or 419 of the IRC, any tax or penalty under chapter 43 of the IRC, or any taxes or penalties under any other applicable law, but excluding any liability to make contributions or pay premiums

to or under an ongoing Plan before the last due date on which such contributions or premiums could be paid or made without penalty or to pay benefits when due in accordance with Plan terms.

SECTION 5.12. Labor Controversies. Except as disclosed in Item 9 (Labor Controversies) of the Disclosure Schedule, there are no labor controversies pending or, to the best knowledge of the Borrower, threatened, relating to the Borrower or any Subsidiary. There is (i) no unfair labor practice complaint pending against the Borrower, or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against any of them, before the National Labor Relations Board, and no arbitration proceeding arising out of or under any collective bargaining agreement or the Borrower's internal grievance procedures is so pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against any of them, (ii) no strike, labor dispute, slowdown or stoppage is pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries and (iii) no union representation question existing with respect to the employees of the Borrower or any of its Subsidiaries. Each of the Borrower and its Subsidiaries is in compliance in all material respects with all collective bargaining agreements to which it is subject.

SECTION 5.13. Ownership of Properties; Collateral. Each of the Borrower and its Subsidiaries owns good title to all of its material personal properties and assets of any nature whatsoever, free and clear of all Liens except as permitted pursuant to Section 6.2.3.

(a) The provisions of the Security Agreement are effective to create in favor of the Agent for the benefit of the Agent and the Lenders, a legal, valid and enforceable security interest in all right, title and interest of the Loan Parties in the Collateral described therein, and, upon the filing of the Financing Statements and any required filing in the United States Patent and Trademark Office pursuant to Section 4.1.8, the Security Documents will create a fully perfected first Lien on, and the security interest in, all right, title and interest of the Loan Parties in all of the Collateral described therein, to the extent that a security interest therein can be perfected by such a filing, subject to no other Liens other than Liens permitted by Section 6.2.3.

SECTION 5.14. Intellectual Property. Each of the Borrower and its Subsidiaries owns or licenses all such Intellectual Property, and has obtained assignments of all

licenses and other rights, as the Borrower considers necessary for or as are otherwise material to the conduct of the business of the Borrower and its Subsidiaries as now conducted without, individually or in the aggregate, any infringement upon rights of other Persons which could result in a Material Adverse Change. All Intellectual Property owned or licensed from third Persons described in this Section 5.14 is set forth in Item 10 (Intellectual Property) of the Disclosure Schedule.

SECTION 5.15. Accuracy of Information. All factual information heretofore or contemporaneously furnished by or on behalf of the Borrower in writing to the Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is true and accurate in every material respect on the date as of which such information is dated or certified and as of the date of execution and delivery of this Agreement by the Agent or such Lender and such information is not incomplete by omitting to state any material fact necessary to make such information not misleading. Neither this Agreement nor any document or statement furnished to the Agent or any of the Lenders by or on behalf of the Borrower contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein or therein not materially misleading. The Agent and the Lenders recognize that the Projections are not to be viewed as facts and that actual results during the period or periods covered by the Projections may differ from the projected or forecasted results.

SECTION 5.16. Insurance. All policies of insurance in effect of any kind or nature owned by or issued to the Borrower and its Subsidiaries, including policies of life, fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, workers' compensation, property and liability insurance, (a) are listed in Item 11 (Insurance) of the Disclosure Schedule as of the Closing Date, (b) are, together with all policies of employee health and welfare and title insurance, in full force and effect, (c) comply in all respects with the applicable requirements set forth herein and in the Security Documents and (d) are of a nature and provide such coverage as is customarily carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower and its Subsidiaries operate. Neither the Borrower nor any of its Subsidiaries provides any of its insurance through self-insurance except as disclosed in Item 11 of the Disclosure Schedule.

SECTION 5.17. Certain Indebtedness. Item 12 (Existing Indebtedness) of the Disclosure Schedule sets forth

all Indebtedness of the Borrower and its Subsidiaries as of the Closing Date that is not to be refinanced on the Original Closing Date, and which (a) is for borrowed money, or (b) is not incurred in the ordinary course of the business of the Borrower or any Subsidiary in a manner and to the extent consistent with past practice, or (c) is material to the financial condition, operations, businesses, properties or prospects of the Borrower or any Subsidiary.

SECTION 5.18. Environmental Matters. Except as disclosed in Item 13 (Environmental Matters) of the Disclosure Schedule, the Borrower and each of its Subsidiaries are in compliance in all material respects with all applicable Environmental Laws, and to the best of the Borrower's knowledge, there are no conditions or circumstances associated with the currently or previously owned, operated, used or leased properties or current or past operations of the Borrower or any Subsidiary which may give rise to Environmental Liabilities and Costs which could result in a Material Adverse Change or which may give rise to any Environmental Lien.

SECTION 5.19. No Burdensome Agreements. Neither the Borrower nor any Subsidiary is a party to or has assumed any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or other corporate restriction that could result in a Material Adverse Change.

SECTION 5.20. Consents. Except as disclosed in Item 14 (Consents) of the Disclosure Schedule, the Borrower and its Subsidiaries have all material permits and governmental consents and Regulatory Approvals necessary under Requirements of Law or, in the reasonable business judgment of the Borrower, deemed advisable under Requirements of Law, in connection with the transactions contemplated hereby (including the Acquisition and the Loans) and the ongoing business and operations of the Borrower and its Subsidiaries.

SECTION 5.21. Contracts. Set forth in Item 5 (Material Contracts) of the Disclosure Schedule is an accurate and complete list of all material Contractual Obligations of the Borrower and its Subsidiaries as of the Closing Date. Each such material Contractual Obligation is in full force and effect in accordance with the terms thereof. There are no material defaults by the Borrower or any Subsidiary or, to the Borrower's knowledge after due inquiry, any other default in existence under any such material Contractual Obligations, in each case that could result in a Material Adverse Change.

SECTION 5.22. Employment Agreements. Set forth in

Item 15 (Employment Contracts) of the Disclosure Schedule is a complete and accurate list of each employment agreement to which the Borrower or any Subsidiary is a party, or by which it is bound.

SECTION 5.23. Condition of Property. All of the assets and properties owned by, leased to or used by the Borrower and its Subsidiaries material to the conduct of their business are in adequate operating condition and repair, ordinary wear and tear excepted, and are free and clear of known defects except for defects which do not substantially interfere with the use thereof in the conduct of normal operations.

SECTION 5.24. Subsidiaries. Item 16 of the Disclosure Schedule sets forth all Subsidiaries of the Borrower as of the Closing Date.

SECTION 5.25. Trade Relations. There exists no actual or, to the best of Borrower's knowledge, threatened termination, cancellation or limitation of, or any modification or change in, the business relationship of the Borrower with any material customer or group of customers of the Borrower.

ARTICLE 6.

COVENANTS

SECTION 6.1. Affirmative Covenants. The Borrower agrees with each Lender that until all Obligations (other than Obligations that expressly survive the termination of this Agreement pursuant to Section 9.5) have been paid and performed in full and the Commitments have terminated, the Borrower will perform the Obligations set forth in this Section 6.1.

SECTION 6.1.1. Financial Information, etc. The Borrower will furnish, or will cause to be furnished, to each Lender and to the Agent copies of its financial statements, reports and information:

(a) (i) promptly when available and in any event within ninety (90) days after the close of each Fiscal Year, a consolidated and consolidating balance sheet at the close of such Fiscal Year, and related consolidated and consolidating statements of operations, retained earnings, and cash flows for such Fiscal Year, of the Borrower and its Subsidiaries (with comparable information at the close of and for the prior Fiscal Year), certified (in the case of consolidated statements)

without qualification by Ernst & Young, LLC or other independent public accountants satisfactory to the Agent, together with a report containing a description of projected business prospects (including capital expenditures) and management's discussion and analysis of the financial condition and results of operation of the Borrower and its Subsidiaries;

(ii) promptly when available and in any event within ninety (90) days after the close of each Fiscal Year, a letter report of such independent public accountants at the close of such Fiscal Year to the effect that it has reviewed the provisions of this Agreement and the most recent Compliance Certificate being furnished pursuant to clause (a)(iii) of this Section 6.1.1 and that, in the course of performing its duties it did not become aware of any Default or Event of Default or any miscalculation in such Compliance Certificate relating to the financial tests set forth in Section 6.2.4 or relating to the calculation of Excess Cash Flow, except as such may be disclosed in such statement; and

(iii) promptly when available and in any event within ninety (90) days after the close of each Fiscal Year, a Compliance Certificate calculated as of the computation date at the close of such Fiscal Year; and

(b) promptly when available and in any event within forty-five (45) days after the close of each calendar month of each Fiscal Year consolidated and consolidating balance sheets at the close of such month, and consolidated and consolidating statements of operations, retained earnings, and cash flows for such month and for the period commencing at the close of the previous Fiscal Year and ending with the close of such month, of the Borrower and Subsidiaries (with comparable information at the close of and for the corresponding month of the prior Fiscal Year and for the corresponding portion of such prior Fiscal Year), certified by the principal accounting or chief financial Authorized Officer of the Borrower, together with a description of projected business prospects (including capital expenditures) and a brief report containing management's discussion and analysis of the financial condition and results of operations of the Borrower and its Subsidiaries (including a discussion and analysis of any changes compared to prior results);

(c) within forty-five (45) days after the close of each Fiscal Quarter, a Compliance Certificate calculated as of the close of such Fiscal Quarter;

(d) promptly upon receipt thereof, copies of all

detailed financial and management reports submitted to the Borrower by its independent public accountants in connection with each annual or interim audit made by such independent public accountants of the books of the Borrower or any Subsidiary;

(e) within thirty (30) days prior to the end of each Fiscal Year of the Borrower, (i) a business plan of the Borrower and its Subsidiaries, in form, scope and detail satisfactory to the Agent, and (ii) consolidated and consolidating operating budgets for the twelve (12) months following the end of such Fiscal Year, prepared on a quarterly basis, and for each Fiscal Year thereafter through the 2002 Fiscal Year, prepared on an annual basis, which budgets shall include estimated capital expenditures and other costs to be incurred by the Borrower and its Subsidiaries, on a consolidated and consolidating basis, during the applicable Fiscal Year, in each case, with accompanying detail, together with a report containing management's discussion and analysis of the projected financial condition and results of operations of the Borrower and its Subsidiaries;

(f) promptly after approved by the Borrower's Board of Directors, any updates or revisions to any business plan described in clause (e) of this Section 6.1.1;

(g) promptly upon the sending or filing thereof, copies of all reports that the Borrower sends to its security holders generally, and copies of all reports and registration statements that the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;

(h) such other information with respect to the financial condition, business, property, assets, revenues and operations of the Borrower and any Subsidiary as the Agent or the Required Lenders may from time to time reasonably request; and

(i) on or before the fifteenth day of each month, a completed Borrowing Base Certificate accurate as of the close of business of the preceding month.

SECTION 6.1.2. Maintenance of Corporate Existence, etc. Except as permitted by Section 6.2.10, the Borrower will cause to be done at all times all things necessary to maintain and preserve the corporate existence of the Borrower and each Subsidiary.

SECTION 6.1.3. Foreign Qualification. The Borrower will, and will cause each Subsidiary to, cause to be done at

all times all things necessary to be duly qualified to do business and be in good standing as a foreign corporation in each jurisdiction where the failure to so qualify could result in a Material Adverse Change.

SECTION 6.1.4. Payment of Taxes, etc. The Borrower will, and will cause each Subsidiary to, pay and discharge, as the same become due and payable, (a) all Charges against it or on any of its property, as well as claims of any kind which, if unpaid, might become a Lien upon any one of its properties, and (b) all lawful claims for labor, materials, supplies, services or otherwise before any thereof become a default; provided, however, that the foregoing shall not require the Borrower or any Subsidiary to pay or discharge any such Charge or claim so long as it shall be diligently contesting the validity thereof in good faith by appropriate proceedings and shall have set aside on its books adequate reserves in accordance with GAAP.

SECTION 6.1.5. Insurance. In addition to any insurance required to be maintained pursuant to any other Loan Document, the Borrower will, and (with respect to the insurance described in clauses (a) and (b) below) will cause each Subsidiary to, maintain or cause to be maintained:

(a) insurance with respect to its properties and business against such casualties, contingencies and liabilities (including, without limitation, business interruption insurance) and of such types and in such amounts as are customary in the industries in which the Borrower and Subsidiaries are engaged, and will furnish to the Agent annual certification from the respective insurers (or their authorized agents) of the extent of all insurance maintained by the Borrower and its Subsidiaries in accordance with this Section 6.1.5; and

(b) the "key-man" life insurance policies referred to in Section 4.1.12, which policies shall at all times have a minimum face value of not less than [\$7,960,700] in the aggregate.

Each such policy shall be issued by an insurance company with a Best's rating of "A" or better and a financial size category of not less than XII shall be in effect on the Closing Date. The premiums for each such policy shall be paid as such premiums shall come due. All policies of casualty insurance shall contain an endorsement, in the form submitted to the Borrower by the Agent, showing loss payable to the Agent, for its benefit and the ratable benefit of the Lenders, as their interests may appear. All policies of liability insurance, including, without limitation, all primary and umbrella liability policies (including errors and omissions), shall

name the Agent, for its benefit and the ratable benefit of the Lenders, as additional insured. All such insurance policies shall provide, or shall be properly endorsed to provide, that the insurer shall give the Agent not less than 10 days prior written notice of any cancellation or non-renewal of any such policy. The Borrower shall retain all the incidents of ownership of the insurance maintained pursuant to this Section 6.1.5, but shall not borrow upon or otherwise impair its right to receive the proceeds of such insurance. So long as no Event of Default has occurred and is continuing, the Borrower and its Subsidiaries shall have the right to use the proceeds of casualty insurance to repair or replace damaged or destroyed property, shall have the right to use the proceeds of business interruption insurance for its ongoing business needs and shall have the right to use the proceeds of liability insurance to pay covered claims.

SECTION 6.1.6. Notice of Default, Litigation, etc. Upon a Responsible Officer learning thereof, the Borrower will give prompt written notice (with a description in reasonable detail) to the Agent of:

(a) the occurrence of any Default;

(b) the occurrence of any litigation, arbitration or governmental investigation or proceeding not previously disclosed in writing by the Borrower to the Lenders which has been instituted or, to the knowledge of the Borrower, is threatened against, the Borrower or any Subsidiary or to which any of its properties, assets or revenues is subject which, if adversely determined, could result in a Material Adverse Change;

(c) any material development which shall occur in any litigation, arbitration or governmental investigation or proceeding previously disclosed by the Borrower to the Lenders pursuant to Section 5.7 which renders such litigation, arbitration or governmental investigation likely to be adversely determined and, if adversely determined, could result in a Material Adverse Change;

(d) the occurrence of any other circumstance which could result in a Material Adverse Change;

(e) the occurrence of any Loss; and

(f) (i) the occurrence or expected occurrence of any Reportable Event with respect to any Single Employer Plan, or any withdrawal from, or the termination, Plan Reorganization or ERISA Insolvency of any Multiemployer Pension Plan, the institution of proceedings or the taking of

any other action by the PBGC or the Borrower or any Commonly Controlled Entity or Subsidiary or any Multiemployer Pension Plan with respect to the withdrawal from, or the termination, Plan Reorganization or ERISA Insolvency of, any Single Employer Plan or Multiemployer Pension Plan, or the receipt of notice by the Borrower or any Commonly Controlled Entity or Subsidiary that the institution of any such proceedings or the taking of any such action is under consideration or anticipated, the institution of any proceedings or other action by the Internal Revenue Service or the Department of Labor with respect to the minimum funding requirements of any Pension Plan, or the receipt of notice by the Borrower or any Commonly Controlled Entity or Subsidiary that the institution of any such proceedings or the taking of any such action is under consideration or anticipated, the occurrence or expected occurrence of any event which could result in the incurrence of unpredictable contingent event benefits under Section 302 of ERISA or Section 412 of the IRC with respect to any Pension Plan, any event or condition which could increase the liability of the Borrower or any Commonly Controlled Entity or Subsidiary with respect to post-retirement welfare benefits under any Plan, or the occurrence of any other event or condition with respect to any Plan which could subject the Borrower or any Subsidiary (directly or indirectly) to any tax, penalty or liability under Title I or Title IV of ERISA, Section 404 or 419 and Chapter 43 of the IRC, or any other applicable laws, and in each case in clauses (i) through (vi) above, such event or condition, together with all other events or conditions, if any, could subject the Borrower or any Subsidiary (directly or indirectly) to any tax, fine, penalty, or other liabilities in amounts which in the aggregate could result in a Material Adverse Change. The Borrower will deliver to each of the Lenders a true and complete copy of each annual report (Form 5500) of each Plan (other than a Multi-Employer Plan) required to be filed with the Internal Revenue Service, promptly after the filing thereof ; and

(g) the condemnation or threat of condemnation with respect to any property used or necessary in the conduct of the businesses of the Borrower or any of its Subsidiaries.

SECTION 6.1.7. Books and Records. The Borrower will, and will cause each Subsidiary to, keep books and records reflecting all of its business affairs and transactions in accordance with GAAP and, subject to any government security limitations, permit the Agent and each Lender or any of their respective representatives, during normal business hours, to visit all of its offices, to discuss its financial matters with its officers and independent public accountants and to examine (and, at the expense of the Borrower, photocopy extracts from) any of its books or other

corporate records. The Borrower shall pay any fees of its independent public accountants incurred in connection with the Agent's or any Lender's exercise of its rights pursuant to this Section 6.1.7; provided that unless an Event of Default shall have occurred and be continuing, the Borrower shall be required to pay any such fees only in respect of the Agent's exercise of its rights pursuant to this Section 6.1.7 for one occasion during each Fiscal Year.

SECTION 6.1.8. Maintenance of Properties, Etc. The Borrower will maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties (real and personal and including all intangible assets), except obsolete properties, which are used or necessary in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

SECTION 6.1.9. Maintenance of Licenses and Permits. The Borrower will maintain and preserve, and will cause each of its Subsidiaries to maintain and preserve, all Intellectual Property, rights, permits, licenses, Regulatory Approvals and privileges issued under or arising under any Requirements of Law to the extent material to the conduct of the business of the Borrower or any of its Subsidiaries.

SECTION 6.1.10. Employee Plans. The Borrower will at all times comply in all material respects with the provisions of ERISA and the IRC which are applicable to any of the Plans, and cause each of its Subsidiaries so to do.

SECTION 6.1.11. Environmental Management. The Borrower will, and will cause each Subsidiary to, adopt and maintain prudent solid and hazardous waste management and disposal practices, including at a minimum such practices as are required or dictated from time to time by current and future Environmental Laws and Environmental Permits.

SECTION 6.1.12. Compliance with Laws. The Borrower will, and will cause each Subsidiary to, comply with all applicable Requirements of Law; provided, however, that this Section 6.1.12 shall not apply to any circumstance of noncompliance that together with all other noncompliance could not result in a Material Adverse Change.

SECTION 6.1.13. Interest Rate Protection. By January 31, 1998, the Borrower shall obtain and thereafter maintain in full force and effect, from ING or an Eligible Lending Institution, one or more Interest Rate Contracts, protecting the Borrower against increases in the Eurodollar Rate for an aggregate notional amount equal to 50% of the aggregate principal amount of the Term Loans for a term of

three (3) years. ING shall make available to the Borrower various proposals for Interest Rate Contracts. Should the Borrower obtain any proposal for Interest Rate Contracts from a source other than ING, the Borrower agrees that ING shall have a right to provide such Interest Rate Contracts on the same terms as those set forth in such proposal. The Borrower will collaterally assign such Interest Rate Contracts to the Agent, for its benefit and the ratable benefit of the Lenders, pursuant to documentation acceptable to the Agent.

SECTION 6.1.14. Real Estate. If the Borrower or any Subsidiary shall acquire a fee or leasehold interest in real estate which the Agent reasonably designates as material to the Borrower or such Subsidiary at any time prior to the date on which all Commitments have terminated and all Obligations under this Agreement have been paid in full, the Borrower or such Subsidiary will execute a Mortgage subject only to the Liens described in clauses (c) and (g) of Section 6.2.3, in form and substance satisfactory to the Agent, in favor of the Agent, for its benefit and the ratable benefit of the Lenders, and shall use its reasonable efforts to deliver to the Agent such title insurance policies, surveys and landlords' estoppel agreements with respect thereto as the Agent shall reasonably request.

SECTION 6.1.15. Underwriting Offering and Private Placements. The Borrower shall use its best efforts to allow ING or one of its Affiliates to manage and serve as underwriter, co-underwriter, placement agent, co-placement agent or in a similar capacity, in assisting the Borrower in any public offering of equity securities or debt securities. In addition, ING shall have the right to act, at ING's option, as lead placement agent for any proposed private debt offering of the Borrower if ING's proposal for any such debt offering is no less favorable, in the reasonable business judgment of the Borrower, than the other proposal presented to the Borrower.

SECTION 6.2. Negative Covenants. The Borrower agrees with each Lender that until all Commitments have terminated and all Obligations (other than Obligations that expressly survive the termination of this Agreement pursuant to Section 9.5) have been paid and performed in full, the Borrower will perform the Obligations set forth in this Section 6.2.

SECTION 6.2.1. Business Activities. The Borrower will not, and will not permit any Subsidiary to, engage in any business activity, except those in the fields in which the Borrower and its Subsidiaries are engaged on the Closing Date and such activities as may be incidental or related thereto

and Borrower and its Subsidiaries will make no acquisitions of stock, assets or additional businesses which engage in any business other than a Temporary Staffing Business.

SECTION 6.2.2. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist or otherwise become or be liable in respect of any Indebtedness other than:

(a) Indebtedness in respect of the Loans and other Obligations;

(b) Indebtedness in respect of the Interest Rate Contracts required pursuant to Section 6.1.13 to the extent such do not constitute Obligations;

(c) obligations that constitute Indebtedness solely by virtue of being secured by Liens permitted under Section 6.2.3;

(d) Indebtedness in respect of liabilities resulting from (i) endorsements of negotiable instruments in the ordinary course of business; and (ii) surety bonds and other bonds issued for the Borrower's account in the ordinary course of business;

(e) Indebtedness of the Borrower and its Subsidiaries existing on the Closing Date and set forth in Item 12 (Existing Indebtedness) of the Disclosure Schedule.

(f) Indebtedness of any Subsidiary owing to the Borrower, provided that such Indebtedness is evidenced by a demand promissory note that is pledged to the Agent, for its benefit and the benefit of the Lenders, as security for the Obligations pursuant to the Pledge Agreement;

(g) Capitalized Lease Liabilities provided that (i) the aggregate amount thereof which in accordance with GAAP is attributable to principal, together with the aggregate outstanding principal amount of all Purchase Money Indebtedness of the Borrower and its Subsidiaries, does not exceed \$850,000 at any one time outstanding, (ii) payments under each capitalized lease giving rise to such Capitalized Lease Liabilities shall be made in equal periodic installments, (iii) the original term of each capitalized lease giving rise to such Capitalized Lease Liabilities shall not be less than the useful life of the item of property for which such Capitalized Lease Liabilities are incurred and (iv) the Consolidated Capital Expenditures financed by such Capitalized Lease Liabilities are not prohibited under Section 6.2.5;

(h) Purchase Money Indebtedness provided that (i) the amount of such Indebtedness, together with the amount of any outstanding Capitalized Lease Liabilities of the Borrower and its Subsidiaries that in accordance with GAAP are attributable to principal, does not exceed \$850,000 at any one time outstanding, (ii) such Indebtedness provides for the payment of principal in equal periodic installments, (iii) each issue of such Purchase Money Indebtedness shall have an original maturity date that is not earlier than the useful life of the item of property for which such Purchase Money Indebtedness is incurred, and (iv) the Consolidated Capital Expenditures financed by such Purchase Money Indebtedness are not prohibited under Section 6.2.5; and

(i) extensions, refinancings, replacements and renewals of any of the foregoing Indebtedness described in clauses (e) and (h) of this Section 6.2.2, provided that the principal amount thereof is not increased, such extension, refinancing, replacement or renewal does not impose more burdensome terms upon the Borrower or its Subsidiaries, as the case may be, than the Indebtedness being extended, refinanced, replaced or renewed.

SECTION 6.2.3. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except:

(a) Liens in favor of the Agent or the Lenders granted pursuant to any Loan Document;

(b) Liens identified in Item 17 ("Permitted Liens") of the Disclosure Schedule;

(c) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable with penalty or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(d) Liens of carriers, warehousemen, mechanics, and materialmen incurred in the ordinary course of business for sums not overdue or being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the forfeiture or sale of the asset subject to such Lien) and for which adequate reserves shall have been set aside on its books;

(e) Liens (other than Liens arising under ERISA or Section 412(n) of the Code) incurred in the ordinary course of

business in connection with workmen's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(f) judgment Liens with respect to judgments to the extent such judgments do not constitute an Event of Default described in Section 7.1.9;

(g) easements (including, without limitation, reciprocal easement agreements and utility agreements), rights-of-way, covenants, consents, reservations, encroachments, variations and other restrictions, charges or encumbrances (whether or not recorded) affecting the use of property, which do not materially detract from the value of such property or impair the use thereof;

(h) Liens upon any furniture and equipment acquired by the Borrower or any of its Subsidiaries after the Closing Date to secure Indebtedness permitted under clause (h) of Section 6.2.2 or arising by virtue of a capital lease permitted under clause (g) of Section 6.2.2;

(i) Leases and subleases granted to others in the ordinary course of business not interfering in any material respect with any business of the Borrower or any of its Subsidiaries;

(j) Liens which constitute rights of set-off of a customary nature or bankers' liens with respect to amounts on deposit, whether arising by operation of law or by contract, in connection with arrangements entered into with banks in the ordinary course of business;

(k) Liens consisting of precautionary UCC-1 filings in respect of operating leases to the extent permitted under Section 6.2.6; and

(l) extensions, renewals or replacements of any Lien referred to in clause (b) of this Section 6.2.3, provided that the principal amount of the obligation secured thereby is not increased and that any such extension, renewal or replacement is limited to the property originally encumbered thereby.

SECTION 6.2.4. Financial Condition. From and after the Closing Date, the Borrower hereby covenants and agrees as set forth below:

(a) Fixed Charge Coverage Ratio. The Borrower will not permit its Fixed Charge Coverage Ratio with respect to the twelve-month period ending on the last day of any Fiscal Quarter to be less than the ratio set forth opposite such Fiscal Quarter:

Fiscal Quarter Ending:	Ratio
1.40:1.00	March, 1997
1.30:1.00	June, 1997
1.20:1.00	September, 1997
1.20:1.00	December, 1997
1.20:1.00	March, 1998
1.20:1.00	June, 1998
1.20:1.00	September, 1998
1.20:1.00	December, 1998
1.20:1.00	March, 1999
1.20:1.00	June, 1999
1.20:1.00	September, 1999
1.20:1.00	December, 1999
1.20:1.00	March, 2000
1.20:1.00	June, 2000
1.20:1.00	September, 2000
1.20:1.00	December, 2000
1:15:1.00	March, 2001
1:15:1.00	June, 2001
1:15:1.00	September, 2001
1:15:1.00	December, 2001
1:15:1.00	March, 2002
1:15:1.00	June, 2002

1:15:1.00 September, 2002
 1:15:1.00 December, 2002
 1:15:1.00 March, 2003
 1:15:1.00 June, 2003
 1:15:1.00 September, 2003 and for each Fiscal Quarter thereafter
 1:10:1.00

provided, however, for purposes of this clause (a), Consolidated Capital Expenditures incurred in connection with the relocation of the offices of Irene Cohen during Fiscal Year 1997 not exceeding \$850,000 shall be excluded from the calculation of the Fixed Charge Coverage Ratio.

(b) Leverage Ratio. The Borrower will not permit its Leverage Ratio with respect to the twelve-month period ending on the last day of any Fiscal Quarter to be greater than the ratio set forth opposite such Fiscal Quarter:

Ratio	Fiscal Quarter	Ending:
5.75:1.00	March,	1997
4.20:1.00	June,	1997
4.00:1.00	September,	1997
4.00:1.00	December,	1997
4.00:1.00	March,	1998
4.00:1.00	June,	1998
3.80:1.00	September,	1998
3.60:1.00	December,	1998
3.30:1.00	March,	1999
3.20:1.00	June,	1999
3.00:1.00	September,	1999
2.90:1.00	December,	1999
	March,	2000

2.70:1.00	June,	2000
2.50:1.00	September,	2000
2.40:1.00	December,	2000
2.30:1.00	March, 2001 and for each Fiscal Quarter thereafter	
2.00:1.00		

And provided, further, that the above calculation shall be made on the basis of annualized EBITDA for each acquisition permitted hereunder after the Closing Date based upon (i) the first Fiscal Quarter annualized when only such first Fiscal Quarter financial information is available on such acquisition, (ii) the average of the first two Fiscal Quarters financial information annualized when only such financial information is available on such acquisition, (iii) the average of the first three Fiscal Quarters financial information annualized when only such financial information is available on such acquisition, and (iv) that the aggregate outstanding principal amount of indebtedness incurred, if any, in connection with the acquisitions of E.D.R. Associates, Inc., Electronic Data Resources L.L.C., and Quality OutSourcing, Inc. shall not be included in such calculations for September 30, 1997.

(c) Interest Coverage Ratio. The Borrower will not permit its Interest Coverage Ratio with respect to the twelve-month period ending on the last day of any Fiscal Quarter to be less than the ratio set forth below opposite such Fiscal Quarter:

Fiscal Quarter Ending:	Ratio
March, 3.50:1.00	1997
June, 3.50:1.00	1997
September, 2.75:1.00	1997
December, 2.75:1.00	1997
March, 2.75:1.00	1998
June, 2.75:1.00	1998
September, 2.75:1.00	1998
December, 2.75:1.00	1998

3.00:1.00	March,	1999
3.00:1.00	June,	1999
3.00:1.00	September,	1999
3.00:1.00	December,	1999
3.50:1.00	March,	2000
3.50:1.00	June,	2000
3.50:1.00	September,	2000
3.50:1.00	December,	2000
3.50:1.00	March, 2001 and for each Fiscal Quarter thereafter	4.00:1.00

(d) Net Worth. The Borrower will not permit its net worth determined in accordance with GAAP as of the last day of any Fiscal Quarter to be less than the amount set forth opposite such Fiscal Quarter:

Fiscal Quarter Ending:	Amount
\$13,300,000	March, 1997
\$3,700,000	June, 1997
\$15,750,000	September, 1997
\$16,000,000	December, 1997
\$16,250,000	March, 1998
\$16,750,000	June, 1998
\$17,500,000	September, 1998
\$18,000,000	December, 1998
\$18,500,000	March, 1999
\$19,000,000	June, 1999
\$19,500,000	September, 1999
\$20,000,000	December, 1999
\$20,500,000	March, 2000

\$21,000,000	June,	2000
\$22,000,000	September,	2000
\$3,000,000	December,	2000 and for each Fiscal Quarter thereafter

Provided, however, that the above minimum Net Worth amounts shall be automatically increased beginning in the first full quarter after any Approved Acquisition Expenditure by 82.5% of the Net Income projected in such acquisition in the information provided to the Lenders in seeking approval of such acquisition in each of the first four Fiscal Quarters commencing in the first full Fiscal Quarter after any such acquisition, by 80% of such projected Net Income for the fifth through twelfth full Fiscal Quarters thereafter, by 75% of such projected Net Income for the thirteenth through sixteenth full Fiscal Quarters thereafter and 70% of such projected Net Income commencing with the seventeenth full Fiscal Quarter thereafter.

(e) EBITDA. The Borrower will not permit EBITDA for the twelve-month period ending on the last day of any Fiscal Quarter to be less than the amount set forth opposite such Fiscal Quarter:

Fiscal Quarter Ending:	Amount
\$3,700,000	March, 1997
\$5,100,000	June, 1997
\$6,700,000	September, 1997
\$7,800,000	December, 1997
\$7,900,000	March, 1998
\$7,900,000	June, 1998
\$8,600,000	September, 1998
\$9,000,000	December, 1998
\$9,300,000	March, 1999
\$9,600,000	June, 1999
\$9,900,000	September, 1999
\$9,900,000	December, 1999

\$10,100,000	March,	2000
\$10,300,000	June,	2000
\$10,600,000	September,	2000
\$10,800,000	December,	2000
\$11,000,000	March,	2001
\$11,200,000	June,	2001
\$11,500,000	September,	2001
\$11,800,000	December,	2001
\$12,000,000	March,	2002
\$12,300,000	June,	2002
\$12,500,000	September,	2002
\$12,700,000	December,	2002
\$13,000,000	March,	2003
\$13,100,000	June,	2003

September, 2003 and for each Fiscal Quarter thereafter \$13,500,000

Provided, however, that the above minimum EBITDA amounts shall be automatically increased beginning in the first full quarter after any Approved Acquisition Expenditure by 82.5% of the EBITDA projected in such acquisition in the information provided to the Lenders in seeking approval of such acquisition in each of the first four Fiscal Quarters commencing in the first full Fiscal Quarter after any such acquisition, by 80% of such projected EBITDA for the fifth through twelfth full Fiscal Quarters thereafter, by 75% of such projected EBITDA for the thirteenth through sixteenth full Fiscal Quarters thereafter and 70% of such projected EBITDA commencing with the seventeenth full Fiscal Quarter thereafter.

(f) Current Ratio. The Borrower will not permit the Current Ratio of the Borrower and its Subsidiaries on the last day of any Fiscal Quarter to be less than 1.50:1.00.

(g) Indebtedness to Capital Ratio. The Borrower will not permit the ratio of Indebtedness to Capital on the

last day of any Fiscal Quarter to exceed the amount set forth opposite such Fiscal Quarter:

Ratio	Fiscal Quarter	Ending:
0.70:1.00	March,	1997
0.70:1.00	June,	1997
0.70:1.00	September,	1997
0.70:1.00	December,	1997
0.70:1.00	March,	1998
0.70:1.00	June,	1998
0.69:1.00	September,	1998
0.68:1.00	December,	1998
0.66:1.00	March,	1999
0.65:1.00	June,	1999
0.63:1.00	September,	1999
0.62:1.00	December,	1999
0.60:1.00	March,	2000
0.58:1.00	June,	2000
0.56:1.00	September,	2000
0.54:1.00	December,	2000
0.51:1.00	March,	2001
	June, 2001 and for each Fiscal Quarter thereafter	0.50:1.00

And provided that the aggregate principal amount of indebtedness incurred, if any, in connection with the acquisitions of E.D.R. Associates, Inc., Electronic Data Resources L.L.C., and Quality Outsourcing, Inc. shall not be included in such calculations for September 30, 1997.

SECTION 6.2.5. Capital Expenditures. The Borrower will not, and will not permit any Subsidiary to make or commit to make Consolidated Capital Expenditures, except that, during

any Fiscal Year, the Borrower and its Subsidiaries may make Consolidated Capital Expenditures (including the amount of Capitalized Lease Liabilities incurred during such Fiscal Year that in accordance with GAAP is attributable to principal) which in the aggregate do not exceed the amount set forth below opposite such Fiscal Year (in the case of the 1996 Fiscal Year, for the period commencing on the Prior Closing Date and ending on December 31, 1996):

Fiscal Year:	Amount
	1996
\$167,000	
	1997
\$775,000	
	1998
\$450,000	
	1999
\$450,000	
	2000
\$450,000	
	2001
\$450,000	
	2002
\$450,000	
	2003
\$450,000	
	2004
\$450,000	

provided further, however, that expenditures from insurance proceeds received upon the occurrence of a Loss which are made to replace or repair damaged or destroyed assets will not be included in the foregoing calculation. Notwithstanding the foregoing provisions of Section 6.2.5, the Borrower may make Consolidated Capital Expenditures for the period between January 1, 1997 and December 31, 1997 in connection with the relocation of the offices of Irene Cohen not exceeding \$850,000;

provided further, however, that permitted Consolidated Capital Expenditures shall increase by the lesser of (i) the projected capital expenditures shown in the information submitted to the Lenders requesting their approval of such acquisition or (ii) \$200,000 for the first year after an Approved Acquisition Expenditure and \$25,000 per year in all subsequent years.

SECTION 6.2.6. Lease Obligations. The Borrower will not, and will not permit any Subsidiary to, create or suffer to exist any obligation for the payment of rent for any property under any operating lease or agreement to lease

having a term of one year or more, except for (a) leases in existence on the Original Closing Date and described in Item 18 (Leases) of the Disclosure Schedule, and (b) any lease of real property entered into by the Borrower or any Subsidiary after the Original Closing Date in the ordinary course of business; provided, however, that no such lease shall subject the Borrower or any Subsidiary to Environmental Liabilities and Costs and that the aggregate amount of payments due from the Borrower and its Subsidiaries for all leases referred to in this Section 6.2.6 less any amounts received by the Borrower and its Subsidiaries in connection with any sublease of the property subject to any lease referred to in this Section 6.2.6 during any Fiscal Year set forth below is less than the amount set forth below opposite such Fiscal Year:

Amount	Fiscal	Year:
		1997
\$2,100,000		1998
\$2,100,000		1999
\$2,300,000		2000
\$2,400,000		2001
\$2,500,000		2002
\$2,600,000		2003
\$2,700,000		2004
\$2,800,000		

SECTION 6.2.7. Investments. The Borrower will not, and will not permit any Subsidiary to, make, incur, assume or suffer to exist any Investment in any other Person except:

(a) Cash Equivalent Investments;

(b) deposits for utilities, security deposits under leases and similar prepaid expenses;

(c) accounts receivable arising in the ordinary course of business;

(d) Investments existing on the Original Closing Date and disclosed in Item 19 ("Existing Investments") of the Disclosure Schedule.

(e) Investments made by the Borrower in its Subsidiaries after the Original Closing Date to the extent such Investments are evidenced by demand promissory notes in principal amounts equal to the amount of such Investments, payable to the Borrower and pledged by the Borrower in favor of the Agent pursuant to the Borrower Pledge Agreement;

(f) Investments made by the Borrower in its Subsidiaries after the Original Closing Date to the extent permitted under subsection (b) of Section 6.2.10;

(g) Investments (including debt obligations) received in connection with a bankruptcy or Plan Reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business, provided that if such Investments are evidenced by promissory notes or other instruments, and such instruments are pledged to the Agent, for its benefit and the benefit of the Lenders;

(h) Investments arising under Interest Rate Contracts;

(i) Investments consisting of deposit accounts of the Borrower and its Subsidiaries maintained in the ordinary course of business;

(j) Investments in substantially all the assets of Vogue Personnel Services, Inc. other than cash, office leases and equipment leases, prepayments and deposits, accounts receivables tax and insurance refunds, term life insurance, treasury stock, corporate stock certificate books and similar corporate records and correspondence related to such excluded assets (the "Vogue Acquisition"); and

(k) Investments consisting of a loan of not more than \$485,000 to ASS which has now been paid in full.

(l) Approved Acquisition Expenditures.

SECTION 6.2.8. Restricted Payments, etc. The Borrower will not declare, pay or make any dividend or distribution (in cash, property or obligations) on any shares of any class of Stock (now or hereafter outstanding) of the Borrower or on any warrants, options or other rights in respect of any class of Stock (now or hereafter outstanding) of the Borrower or apply, or permit any Subsidiary to apply, any of its funds, property or assets to the purchase, redemption, sinking fund or other retirement of any shares of any class of Stock (now or hereafter outstanding), of the Borrower or any Subsidiary, or make any deposit for any of the

foregoing; provided, however, that the Borrower shall be permitted to declare and pay the following dividends: (a) ordinary dividends on the Borrower's Series A Preferred Stock in an amount not to exceed \$56,000 in any single Fiscal Year or during any consecutive 12 month period and (b) stock dividends on the Borrower's Series C and Series D Preferred Stock, provided, however, that Borrower shall be permitted to use the Net Securities Proceeds in excess of \$3,000,000 received by Borrower from the issuance of its Series D Preferred Stock up to a maximum amount of \$400,000 to repurchase outstanding common stock of the Borrower prior to June 6, 1998.

SECTION 6.2.9. Take or Pay Contracts;
Sale/Leasebacks

(a) The Borrower will not, and will not permit any Subsidiary to, enter into or be a party to any arrangement for the purchase of materials, supplies, other property or services if such arrangement by its express terms requires that payment be made by the Borrower or such Subsidiary regardless of whether or not such materials, supplies, other properties or services are delivered or furnished to it.

(b) The Borrower will not enter into, or permit any Subsidiary to enter into, any arrangement with any Person providing for the leasing by the Borrower or one or more Subsidiaries of any property or assets, which property or assets has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person except as permitted by Section 6.2.2(g).

SECTION 6.2.10. Consolidation, Merger,
Subsidiaries, etc.

(a) The Borrower will not, and will not permit any Subsidiary to, liquidate or dissolve, consolidate with, or merge into or with, any Person, or purchase or otherwise acquire all or substantially all of the assets or stock of any Person (or of any operating division or unit thereof), except that any such Subsidiary may liquidate or dissolve voluntarily into, and may merge with and into, the Borrower or any other wholly-owned Subsidiary (so long as the Borrower or such wholly-owned Subsidiary is the surviving corporation) and Borrower may acquire assets pursuant to the Vogue Acquisition.

(b) The Borrower will not, and will not permit any Subsidiary to, create any Subsidiary or transfer any assets to any Subsidiary.

SECTION 6.2.11. Asset Dispositions, etc. The

Borrower will not, and will not permit any Subsidiary to, sell, transfer, lease or otherwise dispose of, or grant options, warrants or other rights with respect to, any of its assets (including accounts receivable and capital stock of Subsidiaries) to any Person in excess of \$20,000 in the aggregate during any Fiscal Year, unless such disposition is made in the ordinary course of business and consists of inventories; or such disposition constitutes a disposition of obsolete or retired assets no longer used in the business of the Borrower and its Subsidiaries.

SECTION 6.2.12. Modification of Organic Documents, etc. The Borrower will not consent to any amendment, supplement or other modification of any of the terms or provisions contained in, or applicable to, the charter or the by-laws of the Borrower.

SECTION 6.2.13. Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into, or cause, suffer or permit to exist:

(a) any arrangement or contract with any of its Affiliates (other than its Subsidiaries) of a nature customarily entered into by Persons which are Affiliates of each other (including management or similar contracts or arrangements relating to the allocation of revenues, expenses or otherwise) requiring any payments to be made by the Borrower or any Subsidiaries to any such Affiliate, other than the transactions provided for in the Loan Documents; and

(b) any other transaction, arrangement or contract with any of its Affiliates which is on terms which are less favorable than are obtainable from any Person which is not one of its Affiliates.

SECTION 6.2.14. Inconsistent Agreements . The Borrower will not, and will not permit any Subsidiary to, enter into any material agreement containing any provision which would be violated or breached in any material respect by any Loan or by the performance by the Borrower or any Subsidiary of its obligations hereunder or under any Loan Document.

SECTION 6.2.15. Change in Accounting Method. The Borrower will not, and will not permit any Subsidiary to, make any change in accounting treatment and reporting practices except as required by GAAP.

SECTION 6.2.16. Change in Fiscal Year End. The Borrower will not change its Fiscal Year end without the Required Lenders' prior written consent, which consent will

not be unreasonably withheld but will not be given with respect to more than one such change during the term of this Agreement.

SECTION 6.2.17. Compliance with ERISA. The Borrower will not, and will not permit any Subsidiary to take, or fail to take, any action with respect to a Plan, including establishing, amending, or terminating or withdrawing from any Plan, without first obtaining the Agent's written Approval, where such action or failure to act could result in any liabilities under the IRC, ERISA, or any other applicable law which individually or in the aggregate could result in a Material Adverse Change.

SECTION 6.2.18. Limitation on Restrictions on Subsidiary Dividends. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make other distributions on its Stock or other interests or participations in profits owned by the Borrower or any Subsidiary of the Borrower or pay any Indebtedness owed to the Borrower or any Subsidiary of the Borrower, (b) make loans or advances to the Borrower or any Subsidiary of the Borrower or (c) transfer any of its property or assets to the Borrower or any Subsidiary of the Borrower, except for such encumbrances and restrictions existing under or by reason of this Agreement and the other Loan Documents.

SECTION 6.2.19. Subsidiary Investments. The Borrower will not, and will not permit any of its Subsidiaries, to make any Investment in the Whitney Group. The Borrower will not, and will not permit any of its Subsidiaries, to make any Investment in Whitney Asia Limited and Whitney Asia PTE which would cause the aggregate amounts invested in Whitney Asia Limited and Whitney Asia PTE subsequent to the Closing Date to exceed \$500,000.00.

ARTICLE 7.

EVENTS OF DEFAULT

SECTION 7.1. Events of Default. The term "Event of Default" shall mean any of the events set forth in this Section 7.1

SECTION 7.1.1 Non-Payment of Obligations. The Borrower shall default:

(a) in the payment or prepayment when due of any

principal of any Loan;

(b) in the payment when due of the interest payable in respect of any Loan, the commitment fee provided for in Section 2.4 hereof or any other Obligations and such default shall continue unremedied for a period of five (5) days.

SECTION 7.1.2. Non-Performance of Certain Covenants. The Borrower shall default in the due performance and observance of any of its obligations under Section 6.1 and such default shall continue unremedied for a period of ten (10) days after notice thereof shall have been given to the Borrower by the Agent (or if such default is not reasonably susceptible to cure within 10 days and so long as the Borrower promptly commences and diligently pursues such cure, such longer period as is reasonably needed to effect such cure, but in no event longer than 30 days from the date notice is given), or shall default in the due performance or observation of any of its obligations under Section 6.2.

SECTION 7.1.3. Defaults Under Other Loan Documents; Non-Performance of Other Obligations. Any "Event of Default" shall occur under the other Loan Documents; or the Borrower or any Subsidiary shall default in the due performance and observance of any other obligation, covenant or agreement contained herein or in any other Loan Document and such default shall continue unremedied for a period of ten (10) days after notice thereof shall have been given to the Borrower by the Agent (or if such default is not reasonably susceptible to cure within 10 days and so long as the Borrower promptly commences and diligently pursues such cure, such longer period as is reasonably needed to effect such cure, but in no event longer than 30 days from the date notice is given).

SECTION 7.1.4. Bankruptcy, Insolvency, etc. The Borrower or any Subsidiary shall:

(a) become insolvent or generally fail to pay, or admit in writing its inability to pay, debts as they become due;

(b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any Subsidiary or any property of any thereof, or make a general assignment for the benefit of creditors;

(c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any Subsidiary or for a substantial part of the

property of any thereof, and such trustee, receiver, sequestrator or other custodian shall not be discharged within sixty (60) days;

(d) permit or suffer to exist the commencement of any bankruptcy, Plan Reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower or any Subsidiary, and, if such case or proceeding is not commenced by the Borrower or such Subsidiary, such case or proceeding shall be consented to or acquiesced in by Borrower or such Subsidiary or shall result in the entry of an order for relief or shall remain for sixty (60) days undismissed; or

(e) take any corporate action authorizing, or in furtherance of, any of the foregoing.

SECTION 7.1.5. Breach of Warranty. Any representation or warranty of the Borrower or any Loan Party hereunder or in any other Loan Document or in any other writing furnished by or on behalf of the Borrower to the Agent or any Lender for the purposes of or in connection with this Agreement or any such Loan Document is or shall be incorrect when made in any material respect.

SECTION 7.1.6. Default on Other Indebtedness, etc.

(a) Any Indebtedness of the Borrower or any Subsidiary in an aggregate principal amount exceeding \$100,000 (i) shall be duly declared to be or shall become due and payable prior to the stated maturity thereof, or (ii) shall not be paid as and when the same becomes due and payable including any applicable grace period; or (b) there shall occur and be continuing any event under any Instrument relating to any Indebtedness of the Borrower or any Subsidiary in an aggregate principal amount exceeding \$100,000, the effect of which is to cause such Indebtedness to become due prior to its stated maturity or to permit the holder or holders of such Indebtedness, or a trustee, agent or other representative on behalf of such holder or holders, to cause such Indebtedness to become due prior to its stated maturity or to require (or permit the holder or holders to require) the Borrower or any Subsidiary to redeem, repurchase or otherwise acquire or retire such Indebtedness for value.

SECTION 7.1.7. Failure of Valid, Perfected Security Interest. The security interest or Lien in the Collateral and all proceeds thereof, securing the Obligations shall cease to be valid or perfected at any time after the Original Closing Date (other than as a result of (i) the Agent's failure to make any required filing to the extent the necessity of such filing was disclosed to the Agent in an opinion of counsel to

the Borrower or in the Perfection Certificate delivered by the Loan Parties or (ii) the release of possession of any Instrument delivered to the Agent or its agent or representative pursuant to any of the Security Documents).

SECTION 7.1.8. Employee Plans. Any of the following events shall occur with respect to any Plan: (i) any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA) not disclosed in Item 8 ("Benefit Plans") of the Disclosure Schedule, whether or not waived, shall exist with respect to any Single Employer Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) a notice of intent to terminate any Single Employer Plan for purposes of Title IV of ERISA is issued by the plan administrator thereof without the prior written consent of the Required Lenders, or the PBGC shall commence proceedings to terminate any Single Employer Plan, (v) the Borrower or any Commonly Controlled Entity or Subsidiary shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the ERISA Insolvency, Plan Reorganization or termination of, a Multiemployer Plan, (vi) the Borrower or any Commonly Controlled Entity or Subsidiary shall fail to make any quarterly installment payment to a Pension Plan required under Section 302(e) of ERISA or Section 412(m) of the Code, (vii) the Borrower or any Commonly Controlled Entity or Subsidiary shall fail to make any contribution to a Multiemployer Plan which is required under ERISA, the Code or applicable collective bargaining agreements, or (viii) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (viii) above, such event or condition, together with all other such events or conditions, if any, could subject the Borrower or any Subsidiary (directly or indirectly) to any tax, penalty or other liabilities under Title I or Title IV of ERISA, Section 404 or 419 and Chapter 43 of the IRC or any other applicable law which in the aggregate could result in a Material Adverse Change.

SECTION 7.1.9. Judgments. A final judgment which, with other such outstanding final judgments against the Borrower or any of its Subsidiaries (in each case to the extent not covered by insurance), exceeds an aggregate of

\$250,000, shall be entered against the Borrower or any of its Subsidiaries and, within 30 days after entry thereof, such judgment shall not have been discharged or execution thereof stayed pending appeal, or, within 30 days after the expiration of any such stay, such judgment shall not have been discharged or stayed.

SECTION 7.1.10. Cessation of Business; Dissolution. The entry of any order of a court enjoining, restraining or otherwise preventing the Borrower or any Subsidiary from conducting all or any material part of its business affairs; or the cessation of business or dissolution of the Borrower.

SECTION 7.2. Action if Bankruptcy. If any Event of Default described in subsection (d) of Section 7.1.4 shall occur, the outstanding principal amount of all outstanding Loans and all other Obligations shall automatically be and become immediately due and payable and all Commitments shall automatically be terminated, in either case without notice, demand or presentment.

SECTION 7.3. Action if Other Event of Default. If any Event of Default (other than any Event of Default described in Section 7.1.4) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Agent may, and upon the direction of the Required Lenders, shall upon notice or demand, declare all or any portion of the outstanding principal amount of the Loans to be due and payable, including without limitation, an amount equal to the maximum amount which would be available at any time to be drawn under all Letters of Credit then outstanding (whether or not any beneficiary under any Letter of Credit shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letter of Credit), and any or all other Obligations to be due and payable and all Commitments to be terminated, whereupon the full unpaid amount of such Loans and any and all other Obligations which shall be so declared due and payable shall be and become immediately due and payable and any and all Commitments which shall be so declared terminated shall be and become immediately terminated, in each case without further notice, demand, or presentment, and to the extent any obligations are paid by the Borrower, they shall constitute a prepayment under this Agreement. As long as any Letter of Credit shall remain outstanding, any amounts held as cash collateral by the Agent with respect to Letters of Credit, when received by the Agent, shall be deposited in a cash collateral account as cash collateral for the obligations of the Borrower under the Letter of Credit of this Agreement in the event of any drawing under a Letter of Credit, and upon

drawing under any outstanding Letter of Credit in respect of which the Agent has deposited in the cash collateral account any amounts described above, the Agent shall pay such amounts to itself to reimburse itself for the amount of such drawing.

ARTICLE 8.

THE AGENT

SECTION 8.1. Actions. Each Lender and the holder of each Note authorizes the Agent to act on behalf of such Lender or holder under this Agreement and any other Loan Document and, in the absence of other written instructions from the Required Lenders received from time to time by the Agent (with respect to which the Agent agrees that it will, subject to the last two sentences of this Section 8.1, comply, except as otherwise advised by counsel), to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Each Lender agrees (which agreement shall survive any termination of this Agreement) to indemnify the Agent, pro rata according to such Lender's Percentage, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement, the Notes, or any other Loan Document, including the reimbursement of the Agent for all out-of-pocket expenses (including attorneys' fees) incurred by the Agent hereunder or in connection herewith or in enforcing the Obligations of the Borrower under this Agreement or any other Loan Document, in all cases as to which the Agent is not reimbursed by the Borrower; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements determined by a court of competent jurisdiction in a final proceeding to have resulted solely from the Agent's gross negligence or wilful misconduct. The Agent shall not be required to take any action hereunder or under any other Loan Document, or to prosecute or defend any suit in respect of this Agreement or any other Loan Document, unless it is indemnified to its satisfaction by the Lenders against loss, costs, liability and expense. If any indemnity in favor of the Agent shall become impaired, it may call for additional indemnity and cease to do the acts indemnified against until such additional indemnity is given.

SECTION 8.2. Funding Reliance, etc. Unless the Agent shall have been notified by telephone, confirmed in

writing, by any Lender by 5:00 p.m., New York City time, on the day prior to a Borrowing that such Lender will not make available the amount which would constitute its Percentage of such Borrowing on the date specified therefor, the Agent may assume that such Lender has made such amount available to the Agent and, in reliance upon such assumption, make available to the Borrower a corresponding amount; provided, however, that the Agent shall have no obligation to do so. If such amount is made available by such Lender to the Agent on a date after the date of such Borrowing, such Lender shall pay to the Agent on demand interest on such amount at the Federal Funds Rate for the number of days from and including the date of such Borrowing to the date on which such amount becomes immediately available to the Agent, together with such other compensatory amounts as may be required to be paid by such Lender to the Agent pursuant to the Rules for Interbank Compensation of the Council on International Banking or the Clearinghouse Compensation Committee, as the case may be, as in effect from time to time. A statement of the Agent submitted to any Lender with respect to any amounts owing under this Section 8.2 shall be conclusive, in the absence of manifest error. If such amount is not in fact made available to the Agent by such Lender within three Business Days after the date of such Borrowing, the Agent shall be entitled to recover such amount, with interest thereon at the rate per annum then applicable to the Loans comprising such Borrowing, within five Business Days after demand, from the Borrower. Nothing herein shall be construed to release any Lender from its obligation to make Loans subject to the terms and conditions set forth in this Agreement.

SECTION 8.3. Exculpation. Neither the Agent nor any of its directors, officers, employees or agents shall be liable to any Lender for any action taken or omitted to be taken by it under this Agreement, the Notes, or any Loan Document, or in connection herewith or therewith, except for its own wilful misconduct or gross negligence. The Agent shall not be responsible to any Lender for any recitals, statements, representations or warranties herein or in any certificate or other document delivered in connection herewith or for the authorization, execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, or sufficiency of any of the Loan Documents, the financial condition of the Borrower or any Subsidiary or the condition or value of any of the Collateral, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of any of the Loan Documents, the financial condition of the Borrower or any Subsidiary or the existence or possible existence of any Default. The Agent shall be entitled to rely upon advice of counsel concerning legal matters and upon any

notice, consent, certificate, statement or writing which it believes to be genuine and to have been presented by a proper Person.

SECTION 8.4. Successor. The Agent may resign as such at any time upon at least thirty (30) days' prior notice to the Borrower and all Lenders, such resignation not to be effective until a successor Agent is in place. If the Agent at any time shall resign, the Required Lenders may appoint another Lender as a successor Agent which shall thereupon become the Agent hereunder. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be one of the Lenders or another financial institution which shall (i) be reasonably acceptable to the Borrower, (ii) be organized under the laws of the United States and (iii) have a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall be entitled to receive from the retiring Agent such documents of transfer and assignment as such successor Agent may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges, and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents.

SECTION 8.5. Loans by the Agent. The Agent shall have the same rights and powers with respect to (a) the Loans made by it or any of its Affiliates and (b) the Notes held by it or any of its Affiliates, as any Lender and may exercise the same as if it were not the Agent.

SECTION 8.6. Credit Decisions. Each Lender acknowledges that it has, independently of the Agent and each other Lender, and based on such financial information and such other documents, information and investigations as it has deemed appropriate, made its own credit decision to extend its Commitments, to make the Loans. Each Lender also acknowledges that it will, independently of the Agent and each other Lender, and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any other Loan Document.

SECTION 8.7. Copies, etc. The Agent shall give prompt notice to each Lender of each notice or request

required or permitted to be given to the Agent by the Borrower pursuant to the terms of this Agreement. The Agent will distribute to each Lender each Instrument received for its account and copies of all other communications received by the Agent from the Borrower for distribution to the Lenders by the Agent in accordance with the terms of this Agreement. Notwithstanding anything herein contained to the contrary, all notices to and communications with the Borrower under this Agreement and the other Loan Documents shall be effected by the Lenders through the Agent.

ARTICLE 9.

MISCELLANEOUS

SECTION 9.1. Waivers, Amendments, etc. (a)

The provisions of this Agreement and of each Loan Document may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and, (x) in the case of an amendment or modification, is consented to by the Borrower and the Required Lenders and (y) in the case of a waiver of any obligation of the Borrower or compliance with any prohibition contained in this Agreement or any other Loan Document, is consented to by the Required Lenders; provided, however, that no such amendment, modification or waiver:

(i) which would modify any requirement hereunder that any particular action be taken by all the Lenders or by the Required Lenders shall be effective unless consented to by each Lender;

(ii) which would modify this Section 9.1, change the definition of "Required Lenders," increase the Revolving Loan Commitment Amount or change any Percentage for any Lender, reduce any fees payable to the Lenders described in Article 2 and Article 3, extend the Revolving Loan Commitment Termination Date, release material amounts of Collateral, change the interest rates set forth in Article 3, or subject any Lender to any additional obligations shall be made without the consent of each Lender;

(iii) which would extend the due date for, or reduce the amount of, any payment or prepayment of principal of or interest on any Loan (or reduce the principal amount of or rate of interest on any Loan) shall be made without the consent of the holder of the Note evidencing such Loan; or

(iv) which would affect adversely the interests, rights, compensation or obligations of the Agent qua the

Agent shall be made without consent of the Agent.

(b) No failure or delay on the part of the Agent, any Lender or the holder of any Note in exercising any power or right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Borrower in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Agent, any Lender, or the holder of any Note under this Agreement or any other Loan Document shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or Regulatory Approval thereafter to be granted hereunder.

(c) Neither any Lender nor the Agent shall be under any obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Obligations. Recourse for security shall not be required at any time. To the extent that the Borrower makes a payment or payments to the Agent or the Lenders, or the Agent or the Lenders enforce their security interests or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently for any reason invalidated, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

SECTION 9.2. Notices. All notices hereunder shall be in writing or by telecopy and shall be sufficiently given to the Agent, the Lenders or the Borrower if addressed or delivered to them at the following addresses:

If to the Agent: ING Capital
 135 East 57th Street
 New York, New York 10022
 Attention: Chief Credit Officer
 Telecopier No.: (212) 750-8935

with copies to: ING Capital
 Atlanta Office

200 Galleria Parkway, N.W.
Suite 950
Atlanta, Georgia 30339
Attention: John N. Lanier
Telecopier No.: (770) 951-1005

and a copy to: King & Spalding
191 Peachtree Street
Atlanta, Georgia 30303-1763
Attention: Walter W. Driver, Jr., Esq.
Telecopier No.: (404) 572-5100

If to any other Lender: At its address set forth beneath its
name on the signature pages hereof

If to the Borrower Headway Corporate Resources, Inc.
850 Third Avenue
New York, New York 10022
Attention: Mr. Barry S. Roseman
Telecopier No.: (212) 508-3540

with a copy to: Christy & Viener
620 Fifth Avenue
New York, New York 10020
Attention: Richard B. Salomon, Esq.
Telecopier No.: (212) 632-5555

or at such other address as any party may designate to any
other party by written notice. All such notices and
communications shall be deemed to have been duly given: at
the time delivered by hand, if personally delivered; when
received, if deposited in the mail, postage prepaid; when
transmission is verified, if telecopied; and on the next
Business Day, if timely delivered to an air courier
guaranteeing overnight delivery.

SECTION 9.3. Costs and Expenses. The
Borrower agrees to pay all reasonable out-of-pocket expenses
of the Agent (including reasonable fees and expenses of
counsel to the Agent, or of any consultants or other experts
retained by the Agent) in connection with (i) the negotiation,
preparation, execution, and delivery of this Agreement and
each other Loan Document, including schedules and exhibits,
and any amendments, waivers, consents, supplements,
terminations, releases or other modifications to this
Agreement or any other Loan Document as may from time to time
hereafter be required whether or not the transactions
contemplated hereby are consummated, and (ii) the
consideration of legal questions relevant to this Agreement of
any other Loan Document. The Borrower also agrees to pay and
hold the Agent and the Lenders harmless from any stamp,

documentary, intangibles, transfer or similar taxes or charges, and all recording or filing fees with respect to the Loan Documents or any payments to be made thereunder and all title insurance premiums, surveyors costs and valuation fees, and to reimburse the Agent and each Lender upon demand for all reasonable out-of-pocket expenses (including reasonable attorneys' fees and expenses) incurred by the Agent or such Lender in enforcing the Obligations of the Borrower or any Subsidiary under this Agreement or any other Loan Document or related Document or in connection with any restructuring or "work-out" of any Obligations.

SECTION 9.4. Indemnification. In consideration of the execution and delivery of this Agreement by the Agent and each Lender, the making of the Term Loans, the extension of the Revolving Loan Commitment and the Letter of Credit Commitment, the Borrower hereby indemnifies, exonerates and holds the Agent and each Lender, each of their respective successors and assigns, each of the respective officers, directors, employees, attorneys and agents of the Agent and each Lender and each of their respective successors and assigns (collectively, the "Lender Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities (including, but not limited to, Environmental Liabilities and Costs), damages and expenses (irrespective of whether such Lender Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by the Lender Parties or any of them or asserted or awarded against the Lender Parties or any of them as a result of, or arising out of, or relating to:

(a) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Loan or Letter of Credit, including, without limitation, the Acquisition;

(b) the use of any of the proceeds of the Loans or Letters of Credit by the Borrower for any other purpose;

(c) the making of any claim by any investment banking firm, broker or third party that it is entitled to compensation from the Agent or any Lender in connection with this Agreement (other than investment banking firms and brokers retained by the Agent or any Lender);

(d) the entering into and performance of this Agreement and any other Loan Document by any of the Lender Parties (other than the breach by such Lender Party of this Agreement or the failure to comply with any applicable law);

(e) any of the Loan Documents or any proposed acquisition by the Borrower of all or any portion of the stock or assets of any Person, whether or not the Agent or such Lender is party thereto;

(f) the existence of any contaminant, in, under, on or otherwise affecting any property owned, used, operated, or leased by Borrower or any Subsidiary in the past, present, or future or any surrounding areas affected by such property, regardless of whether the existence of the contaminant is related to the past, present, or future operations of the Borrower and its Subsidiaries, or their predecessors in interest or any other Person; any Environmental Liabilities and Costs related to any property owned, used, operated, or leased by Borrower or any Subsidiary in the past, present, or future; any Environmental Liabilities and Costs related to the past, present, or future operations of the Borrower or any Subsidiaries; any alleged violations of any Environmental Law related to any property owned, used, operated, or leased by Borrower or any Subsidiary in the past, present, or future; any alleged violations of any Environmental Law related to the past, present, or future operations of the Borrower or any Subsidiaries; the performance of any remedial action that is related to any property owned, used, operated, or leased by Borrower or any Subsidiaries in the past, present, or future; the performance of any remedial action that is related to the past, present, or future operations of the Borrower or any Subsidiaries; and the imposition of any Lien on any property affected by this Agreement or any of the other Loan Documents arising from any Environmental Liabilities or Costs;

(g) the breach in any material respect by Borrower of any representation or warranty set forth in this Agreement or any Loan Document;

(h) the failure of Borrower to comply in any material respect with any term, condition, or covenant set forth in this Agreement or any Loan Document; or

(i) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not the Agent or any Lender (or any of their respective officers, directors, employees or agents) is a party thereto;

except for any such Indemnified Liabilities arising for the account of a particular Lender Party by reason of the relevant Lender Party's material breach of any of its obligations under this Agreement or any other Loan Document or by reason of the relevant Loans Party's bad faith, gross negligence or wilful misconduct, in each such case as determined by a final and

nonappealable decision of a court of competent jurisdiction. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The foregoing indemnity shall become effective immediately upon the execution and delivery hereof and shall remain operative and in full force and effect notwithstanding the consummation of the transactions contemplated hereunder, the repayment of any of the Loans made hereunder, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of any Lender or the Agent.

SECTION 9.5. Survival. The obligations of the Borrower under Sections 2.4, 3.5, 9.3 and 9.4, and the obligations of the Lenders under Section 8.1, shall in each case survive any termination of this Agreement. The representations and warranties made by the Borrower in this Agreement, the Notes and in each other Loan Document shall survive the execution and delivery of this Agreement, the Notes and each such other Loan Document.

SECTION 9.6. Severability. Any provision of this Agreement, the Notes or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, the Notes or such other Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 9.7. Headings. The various headings of this Agreement, the Notes and of each other Loan Document are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement, the Notes or such other Loan Document or any provisions hereof or thereof.

SECTION 9.8. Counterparts, Effectiveness, etc. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. This Agreement shall become effective when counterparts hereof executed on behalf of the Borrower and each Lender (or notice thereof satisfactory to the Agent) shall have been received by the Agent and notice thereof shall have been given by the Agent to the Borrower and each Lender.

SECTION 9.9. Governing Law; Entire Agreement. THIS AGREEMENT AND THE NOTES SHALL EACH BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK. This Agreement, the Notes and the other

Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

(b) EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR RELATED DOCUMENT, AND EACH HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR FEDERAL COURT. THE BORROWER AGREES THAT SUCH JURISDICTION SHALL BE EXCLUSIVE WITH RESPECT TO ANY SUCH ACTION OR PROCEEDING BROUGHT BY IT AGAINST THE AGENT OR ANY LENDER. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF ANY INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING.

(c) The Borrower hereby irrevocably designates, appoints and empowers CT Corporation System, whose present address is 1633 Broadway, New York, New York 10019, as its authorized agent to receive, for and on its behalf and its property, service of process in the State of New York when and as such legal actions or proceedings may be brought in the courts of the State of New York or of the United States of America sitting in New York, and such service of process shall be deemed complete upon the date of delivery thereof to such agent whether or not such agent gives notice thereof to the Borrower, or upon the earliest of any other date permitted by applicable law. The Borrower shall furnish the consent of CT Corporation System so to act to the Agent on or prior to the Closing Date. It is understood that a copy of said process served on such agent will as soon as practicable be forwarded to the Borrower, at its address set forth below, but its failure to receive such copy shall not affect in any way the service of said process on said agent as the agent of the Borrower. The Borrower irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of the copies thereof by certified mail, return receipt requested, postage prepaid, to it at its address set forth herein, such service to become effective upon the earlier of (i) the date 10 calendar days after such mailing or (ii) any earlier date permitted by applicable law. The Borrower agrees that it will at all times continuously maintain an agent to receive service of process in the State of New York on behalf of itself and its properties and in the event that, for any reason, the agent named above or its successor shall no longer serve as its agent to receive service of process in the State of New York

on its behalf, it shall promptly appoint a successor so to serve and shall advise the Agent and the Lenders thereof (and shall furnish to the Agent the consent of any successor agent so to act). Nothing in this Section 9.9 shall affect the right of the Agent or any Lender to bring proceedings against the Borrower in the courts of any other jurisdiction or to serve process in any other manner permitted by applicable law.

SECTION 9.10 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of all Lenders; and the rights of sale, assignment and transfer of the Lenders are subject to Section 9.11.

SECTION 9.11. Sale and Transfers, Participations, etc.

(a) Any Lender may at any time sell to one or more Participants participating interests in any Loan owing to such Lender, any Note held by such Lender, the Term Loan Commitment or the Revolving Loan Commitment or the Letter of Credit Commitment of such Lender, or any other interest of such Lender under this Agreement. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement shall remain unchanged and such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. The Borrower agrees that if amounts outstanding under this Agreement and the Notes are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such right of setoff shall be subject to the approval of the Required Lenders and to the obligations of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 3.8 as if the Participant were a Lender hereunder and the Borrower shall have been notified of the name, address and amount of such Participant's participating interest in the Loans and the Commitments. The Borrower also agrees that each

Participant shall be entitled to the benefits of (i) Section 9.4 and (ii) Sections 2.4 and 3.7, with respect to its participation in the Commitments and the Loans outstanding from time to time; provided, that no Participant shall be entitled to receive any greater amount pursuant to the Sections referred to in clauses (i) and (ii) than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(b) With the consent of the Agent and, if no Default exists and is continuing, the consent of the Borrower (which consent shall not be unreasonably withheld or delayed), any Lender may at any time sell to any Purchasing Lender all or any part in a minimum amount of \$2,500,000, of its rights and obligations under this Agreement, the Notes and any Letters of Credit pursuant to a Transfer Supplement, executed by such Purchasing Lender, such transferor Lender, the Agent and the Borrower. Upon (i) such execution of such Transfer Supplement, and (ii) delivery of a fully executed copy thereof to the Borrower, such Purchasing Lender shall for all purpose be a Lender party to this Agreement and shall have all the rights and obligations of a Lender under this Agreement, to the same extent as if it were an original party hereto, with a Percentage of the Revolving Loan Commitment Amount, Term Loans and the Letter of Credit Commitment set forth in such Transfer Supplement, and no further consent or action by the Borrower, the Lenders or the Agent shall be required. Such Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Notes. Upon the consummation of any transfer to a Purchasing Lender pursuant to this paragraph (b), the transferor Lender, the Agent and the Borrower shall make appropriate arrangements so that, if required, replacement Notes are issued to such transferor Lender and new Notes to the Purchasing Lender in the amount equal to their respective Commitments and outstanding Loans, as appropriately adjusted pursuant to such Transfer Supplement.

(c) The Agent shall maintain at its address referred to herein a copy of each Transfer Supplement delivered to it and the Register for the recordation of the names and addresses of the Lenders and the Commitments of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and

the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loans recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a Transfer Supplement executed by a transferor Lender, the Agent and a Purchasing Lender together with payment by such Purchasing Lender to the Agent, for the account of the Agent and not for the account of the Lenders, of a registration and processing fee of \$2,500, and the Notes subject to such Transfer Supplement, the Agent shall (i) accept such Transfer Supplement, (ii) record the information therein in the Register and (iii) give prompt notice of such acceptance and recordation to the Lenders and the Borrower.

(e) If, pursuant to this Section 9.11, any interest in this Agreement or any Note is transferred to any Participant or Purchasing Lender which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Participant or Purchasing Lender, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Agent, the Borrower or the transferor Lender with respect to any payments to be made to such Participant or Purchasing Lender in respect of the Loans or Commitments, (ii) to furnish to the transferor Lender, the Agent and the Borrower two properly executed original Internal Revenue Service Forms 4224 or 1001 (or any successor forms) and properly executed Internal Revenue Service Forms W-8 and W-9, as the case may be, (wherein such Participant or Purchasing Lender claims entitlement to complete exemption from the United States federal withholding tax on all interest payments hereunder and all fees payable under Section 2.4) and (iii) to agree (for the benefit of the transferor Lender, the Agent and the Borrower) to provide the transferor Lender, the Agent and the Borrower new Internal Revenue Service Forms 4224 or 1001 upon the expiration or obsolescence of any previously delivered form or after the occurrence of any event requiring a change in the most recent forms delivered by it to the Transferor Lender, the Agent and the Borrower, and comparable statements in accordance with applicable United States laws and regulations and amendments duly executed and completed by such Participant or Purchasing Lender, and to comply from time to time with all applicable United States laws and regulations with regard to such withholding tax exemption.

(f) Notwithstanding anything to the contrary set forth in this Section 9.11, (i) any Lender may sell to any of its Affiliates all or any part of its rights and obligations under this Agreement and the Notes (provided that no such Affiliate shall be entitled to receive any greater amount pursuant to Sections 2.4 or 3.7 than that which the transferor Lender would have been entitled to receive in respect of the amount so assigned by such transferor Lender to such Affiliate had no such transfer occurred) and, upon the occurrence and during the continuance of an Event of Default, any Lender may sell to any Purchasing Lender all or any part of its rights and obligations under this Agreement and the Notes, in either case notwithstanding that the Borrower has not or does not consent to such sale, provided such Lender has obtained the consent of the Agent and otherwise meets the requirements of this Section 9.11 and (ii) any Lender may create a security interest in all or any portion of its rights under this Agreement (including the Loans owing to it and the notes held by it) in favor of the Federal Reserve Bank in accordance with Regulation A of the F.R.S. Board.

SECTION 9.12. Other Transactions. Nothing contained herein shall preclude the Agent or any other Lender from engaging in any transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Affiliates in which the Borrower or such Affiliate is not restricted hereby from engaging with any other Person.

SECTION 9.13. Confidentiality. The Lenders and the Agent shall hold all non-public, proprietary or confidential information (which has been identified as such by the Borrower) obtained pursuant to the requirements of this Agreement in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices; however, the Lenders and the Agent may make disclosure of any such information to its examiners, Affiliates, outside auditors, counsel, consultants, appraisers and other professional advisors in connection with this Agreement or as required by any proposed syndicate member or any proposed transferee or participant in connection with the contemplated transfer of any Note or participation therein or as required or requested by any Governmental Authority or representative thereof or in connection with the enforcement hereof or of any Loan Document or related document or pursuant to legal process; provided, however, that any such proposed syndicate member or proposed transferee or participant shall have agreed in writing for the Borrower's benefit to be bound by the terms of this Section 9.13. In no event shall any Lender or the Agent be obligated

or required to return any materials furnished to it by the Borrower.

SECTION 9.14. Change in Accounting Principles. If

(a) any changes in accounting principles from those used in the preparation of the financial statements referred to in clause (a)(i) of Section 5.4 hereafter occur as a result of the promulgation of rules, regulations, pronouncements or opinions by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) result in a change in the method of calculation of financial covenants, standards or terms found in this Agreement; or

(b) there is any change in the Borrower's Fiscal Year with the Required Lenders' prior written consent pursuant to Section 6.2.16 hereof;

the parties hereto agree to enter into negotiations in order to amend such financial covenants, standards or terms so as to equitably reflect such changes with the desired result that the evaluations of the Borrower's financial condition shall be the same after such changes as if such changes had not been made.

SECTION 9.15. Waiver of Jury Trial, Etc. THE AGENT, THE LENDERS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT, THE NOTES OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF THE AGENT, SUCH LENDERS, OR THE BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE AGENT AND SUCH LENDERS ENTERING INTO THIS AGREEMENT.

SECTION 9.16. Limitation of Liability. Neither the Agent, the Lenders nor any Affiliate thereof shall have any liability with respect to, and THE BORROWER HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON, ANY CLAIM FOR ANY SPECIAL, INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES SUFFERED BY THE BORROWER IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO THIS AGREEMENT, THE LOAN DOCUMENTS, THE TRANSACTIONS CONTEMPLATED HEREIN, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH.

SECTION 9.17. Usury Savings Clause. Notwithstanding anything to the contrary in this Agreement or any other Loan Document, if at any time any rate of interest accruing on any Obligation, when aggregated with all amounts

payable by the Borrower or any other Loan Party under any of the Loan Documents that are deemed or construed to be interest accrued or accruing on such Obligation under applicable law, exceeds the highest rate of interest permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable to such Lender with respect to such Obligation (each a "Maximum Lawful Rate"), then in such event and so long as the Maximum Lawful Rate would be so exceeded, such rate of interest shall be reduced to the Maximum Lawful Rate; provided that if at any time thereafter such rate of interest accruing on Obligations held by such Lender is less than the Maximum Lawful Rate, the Borrower shall continue to pay interest to such Lender at the Maximum Lawful Rate until such time as the total interest received by such Lender in respect of the Obligations held by it is equal to the total interest which such Lender would have received had interest on all Obligations held by such Lender (but for the operation of this Section 9.17) accrued at the rate otherwise applicable under this Agreement and the other Loan Documents. Thereafter, interest payable to such Lender in respect of the Obligations held by it shall accrue at the applicable rate set forth in this Agreement or other Loan Documents unless and until such rate again exceeds the Maximum Lawful Rate, in which event this Section 9.17 shall again apply. In no event, shall the total interest received by any Lender pursuant to the terms hereof exceed the amount which such Lender could lawfully have received had interest been calculated for the full term of this Agreement at the Maximum Lawful Rate. In the event that the Maximum Lawful Rate is calculated pursuant to this Section 9.17, (a) if required by applicable law, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made, and (b) if permitted by applicable law, the Borrower and such Lender shall (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effect thereof, and (iii) amortize, prorate, allocate and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the Loans so that interest for the entire term of the Loans shall not exceed the Maximum Lawful Rate. In the event that a court of competent jurisdiction, notwithstanding the provisions of this Section 9.17 shall make a final determination that any Lender has received interest in excess of the Maximum Lawful Rate, such Lender shall, to the extent permitted by applicable law, promptly apply such excess, first to any interest due and outstanding under this Agreement and the other Loan Documents, second to any principal due and payable under this Agreement and the Notes, third to the remaining principal amount of the Notes and fourth to other unpaid Obligations held by such Lender, and

thereafter shall refund any excess to the Borrower or as a court of competent jurisdiction may otherwise order.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

HEADWAY CORPORATE RESOURCES, INC.

By: /s/
Name:
Title:

Attest: /s/
Name:
Title:

Percentage
35% - Revolving ING (U.S.) CAPITAL CORPORATION,
35% - Term Loan A, Term as Agent and as Lender
Loan B, and Term Loan C
35.% - Letter of Credit

By: /s/
Name:
Title:

FIRST SOURCE FINANCIAL LLP

BY: FIRST SOURCE FINANCIAL,
INC.,
as its Agent/Manager

Percentage
30% - Revolving
30% - Term Loan A, By: /s/
Term Loan B, and Term Loan C Name:
30% - Letter of Credit Title:

TRANSAMERICA
BUSINESS CREDIT CORPORATION

Percentage
35% - Revolving
35% - Term Loan A, By: /s/
Term Loan B, and Term Loan C Name:
35% - Letter of Credit Title:

Exhibit No. 12
Headway Corporate Resources, Inc.
Form 10-KSB
File No. 0-23170

SUBSIDIARIES OF THE COMPANY

Name	State or Jurisdiction
Headway Corporate Staffing Services, Inc. ("HCSS")	Delaware
Irene Cohen Temps, Inc. (a subsidiary of HCSS)	New York
Corporate Staffing Alternatives, Inc. (a subsidiary of HCSS)	New York
Certified Technical Staffing, Inc. (a subsidiary of HCSS)	New York
Headway Personnel, Inc. (a subsidiary of HCSS)	Delaware
Headway Corporate Staffing Services of North Carolina, Inc. (a subsidiary of HCSS)	Delaware
Headway Corporate Staffing Services of California, L.L.C. (a subsidiary of HCSS)	Delaware
Headway Corporate Staffing Services of Connecticut, Inc. (a subsidiary of HCSS)	Delaware
ASA Personnel Services, L.L.C. (a subsidiary of HCSS)	Delaware
Whitney Partners, L.L.C. ("Whitney")	Delaware
The Whitney Group (Europe) Limited (a subsidiary of Whitney)	United Kingdom
Whitney Asia PTE Ltd. (a subsidiary of Whitney)	Singapore
The Whitney Group (Asia) Limited	Hong Kong

Exhibit No. 13
Headway Corporate Resources, Inc.
Form 10-KSB
File No. 0-23170

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-08615) of HEADWAY CORPORATE RESOURCES, INC. and in the related Prospectus of our report dated February 17, 1998, except for Note 4, as to which the date is March 3, 1998, with respect to the consolidated financial statements of Headway Corporate Resources, Inc. included in this Annual Report (Form 10-KSB) for the year ended December 31, 1997.

ERNST & YOUNG LLP

New York, New York
March 3, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF HEADWAY CORPORATE RESOURCES, INC., FOR THE YEAR ENDED DECEMBER 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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