

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-1/A

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

Filing Date: **1997-12-18**  
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### FILER

#### US LEGAL SUPPORT INC

CIK: **1046600** | IRS No.: **760523238** | State of Incorporation: **TX** | Fiscal Year End: **1231**  
Type: **S-1/A** | Act: **33** | File No.: **333-36575** | Film No.: **97740157**  
SIC: **8111** Legal services

Mailing Address  
*1001 FANNIN STREET  
SUITE 650  
HOUSTON TX 77002*

Business Address  
*1001 FANNIN STREET, SUITE  
650  
HOUSTON TX 77002  
7136537100*

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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AMENDMENT NO. 3  
TO  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
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U.S. LEGAL SUPPORT, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

TEXAS	7338	76-0523238
(STATE OR OTHER	(PRIMARY STANDARD	(I.R.S. EMPLOYER
JURISDICTION	INDUSTRIAL	IDENTIFICATION NO.)
OF INCORPORATION OR	CLASSIFICATION CODE	
ORGANIZATION)	NUMBER)	

1001 FANNIN ST., SUITE 650	RICHARD O. LOONEY
HOUSTON, TEXAS 77002	PRESIDENT AND CHIEF EXECUTIVE OFFICER
(713) 653-7100	1001 FANNIN ST., SUITE 650
	HOUSTON, TEXAS 77002
	(713) 653-7100

(ADDRESS , INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)	(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)
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Copies to:

W. CLELAND DADE	DAN BUSBEE
BRACEWELL & PATTERSON, L.L.P.	LOCKE PURNELL RAIN HARRELL (A PROFESSIONAL
711 LOUISIANA STREET, SUITE 2900	CORPORATION)
HOUSTON, TEXAS 77002-2781	2200 ROSS AVENUE, SUITE 2200
(713) 221-1314	DALLAS, TEXAS 75201
	(214) 740-8000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

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

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

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

SUBJECT TO COMPLETION, DATED , 1998  
 3,500,000 SHARES

LOGO  
 [LOGO OF U.S. LEGAL SUPPORT, INC. APPEARS HERE]

COMMON STOCK

All of the 3,500,000 shares of Common Stock offered hereby are being offered by U.S. Legal Support, Inc. (the "Company"). The Company and a shareholder have granted to the Underwriters a 30-day option to purchase up to 525,000 additional shares of Common Stock solely to cover over-allotments, if any. If the over-allotment option is exercised, up to 100,000 shares of Common Stock will be offered by a shareholder.

Prior to this offering (the "Offering"), there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price of the Common Stock will be between \$11.00 and \$13.00 per share. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. The Company has applied for quotation of the Common Stock on the Nasdaq National Market under the symbol "LEGL," subject to official notice of issuance.

SEE "RISK FACTORS" COMMENCING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

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

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<TABLE>  
 <CAPTION>

	Price to Public	Underwriting Discount (1)	Proceeds to Company (2)
<S>	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Total (3).....	\$	\$	\$

</TABLE>

- (1) See "Underwriting" for information concerning indemnification of the Underwriters and other matters.
- (2) Before deducting expenses payable by the Company, estimated at \$2,350,000.
- (3) The Company and a shareholder, Mr. Richard O. Looney, President and Chief Executive Officer of the Company, have granted to the Underwriters a 30-day option to purchase up to 525,000 additional shares of Common Stock solely

to cover over-allotments, if any. If the Underwriters exercise this option in full, the Price to Public will total \$ , the Underwriting Discount will total \$ , the Proceeds to Company will total \$ and the Proceeds to Shareholder will total \$ . See "Underwriting."

The shares of Common Stock are offered by the several Underwriters named herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the certificates representing such shares will be made against payment therefor at the office of NationsBanc Montgomery Securities, Inc. on or about , 1998.

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NATIONSBANC MONTGOMERY SECURITIES, INC.

HAMBRECHT & QUIST

J.C. BRADFORD & CO.

, 1998

LOGO OF U.S. LEGAL SUPPORT, INC. APPEARS HERE

[COLOR MAP OF UNITED STATES WITH COMPANY OFFICE AND NETWORK AFFILIATE LOCATIONS IDENTIFIED.]

A LEADING PROVIDER OF LEGAL SUPPORT AND STAFFING SERVICES

The Company intends to furnish its shareholders with annual reports containing financial statements audited by independent certified public accountants and with quarterly reports containing unaudited summary financial information for each of the first three quarters of each fiscal year.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING STABILIZING BIDS, SYNDICATE COVERING TRANSACTIONS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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#### PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information and the financial statements, including the related notes thereto, appearing elsewhere in this Prospectus. Concurrently with the closing of the Offering made by this Prospectus, the Company will acquire three legal support businesses and one staffing business (collectively, the "Pending Acquisitions") in separate transactions in exchange for shares of Common Stock and cash. Unless the context otherwise requires, the "Company" refers to U.S. Legal Support, Inc., its subsidiaries and the Pending Acquisitions. See "The Company--Pending Acquisitions." Disclosures herein relating to the number of shares of Common Stock to be outstanding after the Offering are estimated, based upon an assumed initial public offering price of \$12.00 per share (the mid-point of the estimated initial public offering price range) and give effect to the conversion of all outstanding securities that are convertible into Common Stock as described herein. See "--The Offering." Unless otherwise indicated, the information in this Prospectus: (i) gives effect to the Pending Acquisitions; (ii) assumes no exercise of the Underwriters' over-allotment option; and (iii) gives effect to the 100-for-one stock split effected on December 16, 1996.

#### THE COMPANY

The Company is one of the largest providers of legal support and staffing services in the United States, providing court reporting, certified record retrieval, legal placement and staffing and related services to law firms and corporations, including insurance companies, through 40 offices in seven states and the District of Columbia. The Company seeks to become the leading national, full-service provider of legal support and staffing services through a combination of selective acquisitions and internal growth. After succeeding to the operations of Looney in January 1997, the Company has acquired 13 businesses and will acquire four additional businesses concurrently with the Offering. In 1997, the Company has provided court reporting and certified record retrieval services to The Boeing Company, Ford Motor Company, ITT Hartford, CNA and Kemper Insurance, among others. For the year ended December 31, 1996, the Company had pro forma revenues of \$43.4 million and pro forma operating income of \$5.2 million. For the nine months ended September 30, 1997, the Company had pro forma revenues of \$37.3 million and pro forma operating income of \$5.3 million compared with pro forma revenues of \$32.0 million and pro forma operating income of \$3.7 million for the nine months ended September

Based on available industry data, the Company estimates that the market for legal support and staffing services in the United States exceeds \$5.0 billion annually. The industry is highly fragmented, with more than 1,000 court reporting and record retrieval firms and over 400 legal placement and staffing firms. The Company believes that the legal support and staffing services market is growing due to several trends, including an increase in the: (i) outsourcing of legal support services by law firms, corporations and insurance providers, to companies that specialize in providing such services at a lower cost; (ii) use of attorneys on a temporary basis by law firms and corporations; (iii) volume and complexity of litigation; and (iv) national scope of litigation, particularly in class action and product liability lawsuits.

Legal support and staffing services traditionally have been marketed to law firms. Increasingly, corporations, especially insurance providers, who ultimately pay the costs of legal support and staffing services, are seeking to control and reduce the costs associated with lawsuits, centralize their purchasing decisions and ensure consistent service quality. As a result, the Company believes that these companies are more frequently selecting the providers of legal support services, rather than delegating that selection to the law firms engaged to represent them. Currently the industry is highly fragmented and consists primarily of local and regional firms that typically provide a single or limited number of legal support and staffing services. The Company believes that many legal

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support businesses lack: (i) a full range of legal support services; (ii) regional or national coverage; and (iii) access to capital and effective marketing programs. As a result, the Company believes that many legal support and staffing companies are unable to effectively service large, geographically dispersed clients.

The Company is implementing a focused business strategy that includes establishing full service operations in multiple metropolitan areas; adopting best practices, policies and procedures; achieving operating efficiencies; and managing its business on a decentralized basis, with local management retaining primary responsibility for day-to-day operations and local marketing. The Company believes that allowing local management to retain appropriate autonomy will preserve existing client relationships, provide opportunities for internal growth and enhance the Company's competitiveness in attracting acquisition candidates.

The Company has implemented a strategy designed to continue its growth in existing and new markets based on the following key elements: (i) actively pursue strategic acquisitions; (ii) establish an effective national marketing program; (iii) capitalize on cross-selling opportunities; and (iv) develop and expand new and existing client relationships. The Company's acquisition strategy is to identify, acquire and integrate independent companies with strong management, profitable operating results and recognized local or regional market presence. The Company typically pursues acquisitions that will allow it to accomplish one or more of the following: (i) expand the geographic markets served by the Company; (ii) increase the Company's penetration of existing markets; (iii) establish or enhance customer relationships; and (iv) offer services complementary to those offered by the Company. The Company believes there are numerous attractive acquisition candidates due to the large size and fragmentation of the legal support and staffing services industry, including participants in the Company's referral network of over 130 court reporting affiliates, through which the Company supplies court reporting services to its clients in locations not served directly by the Company.

The Company is a Texas corporation. Its principal executive offices are located at 1001 Fannin Street, Suite 650, Houston, Texas 77002, and its telephone number at that location is (713) 653-7100.

## THE OFFERING

Common Stock offered by the Company.....	3,500,000 shares
Common Stock to be outstanding after the Offering.....	7,813,115 shares (1) (2)
Use of proceeds.....	To repay indebtedness, to pay a portion of the purchase price associated with the Pending Acquisitions and to redeem shares of the Company's Series C Preferred Stock. See "Use of Proceeds."
Proposed Nasdaq National Market symbol.....	LEGL
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(1) Includes 609,268 shares to be issued in connection with the Pending

Acquisitions and gives effect to the conversion of: (i) 1,000,000 shares of Series A Convertible Preferred Stock into 1,560,000 shares of Common Stock; (ii) 2,046,667 shares of Series B Convertible Preferred Stock into 183,393 shares of Common Stock; and (iii) \$1.8 million principal amount of Convertible Subordinated Promissory Notes into 225,890 shares of Common Stock, in each case to be effected concurrently with the Offering. See "Capitalization" and Notes 7 and 8 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc.

(2) Excludes (i) 900,000 shares of Common Stock reserved for issuance under the Company's 1997 Stock Incentive Plan and the Company's Stock Option Plan for Non-Employee Directors and (ii) 131,856 shares of Common Stock issuable upon exercise of options granted in connection with completed acquisitions. See "Management," "Capitalization" and "Principal Shareholders."

SUMMARY FINANCIAL DATA (1)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

	PRO FORMA									
	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997 (2)	1996 (3) (4)	1996 (3) (4)	1997 (3) (4)	1997 (3) (4)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
STATEMENT OF INCOME DATA:										
Revenues.....	\$8,363	\$9,104	\$7,667	\$5,886	\$14,549	\$43,405	\$32,024	\$37,277		
Cost of services.....	5,589	5,763	4,839	3,726	9,287	25,474	18,575	21,261		
Gross profit.....	2,774	3,341	2,828	2,160	5,262	17,931	13,449	16,016		
Selling, general and administrative expenses (5).....	3,043	1,970	2,352	1,310	3,855	10,968	8,420	9,365		
Depreciation and amortization (4).....	224	231	212	159	332	1,754	1,332	1,337		
Operating income (loss).....	(493)	1,140	264	691	1,075	5,209	3,697	5,314		
Interest expense.....	185	230	238	178	1,147	880	668	707		
Income (loss) before taxes.....	(678)	910	26	513	(72)	4,329	3,029	4,607		
Provisions (benefit) for income taxes.....	(183)	327	10	174	11	1,847	1,298	1,928		
Net income (loss).....	(495)	583	16	339	(83)	2,482	1,731	2,679		
Accretion of preferred stock.....	--	--	--	--	(479)	--	--	--		
Net income (loss) attributable to common shareholders.....	\$ (495)	\$ 583	\$ 16	\$ 339	\$ (562)	\$ 2,482	\$ 1,731	\$ 2,679		
Net income (loss) per common share (6).....				\$ (.13)		\$ .31	\$ .22	\$ .33		
Weighted average shares outstanding (7) (8).....				4,226		8,002	8,002	8,002		

</TABLE>  
<TABLE>  
<CAPTION>

SEPTEMBER 30, 1997

	ACTUAL	PRO FORMA (3) (7)
<S>	<C>	<C>
BALANCE SHEET DATA:		
Cash.....	\$ 559	\$ 1,238
Total assets.....	38,720	62,652
Short-term debt.....	3,936	75
Long-term debt (net of current maturities).....	26,339	11,083
Redeemable preferred stock.....	3,757	--
Total shareholders' equity (deficit).....	\$(2,321)	\$43,940

</TABLE>

(1) Prior to January 17, 1997, the Company had no business operations. Therefore, the business of Looney & Company, for financial statement

purposes, represents the predecessor business.

- (2) The Company's Completed Acquisitions (as hereafter defined) have been, and the Pending Acquisitions will be, accounted for as purchases, and therefore, the operations of the acquired businesses are included in the statement of income data from the respective dates of acquisition. See the Consolidated Financial Statements of U.S. Legal Support, Inc. included herein.
- (3) Pro forma information gives effect to: (i) the completed acquisitions and completion of the Pending Acquisitions; (ii) an adjustment to compensation expense for the difference between actual compensation paid to certain officers of businesses acquired or to be acquired and employment contract compensation negotiated in connection with the completed acquisitions and the Pending Acquisitions; (iii) amortization expense relating to intangible assets recorded in conjunction with the completed acquisitions and to be recorded in the Pending Acquisitions; and (iv) the sale of the shares offered hereby and the application of the net proceeds thereof, as if such events had occurred on January 1, 1996 (for statement of income data) and as of September 30, 1997 (for balance sheet data). The Pending Acquisitions and the conversion of certain outstanding preferred stock and Convertible Subordinated Promissory Notes described in Note 6 below are contingent upon, and will close concurrently with, completion of the Offering. The pro forma results of operations are not necessarily indicative of the results that would have occurred had these transactions been completed as of such date or the results that may be attained in the future.
- (4) Pro forma depreciation and amortization amounts consist primarily of amortization of goodwill totaling \$1,313,000 and \$985,000 for the periods ended December 31, 1996 and September 30, 1997, respectively, recorded or to be recorded as a result of the completed acquisitions and the Pending Acquisitions. Goodwill is amortized over periods ranging from ten to 40 years and computed on the basis described in Note 2 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc.
- (5) Includes a non-recurring charge of \$360,000 in the fourth quarter of 1996 representing the estimated fair value of ownership interests granted to certain employees by Looney's shareholder.
- (6) Supplementary historical earnings per common share for the nine months ended September 30, 1997, would be \$.09 per share, giving effect to: (i) the 3,893,000 weighted average shares outstanding for the period; (ii) the issuance of 2,908,000 of shares in the Offering, the proceeds from which would be necessary to (a) repay \$16,000,000 of bank indebtedness under the Company's credit facility, (b) redeem \$9,000,000 of Senior Subordinated Notes, (c) repay \$4,979,000 of Subordinated Promissory Notes, (d) redeem 231,250 shares of Series C Preferred Stock, and (e) pay the applicable Offering expenses; and (iii) the reduction of interest expense and dividends.
- (7) Gives effect to: (i) 1,734,564 shares outstanding prior to the Offering; (ii) 3,500,000 shares issued in the Offering; (iii) 609,268 shares to be issued in the Pending Acquisitions; (iv) 1,969,283 shares issuable upon conversion of preferred stock and Convertible Subordinated Promissory Notes; and (v) 188,187 shares issuable upon exercise of outstanding stock options in accordance with SEC Staff Accounting Bulletin Topic 4D. See "Capitalization."
- (8) Shares used in calculating net loss per share for the nine months ended September 30, 1997, include the number of shares, the proceeds from the sale of which would be necessary to repay the portion of the Company's debt that funded the distribution to Richard O. Looney in connection with the reorganization of the Company and Looney & Company.

SUMMARY OF INDIVIDUAL COMPANY REVENUES (1)

(IN THOUSANDS)

After succeeding to the operations of Looney in January 1997, the Company has acquired 13 businesses and will acquire four others in the Pending Acquisitions. The following table sets forth a summary of the revenues attributable to Looney, the principal businesses acquired and the businesses to be acquired in the Pending Acquisitions for the fiscal years ended December 31, 1995 and 1996 and for the nine-month periods ended September 30, 1996 and 1997.

<TABLE>  
<CAPTION>

	YEAR ENDED		NINE MONTHS ENDED	
	DECEMBER 31,	DECEMBER 31,	SEPTEMBER 30,	SEPTEMBER 30,
	1995	1996	1996	1997
<S>	<C>	<C>	<C>	<C>
Looney (2).....	\$ 9,104	\$ 7,667	\$ 5,886	\$ 5,641

Klein Bury (3).....	7,302	8,526	6,524	6,460
Elaine Dine (4).....	3,503	4,658	2,808	5,821
Legal Enterprise.....	2,756	3,707	2,711	3,464
Reporting Service (5).....	1,906	3,012	2,171	3,067
Jilio (5).....	3,366	4,022	2,772	3,085
Johnson Group (6).....	1,714	2,155	1,616	1,702
Ziskind Greene.....	1,442	1,841	1,593	1,653
Amicus One.....	1,642	1,883	1,394	1,544
Kirby Kennedy (5).....	1,629	1,866	1,455	1,427
G&G.....	1,544	1,517	1,152	1,371
San Francisco Reporting.....	1,105	1,140	911	946
Block.....	1,025	1,317	947	760
Commander Wilson (5).....	578	94	84	336
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Total.....	\$38,616	\$43,405	\$32,024	\$37,277
	=====	=====	=====	=====

</TABLE>

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- (1) See "The Company" for the full names and additional information concerning the completed acquisitions and the Pending Acquisitions.
  - (2) The revenues of Looney include from their respective dates of acquisition, the revenues of: (i) Cindi Rogers & Associates (acquired April 3, 1997); (ii) Preferred Records, Inc. (acquired July 31, 1997); (iii) Rocca Reporting Service (acquired August 15, 1997); and (iv) Encore Reporting (acquired August 28, 1997). The table does not include revenues for these entities prior to their acquisition because these amounts are immaterial. See "The Company--Completed Acquisitions."
  - (3) Revenues for 1995 are for the year ended September 30, 1995.
  - (4) The revenues for the nine months ended September 30, 1997 include the revenues of Elaine Dine Temporary Attorneys, L.L.C. Revenues for 1995 and 1996 represent results for the years ended March 31, 1996 and 1997, respectively.
  - (5) To be acquired in a Pending Acquisition concurrently with the completion of the Offering.
  - (6) The revenues of Johnson Group include the combined revenues of Goren of Newport, Inc., Medtext, Inc. and Rapidtext, Inc.

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#### RISK FACTORS

The factors set forth below should be considered carefully in evaluating an investment in the shares of Common Stock offered by this Prospectus. Further, this Prospectus contains certain forward-looking statements. These forward-looking statements are subject to certain assumptions, risks and uncertainties which may cause actual results to be materially different from those expressed in or implied by such statements.

#### ABSENCE OF COMBINED OPERATING HISTORY; RISKS OF INTEGRATING ACQUIRED COMPANIES

Since the combination of Looney and the Company in January 1997, the Company has acquired 13 businesses. The Company also has entered into agreements to acquire four additional businesses in the Pending Acquisitions. While the Company intends to continue to emphasize decentralized management of operations and marketing in the acquired businesses, its success will depend, to a large extent, upon its ability to integrate effectively the operations of the acquired businesses. There can be no assurance that the recently assembled management group will be able to implement successfully the Company's business and growth strategies or manage successfully the combined operations of the Company and the businesses acquired. Most of the businesses acquired or to be acquired in the Pending Acquisitions historically have operated with limited financial and other reporting systems. Although the Company believes that its existing financial reporting and accounting control systems are satisfactory for the operation of the combined businesses for the near term, these systems may not be capable of efficiently addressing the rapidly changing needs of the Company as it implements its acquisition strategy. The Company is currently evaluating alternatives designed to address these needs, including the possibility of enhancing existing systems or acquiring new systems. Any changes in the systems currently used by the Company could require the Company to provide additional training to existing personnel or hire additional personnel. If the Company cannot upgrade or replace these systems in a timely manner, or with respect to acquired businesses, if it must rely on the financial reporting and accounting control systems of the businesses acquired, the Company's ability to integrate successfully and manage effectively the combined enterprise could be adversely affected. The pro forma combined historical financial results included herein cover periods during which the businesses acquired were not under common control and may not be indicative of the Company's future financial or operating results. See "Business--Acquisition and Integration Strategy" and "Management."

#### RISKS ASSOCIATED WITH ACQUISITIONS



The Company's growth strategy is dependent upon a program of continuing acquisitions. However, there can be no assurance the Company will be able to identify attractive acquisition candidates or to negotiate acquisition terms acceptable to the Company, and the failure to do so would have a material adverse effect on the Company's results of operations and its ability to sustain growth. The Company's acquisition strategy involves a number of risks, each of which could affect adversely the Company's reported operating results, including the diversion of management attention from operation of the business, loss of key personnel from acquired businesses and the failure of an acquired business to achieve targeted financial results. In addition, the Company could encounter unanticipated business risks or unanticipated liabilities with respect to the acquired businesses, and significant amortization of acquired intangible assets is likely to be required in most acquisitions. Further, there can be no assurance that the Company's strategy to become a national, full service provider of legal support services will be successful, or that the Company's clients will accept the Company as a provider of such services. The legal support and staffing industry is undergoing consolidation, and the resulting increase in the competition for acquisition candidates could limit the Company's acquisition opportunities or increase the cost of acquisitions. See "Business--Growth Strategy."

The Company will require additional financing for future acquisitions, which may not be available on terms favorable to the Company, if available at all. The Company currently intends to finance future acquisitions using shares of its Common Stock for a significant portion of the purchase price. In the event the Company's Common Stock does not maintain sufficient value or potential acquisition candidates are unwilling to accept Common Stock as consideration for the sale of their businesses, the Company may be required to utilize more of its cash

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resources, if available, in order to continue its acquisition program. The net proceeds of the Offering will be used primarily to repay existing indebtedness and to partially fund the cash portion of the purchase price of the Pending Acquisitions, and none of such proceeds will be available for future acquisitions. If the Company does not have sufficient cash resources, is unable to borrow the funds required to make acquisitions or is not able to use its Common Stock as consideration for acquisitions, its growth through acquisitions would be limited. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

#### RISKS ASSOCIATED WITH RAPID GROWTH

The Company has experienced rapid growth through acquisitions since it commenced operations in January 1997, which has placed demands on its management, operational capacity and financial resources. The Company's growth strategy provides for a continuing acquisition program, which will place further demands on its management, operational capacity and financial resources and systems. The increased management requirements will necessitate the recruitment and retention of additional qualified management personnel and the purchase and implementation of new management information systems. There can be no assurance that the Company will be able to recruit and retain qualified personnel or expand and manage its operations effectively and profitably. The failure to manage growth effectively could have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

#### REGULATORY INITIATIVES

The Company derives most of its revenues from operations in California, Florida, New York, Pennsylvania and Texas. Legislation or regulations enacted in any of these states, states into which the Company expands or at the federal level relating to lawsuits or other dispute resolution proceedings, or to the provision of court reporting or other legal support and staffing services provided by the Company, could have a material adverse effect on the Company's business and results of operations. A key component of the Company's business strategy is the pursuit of arrangements with insurance providers and major corporations under which the Company is designated as the exclusive or preferred provider of court reporting and certified record retrieval services. Legislation recently was proposed in the State of Texas that could have prohibited such arrangements by making illegal the provision of services by a court reporter under any agreement other than on a case-by-case basis. The proposed legislation also would have prohibited a court reporter from being employed by, or serving as an independent contractor for, a court reporting firm unless a majority of the firm is owned by certified shorthand reporters. While the foregoing provisions were not included in the Texas legislation as enacted, the Company expects that there will continue to be efforts to sponsor the adoption of similar prohibitions in legislative or regulatory action or through the ethics codes governing the conduct of court reporters or attorneys. If enacted, these prohibitions would represent a significant

impediment to the implementation of the Company's current business strategy and could have a material adverse effect on the Company's business and results of operations. Other states have enacted or considered such legislation and may do so in the future. West Virginia recently enacted legislation that prohibits a court reporter from entering into a contract for the provision of court reporting services directly with a party to a lawsuit. In addition, recent federal and certain state legislative proposals have included limitations on the number and length of depositions or proposed the substitution of videotaped reporting for stenographic transcription of certain legal proceedings.

State and national bar associations and committees on legal ethics and professional responsibility have from time to time issued opinions regarding the ethical implications of arrangements involving temporary attorneys. These opinions have suggested that the payment of fees to agencies that place temporary attorneys may constitute, in certain circumstances, the improper splitting of legal fees with a non-lawyer. The applicability of these opinions to the Company's business is uncertain, and there can be no assurance that a state will not determine that the business as conducted by the Company violates ethical or professional responsibility regulations for attorneys. In addition, the practice of placing temporary lawyers with a number of firms may raise conflict of interest issues under applicable ethics codes, particularly when attorneys from a placement firm are placed with opposing parties, or law firms representing such parties, in a lawsuit or business transaction.

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The Company cannot determine whether legislative or regulatory proposals affecting the Company's operations will be initiated, repropose or enacted; however, if adopted, certain of such proposals could require the Company to alter the manner in which it conducts its business, and could materially and adversely affect its business and results of operations. See "Business--Regulation."

#### ALTERNATIVE DISPUTE RESOLUTION

The high cost of litigation in the United States has resulted in the more frequent use of alternative dispute resolution practices, such as arbitration and mediation. The increasing use of such alternative dispute resolution practices could affect the demand for the Company's legal support and staffing services; however, the Company is unable to assess the ultimate effect, if any, that such practices may have on its services.

#### COMPETITION

The legal support and staffing services industry is highly competitive and fragmented, and limited barriers to entry exist with respect to each component of the Company's business. Although the industry is undergoing consolidation, the principal competition for the Company's court reporting and certified record retrieval businesses currently consists of numerous local and regional firms. In its legal staffing business, the Company competes with national, regional and local firms, some of which have substantially greater resources, offer more diversified services and operate in broader geographic areas than the Company. As the Company seeks to expand into new geographic markets, its growth in those markets will depend upon its ability to gain market share from competitors, and there can be no assurance that additional market share will be obtained. Prices for legal support services generally have remained stable or have declined in many markets over the past several years as law firms, insurance providers and corporations have increased their efforts to reduce expenses by centralizing their purchasing decisions and negotiating lower rates with vendors. As this trend and the related consolidation among legal support service companies continue, the Company anticipates that it will encounter more intense price-based competition which could adversely affect the Company's profitability. See "Business--Competition."

#### STATUS OF INDEPENDENT CONTRACTORS

The Company typically provides court reporting services through independent contractors and, therefore, does not pay federal or state employment taxes or withhold income taxes for such persons. Further, the Company does not include these independent contractors in its employee benefit plans. From time to time persons engaged as independent contractors are determined to be employees as a result of challenges by the federal Internal Revenue Service ("IRS") and state authorities asserted in administrative proceedings or court action. In certain instances, persons engaged to be independent contractors also could initiate court proceedings asserting that they are employees under state law and should be included in employee benefit plans. Such determinations of employee status under these challenges are made on a case-by-case basis and are based upon the particular facts of each case. In the event persons engaged by the Company as independent contractors are determined to be employees by the IRS or any state taxation department, the Company would be required to pay applicable federal and state employment taxes and withhold income taxes with respect to such persons and could become liable for amounts required to be paid or withheld in

prior periods. In addition, the Company could be required to include such persons in its employee benefit plans on a retroactive as well as a current basis. Approximately 500 court reporters are engaged by the Company as independent contractors, and any challenge by the IRS, state authorities or private litigants resulting in a determination that such persons are employees would have a material adverse effect on the Company's business, results of operations and financial condition. In October 1997, a bill was introduced in the U.S. House of Representatives that would amend the Internal Revenue Code to establish more stringent requirements for the engagement of independent contractors. The Company is unable to assess the likelihood that this bill or similar legislation will be enacted. See "Business--Legal Support and Staffing Services" and "--Independent Contractors."

#### DEPENDENCE UPON KEY PERSONNEL

The Company is dependent on the continuing services of Richard O. Looney, other executive officers and the senior management of the acquired businesses, and the Company likely will depend on the senior management of any significant business it acquires in the future. The business or prospects of the Company could

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be affected adversely if any of these persons do not continue in their management roles and the Company is unable to attract and retain qualified replacements. The Company does not currently maintain key-man life insurance on any executive officer. See "Management."

#### ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

The Company is dependent on the availability of a sufficient number of licensed court reporters. From time to time, there are shortages of qualified court reporters, and there can be no assurance that the Company will be able to maintain an adequate force of licensed court reporters or that the Company's expenses will not increase as a result of such a shortage. The Company competes with other legal staffing companies, as well as its clients, for qualified attorneys. The Company expects that a substantial number of the Company's temporary legal staffing personnel will terminate their temporary assignments to accept full-time employment with Company clients. The Company also may encounter difficulty in recruiting a sufficient number of qualified attorneys. In addition, during periods of high demand for the Company's services, the Company may incur increased expense associated with recruiting qualified temporary attorneys. The Company's inability to attract and retain a sufficient number of qualified temporary attorneys, or the loss of a significant number of qualified temporary attorneys to clients, could adversely affect the Company's operating results and business strategy. See "Business--Business Strategy."

#### POTENTIAL LIABILITY TO CLIENTS

The provision of personnel in the legal support and staffing business entails an inherent risk of professional malpractice and similar claims, and the Company could be named as a defendant in litigation in connection with services rendered. Although the Company maintains errors and omissions insurance for court reporting, record retrieval and temporary and permanent legal staffing businesses, there can be no assurance that, if named, the Company would be able to defend such claims within policy limits. The Company's business also involves the handling of clients' documents containing confidential and other sensitive information. There can be no assurance that unauthorized disclosures will not occur, or that clients' documents will not be mishandled or lost, which could have a material adverse effect on the Company's business reputation or results of operations. The Company also may be subject to discrimination and harassment claims for the acts of legal staffing personnel who are placed with the Company's clients. See "Business--Regulation."

#### TECHNOLOGICAL ADVANCES

The Company's business is subject to changes in technology, which may result in the introduction of new products or services that are competitive with, superior to, or render obsolete the services provided by the Company. For example, voice recognition technology is designed to eliminate the need for manual transcription of oral testimony and has been under development for several years. There can be no assurance that substantial advances will not be made in the area of voice recognition technology or that other technology will not be developed that renders the Company's services obsolete or impractical. These changes in technology could also include conducting certified document retrieval electronically, with deposition notices and subpoenas being transmitted electronically to document custodians and witnesses who similarly would return responses electronically. The Company's ability to compete effectively will depend upon its ability to adapt to such changes and to develop services to satisfy evolving client requirements. There can be no assurance that current technologies, or technologies developed in the future,

will not compete with or replace services provided by the Company, or that any technological advances made by the Company will be responsive to client requirements or represent the best available technology to meet client needs. See "Business--Legal Support and Staffing Services."

#### CONTROL BY OFFICERS, DIRECTORS AND SHAREHOLDERS

Upon completion of the Offering, the Company's officers, directors and current principal shareholders will beneficially own approximately 42.0% of the outstanding Common Stock. These persons, if acting together, will have substantial control over matters requiring approval of the shareholders of the Company, including the election of directors. See "--Anti-Takeover Effect of Certain Charter Provisions," "Management" and "Principal Shareholders."

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#### DILUTION

Purchasers of Common Stock in the Offering will experience immediate dilution in net tangible book value per share of Common Stock of \$12.93 from the assumed initial public offering price per share of \$12.00 and may experience further dilution in that value from issuances of Common Stock in connection with future acquisitions. See "Dilution."

#### ABSENCE OF PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offering, there has been no public market for the Common Stock. There can be no assurance that an active trading market for the Common Stock will develop or be sustained after the Offering or that purchasers of the Common Stock will be able to resell their shares at prices equal to or greater than the initial public offering price. The initial public offering price will be determined through negotiations between the Company and the Underwriters and may not be indicative of the prices that will prevail in the public market after the Offering. Numerous factors, including fluctuations in the operating results of the Company or its competitors, fluctuations in the demand for the Company's services or business services in general, and the timing and announcement of acquisitions by the Company or its competitors, could have a significant impact on the price of the Common Stock. In addition, the stock markets have experienced significant price and volume fluctuations in recent years that often have been unrelated or disproportionate to the operating performance of companies. These fluctuations may adversely affect the market price of the Common Stock. See "Underwriting."

#### SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, the Company will have 7,813,115 shares of Common Stock outstanding. Of these shares, all of the shares sold in the Offering will be freely transferable without restriction or limitation under the Securities Act of 1933, as amended (the "Securities Act"), except for any shares purchased by "affiliates" of the Company, as such term is defined in Rule 144 under the Securities Act. The remaining 4,313,115 shares constitute "restricted securities" within the meaning of Rule 144 and the resale of such shares is restricted for one year from the date they were acquired. The holders of such shares have certain rights to have shares registered in the future under the Securities Act pursuant to the terms of agreements between such holders and the Company. The Company, its executive officers, directors and principal shareholders have agreed not to offer or sell any shares of Common Stock for a period of 180 days following the date of this Prospectus without the prior written consent of Montgomery Securities, except that the Company may issue shares of Common Stock in connection with acquisitions and pursuant to the exercise of stock options described in this Prospectus. On the date of this Prospectus, the Company had outstanding options to purchase 609,024 shares of Common Stock granted pursuant to the 1997 Stock Incentive Plan. In addition, the Company intends to grant options to purchase 100,000 shares of Common Stock pursuant to the Company's Stock Option Plan for Non-Employee Directors upon completion of the Offering. The Company intends to register all of the 900,000 shares of Common Stock reserved for issuance pursuant to the Company's 1997 Stock Incentive Plan and pursuant to the Company's Stock Option Plan for Non-Employee Directors under the Securities Act for public resale. On the date of this Prospectus, the Company had outstanding options to purchase 131,856 shares of Common Stock granted in connection with the Completed Acquisitions. Sales of substantial amounts of shares of Common Stock in the public market after this Offering or the perception that such sales could occur may adversely affect the market price of the Common Stock. See "Shares Eligible for Future Sale."

#### ANTI-TAKEOVER EFFECT OF CERTAIN CHARTER PROVISIONS

The Board of Directors of the Company is empowered to issue preferred stock in one or more series without shareholder action, which could render more difficult or discourage an attempt to obtain control of the Company by means of a tender offer, business combination, proxy contest or otherwise. In addition, certain provisions of the Texas Business Corporation Act also may

#### THE COMPANY

The Company was founded in October 1996 as the successor to Looney & Company ("Looney") and to create a leading provider of legal support and staffing services to law firms, insurance providers and major corporations. Since combining with Looney in January 1997, the Company has acquired 13 businesses (together with Looney, the "Completed Acquisitions") and will acquire four additional businesses concurrently with the Offering in the Pending Acquisitions. Prior to the combination with Looney in January 1997, the Company did not conduct any operations. Looney now conducts its operations as a subsidiary of the Company and provides court reporting and certified record retrieval services through operations in Houston, Dallas, San Antonio, Austin, Corpus Christi and Harlingen, Texas. In July 1997, Looney acquired Preferred Records, Inc., a Dallas court reporting and certified record retrieval company and in August 1997, acquired Encore Reporting, a Harlingen-based court reporting and record retrieval company. Looney had 1996 revenues of \$7.7 million. Mr. Richard O. Looney, the founder of Looney, serves as Chairman, President and Chief Executive Officer of the Company.

The Company also provides court reporting services to customers in locations not directly served by the Company through U.S. Court Reporters, Inc., a referral network with over 130 affiliated court reporting firms located throughout the United States. In addition, in April 1997, the Company acquired Cindi Rogers & Associates, a Houston-based court reporting company. In August 1997, the Company acquired Rocca Reporting Service ("Rocca"), a Chicago Illinois court reporting company.

The following is a brief description of each of the Completed Acquisitions and the Pending Acquisitions.

#### COMPLETED ACQUISITIONS

Klein, Bury & Associates. Klein, Bury & Associates ("Klein Bury") provides court reporting services through operations in Miami, Fort Lauderdale, West Palm Beach, Orlando, Jacksonville and Tampa, Florida and was previously a U.S. Court Reporters network affiliate. Michael Klein, President of Klein Bury, serves on the Board of Directors of the Company. Headquartered in Miami, Florida, Klein Bury had 1996 revenues of \$8.5 million.

G&G Court Reporters. G&G Court Reporters ("G&G") provides court reporting services in southern California. Headquartered in Los Angeles, G&G had 1996 revenues of \$1.5 million.

San Francisco Reporting Service. San Francisco Reporting Service ("San Francisco Reporting") provides court reporting services in the San Francisco and northern California markets and was previously a U.S. Court Reporters network affiliate. Headquartered in San Francisco, California, San Francisco Reporting had 1996 revenues of \$1.1 million.

Johnson Court Reporting Group. The Johnson Court Reporting Group ("Johnson Group"), through Johnson Court Reporting, Rapidtext, Inc. and Medtext, Inc., provides court reporting services, closed-captioning services for the hearing impaired, remote classroom captioning services, medical transcription services, and scanning and imaging services primarily in southern California. Headquartered in Los Angeles, California, Johnson Group had 1996 revenues of \$2.2 million.

Legal Enterprise, Inc. Legal Enterprise, Inc. ("Legal Enterprise") provides certified record retrieval services as well as digital scanning, reproduction services and automated subpoena preparation services through seven offices in California. Tony Maddocks, President of Legal Enterprise, serves as Vice President of Sales and Marketing for the Company. Headquartered in Los Angeles, California, Legal Enterprise had 1996 revenues of \$3.7 million.

Amicus One Legal Support Services, Inc. Amicus One Legal Support Services, Inc. ("Amicus One") provides court reporting, computer and still board animation exhibit preparation and image scanning services with operations in Manhattan, White Plains and Brooklyn, New York. Headquartered in New York, New York, Amicus One had 1996 revenues of \$1.9 million.

Block Court Reporting, Inc. Block Court Reporting, Inc. and its subsidiary ("Block") provide court reporting services to the Washington, D.C. and northern Virginia markets. Block was previously a U.S. Court Reporters network affiliate. Headquartered in Washington, D.C., Block had 1996 revenues of \$1.3 million.

Ziskind Greene Watanabe & Nason. Ziskind Greene Watanabe & Nason ("Ziskind Greene") provides permanent legal search services to national and California law firms and legal departments of major corporations through offices in Los Angeles, Orange County, San Diego and San Francisco, California. Headquartered in Los Angeles, California, Ziskind Greene had 1996 revenues of \$1.8 million.

Elaine P. Dine, Inc. Elaine P. Dine, Inc. ("Elaine Dine") provides permanent legal search services to national and New York law firms and legal departments of major corporations nationwide. In addition, Elaine Dine, through Elaine Dine Temporary Attorneys, L.L.C., provides temporary lawyer services to its clients. Headquartered in New York, New York, Elaine Dine had revenues of \$4.7 million for the twelve months ended March 31, 1997.

The consideration paid by the Company in the Completed Acquisitions after giving effect to post-closing adjustments to date consisted of: (i) \$21.4 million in cash; (ii) 2,046,667 shares of Series B Preferred Stock; (iii) 231,250 shares of Series C Preferred Stock; (iv) \$5.1 million aggregate principal amount of Subordinated Promissory Notes; (v) \$1.8 million aggregate principal amount of Convertible Subordinated Promissory Notes; and (vi) 703,244 shares of Common Stock. In addition, with respect to certain of the businesses acquired, the Company may be obligated to pay contingent consideration based on improvements in the financial performance of the businesses during specified periods after their acquisition. The Company also granted options to purchase a total of 144,336 shares of Common Stock to the owners or employees of the businesses acquired. These options expire five years after their respective dates of grant and may be exercised for nominal consideration. See "Use of Proceeds" and Notes 7 and 8 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc.

#### PENDING ACQUISITIONS

Jilio & Associates. Jilio & Associates ("Jilio") provides court reporting services in the Southern California market. Headquartered in Los Angeles, California, Jilio had 1996 revenues of \$4.0 million.

Kirby A. Kennedy & Associates. Kirby A. Kennedy & Associates ("Kirby Kennedy") provides court reporting services in the Minneapolis and St. Paul, Minnesota markets and is a U.S. Court Reporters network affiliate. Headquartered in Minneapolis, Minnesota, Kirby Kennedy had 1996 revenues of \$1.9 million.

Reporting Service Associates, Inc. Reporting Service Associates, Inc. ("Reporting Service") provides court reporting services in the mid-Atlantic markets. Headquartered in Philadelphia, Pennsylvania, Reporting Service had 1996 revenues of \$3.0 million.

Commander Wilson, Inc. Commander Wilson, Inc. ("Commander Wilson") provides permanent legal search services to national and Texas law firms and legal departments of major corporations. James Wilson, the owner of Commander Wilson, became Vice President, Legal Staffing of the Company on September 25, 1997. Headquartered in Houston, Texas, Commander Wilson had 1996 revenues of \$94,000. See Note 6 of Notes to Financial Statements of Commander Wilson for a discussion of bankruptcy proceedings involving Commander Wilson. See "Management" and "Certain Transactions."

The aggregate purchase price to be paid by the Company in connection with the Pending Acquisitions, subject to post-closing adjustments, if any, is approximately \$16.9 million in cash and 609,268 shares of Common Stock.

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#### USE OF PROCEEDS

The net proceeds to the Company from the sale of shares of Common Stock offered hereby are estimated to be approximately \$36.6 million (\$41.3 million if the Underwriters' over-allotment option is exercised in full), assuming an initial offering price of \$12.00 per share and after deducting estimated underwriting discounts and estimated expenses payable by the Company.

The net proceeds of the Offering will be utilized by the Company as follows: (i) approximately \$17.1 million will be used to repay the outstanding principal and interest under the Company's existing credit agreement with a commercial bank, which was used to finance the Completed Acquisitions and for working capital purposes (the "Bank Credit Agreement"); (ii) approximately \$9.5 million will be used to repay the outstanding principal of, and accrued interest on, the Company's 12% Senior Subordinated Notes due 2005 (the "Senior Subordinated Notes"), which were issued in January 1997 to obtain funds to finance the Completed Acquisitions; (iii) \$231,250 will be used to redeem 231,250 shares of Series C Preferred Stock issued in connection with the acquisition of San Francisco Reporting; (iv) approximately \$5.0 million will be used to repay the outstanding principal balance of, and interest on, the Company's Subordinated Promissory Notes issued in connection with certain of

the Completed Acquisitions; and (v) the remaining net proceeds of approximately \$4.8 million will be applied to the \$16.9 million required to pay the cash portion of the purchase price in the Pending Acquisitions. The additional \$12.1 million required for the cash portion of the Pending Acquisitions is expected to be financed through borrowings under a new credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Indebtedness under the Bank Credit Agreement currently bears interest at the rate of 8.50% per annum and is required to be accelerated upon completion of the Offering. The Subordinated Promissory Notes become due and payable upon completion of the Offering and bear interest at rates ranging from 6.0% to 10.0% per annum. Approximately \$1.6 million of the principal amount of the Subordinated Promissory Notes is held by two executive officers of the Company. See "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources," "Certain Transactions" and Notes 3 and 7 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc.

#### DIVIDEND POLICY

The Company has not paid a cash dividend on the Common Stock since its incorporation and does not anticipate paying any dividends on Common Stock in the foreseeable future. The Company intends to retain future earnings, if any, to finance its operations and to fund the growth of its business, to repay indebtedness and for general corporate purposes. Any payment of dividends will be at the discretion of the Board of Directors and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends and other relevant factors. The Bank Credit Agreement prohibits the payment of dividends. The Company has entered into a new credit facility with a commercial bank, which will be effective concurrently with completion of the Offering, and such agreement contains provisions restricting the payment of dividends. See "Description of Capital Stock."

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#### CAPITALIZATION

The following table sets forth, as of September 30, 1997: (i) the historical consolidated capitalization of the Company and (ii) the historical consolidated capitalization of the Company, as adjusted to reflect the sale of the Common Stock in the Offering, the application of the estimated net proceeds therefrom and the Pending Acquisitions. See "Use of Proceeds." This presentation should be read in conjunction with the historical and pro forma consolidated financial statements and related notes thereto included elsewhere herein.

<TABLE>

<CAPTION>

	AS OF SEPTEMBER 30, 1997	
	ACTUAL	PRO FORMA
	(IN THOUSANDS)	
<S>	<C>	<C>
Short-term debt (including current portion of long-term debt).....	\$3,936	\$75
	=====	=====
Long-term debt, excluding current portion:		
Bank indebtedness (1).....	\$12,424	\$11,000
Senior Subordinated Notes.....	9,000	--
Subordinated Promissory Notes.....	4,694	--
Subordinated Convertible Promissory Notes (2).....	1,845	--
Debt discount (3).....	(1,707)	--
Capital leases and other obligations.....	83	83
	-----	-----
Total long-term debt.....	26,339	11,083
	-----	-----
Redeemable Preferred Stock:		
Series A Convertible Preferred Stock, 1,000,000 shares outstanding (4).....	1,479	--
Series B Convertible Preferred Stock, 2,046,667 shares outstanding (4).....	2,047	--
Series C Convertible Preferred Stock, 231,250 shares outstanding (5).....	231	--
Shareholders' equity (deficit):		
Preferred Stock, \$1.00 par value, 10,000,000 shares authorized.....	--	--
Common Stock, \$.01 par value, 100,000,000 shares authorized: 1,734,564 shares outstanding, actual; and 7,813,115 shares, pro forma (6).....	17	78

Additional paid-in capital.....	3,840	51,725
Accumulated deficit.....	(6,178)	(7,863)
	-----	-----
Total shareholders' equity (deficit).....	(2,321)	43,940
	-----	-----
Total capitalization.....	\$27,775	\$55,023
	=====	=====

</TABLE>  
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- (1) Actual long-term bank indebtedness does not include borrowings of approximately \$1.1 million incurred after September 30, 1997. Therefore, pro forma long-term bank indebtedness, which represents borrowings to be made under the Company's new credit facility to fund a part of the cash portion of the purchase price of the Pending Acquisitions, are estimated to be approximately \$12.1 million.
- (2) The Convertible Subordinated Promissory Notes were issued in connection with certain of the Completed Acquisitions, and will be converted into an aggregate of 225,890 shares of Common Stock.
- (3) Includes \$1,142,000 attributable to the Subordinated Promissory Notes and \$565,000 attributable to the Subordinated Convertible Promissory Notes. See Note 7 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc.
- (4) The Series A Convertible Preferred Stock will be converted into 1,560,000 shares of Common Stock and the Series B Convertible Preferred Stock will be converted into an aggregate of 183,393 shares of Common Stock, in each case, upon completion of the Offering.
- (5) The Series C Convertible Preferred Stock will be redeemed for \$231,250 out of the net proceeds of the Offering.
- (6) Excludes: (i) 900,000 shares of Common Stock reserved for issuance under the Company's 1997 Stock Incentive Plan and the Company's Stock Option Plan for Non-Employee Directors and (ii) 131,856 shares of Common Stock issuable upon exercise of options granted in connection with Completed Acquisitions. See "Management," "Certain Transactions" and "Principal Shareholders."

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#### DILUTION

The net tangible book deficit of the Company at September 30, 1997 was approximately \$30.3 million, or \$(17.47) per share of Common Stock. Net tangible book deficit per share represents the Company's total tangible assets less its total liabilities, divided by 1,734,564 shares of Common Stock outstanding as of September 30, 1997. After giving effect to the sale of the 3,500,000 shares of Common Stock offered hereby (after deducting the underwriting discount and estimated Offering expenses) and consummation of the Pending Acquisitions, the pro forma net tangible book deficit of the Company at September 30, 1997 would have been approximately \$7.3 million, or \$(0.93) per share. This represents an immediate increase in such net tangible book value of \$16.54 per share to existing shareholders at September 30, 1997, consisting of \$10.54 per share attributable to the conversion of convertible subordinated debt and preferred stock, \$8.11 per share attributable to the Offering, offset by a decrease of \$3.22 per share attributable to the Pending Acquisitions. This results in immediate dilution of \$12.93 per share to investors purchasing shares in the Offering. The following table illustrates pro forma dilution to new investors:

<S>	<C>	<C>
Assumed initial public offering price per share.....		\$12.00
Net tangible book deficit as of September 30, 1997 [\$30.3 million].....	\$(17.47)	
Increase in pro forma net tangible book value attributable to the conversion of convertible subordinated debt and preferred stock [\$4.8 million].....	10.59	
Increase in pro forma net tangible book value attributable to the Offering, net of the extraordinary loss on debt [\$35.1 million].....	9.26	
Decrease in pro forma net tangible book value per share attributable to the Pending Acquisitions [\$16.7 million].....	(3.31)	
	-----	
Pro forma net tangible book value per share after the Offering [\$7.3 million].....		(0.93)
		-----
Dilution per share to new investors.....		\$(12.93)
		=====

</TABLE>

The following table presents, after giving effect to the Offering and the Pending Acquisitions, the difference among existing shareholders, sellers



receiving shares in the Pending Acquisitions and new investors with respect to the number of shares purchased from the Company and the total consideration and average price per share paid to the Company, before deducting the underwriting discounts and estimated Offering expenses.

<TABLE>  
<CAPTION>

	SHARES PURCHASED		TOTAL CONSIDERATION		PURCHASE
	NUMBER	PERCENT	AMOUNT	PERCENT	PRICE PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>
Existing common shareholders..	1,734,564	22%	\$4,246,000	7%	\$2.45
Common shareholders upon conversion of:					
Series A Preferred Stock....	1,560,000	20	1,000,000	2	0.64
Series B Preferred Stock....	183,393	2	2,046,667	4	11.16
Convertible Subordinated Promissory Notes.....	225,890	3	1,844,955	3	8.17
Sellers receiving shares in the Pending Acquisitions....	609,268	8	6,580,000	11	10.80
New investors.....	3,500,000	45	42,000,000	73	12.00
	-----	-----	-----	-----	-----
Total.....	7,813,115	100.0%	\$57,717,622	100.0%	
	=====	=====	=====	=====	=====

</TABLE>

The foregoing tables assume no exercise of outstanding options. As of the date of this Prospectus, there are 795,880 shares of Common Stock issuable upon the exercise of stock options at a weighted average exercise price of \$9.16 per share. See "Management."

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SELECTED FINANCIAL DATA

The financial data set forth below as of and for each of the years in the three year period ended December 31, 1996 were derived from audited financial statements of Looney. The financial data for the years ended December 31, 1992 and 1993 and as of and for the nine months ended September 30, 1996 and 1997 were derived from the unaudited financial statements of Looney and the Company, respectively, which include all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the information set forth therein.

The pro forma financial data as of and for the nine months ended September 30, 1996 and 1997 and the year ended December 31, 1996, were derived from the pro forma combined financial statements of the Company appearing elsewhere in this Prospectus. Such pro forma combined financial statements give effect to the completed acquisitions and the Pending Acquisitions, the Offering and the application of the proceeds therefrom, and the related conversion of outstanding securities as if each of these events had occurred on January 1, 1996. The pro forma financial information of the Company does not purport to represent what the Company's results of operations or financial position actually would have been had the completed acquisitions and the Pending Acquisitions occurred on the dates specified, nor is it a projection of the Company's results of operations or financial position for any future period or date. The data presented below should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company, the financial statements and pro forma combined financial statements and the notes thereto included elsewhere herein.

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SELECTED FINANCIAL DATA (1)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

	PRO FORMA									
	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,				
	1992	1993	1994	1995	1996	1996	1997 (2)	1996 (3) (4)	1996 (3) (4)	1997 (3) (4)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA:										
Revenues.....	\$6,706	\$7,722	\$8,363	\$9,104	\$7,667	\$5,886	\$14,549	\$43,405	\$32,024	\$37,277

Cost of services.....	3,802	4,595	5,589	5,763	4,839	3,726	9,287	25,474	18,575	21,261
Gross profit.....	2,904	3,127	2,774	3,341	2,828	2,160	5,262	17,931	13,449	16,016
Selling, general and administrative expenses (5).....	2,612	2,824	3,043	1,970	2,352	1,310	3,855	10,968	8,420	9,365
Depreciation and amortization (4).....	95	110	224	231	212	159	332	1,754	1,332	1,337
Operating income (loss).....	197	193	(493)	1,140	264	691	1,075	5,209	3,697	5,314
Interest expense.....	101	181	185	230	238	178	1,147	880	668	707
Income (loss) before taxes.....	96	12	(678)	910	26	513	(72)	4,329	3,029	4,607
Provisions (benefit) for income taxes.....	--	35	(183)	327	10	174	11	1,847	1,298	1,928
Net income (loss).....	\$96	\$(23)	\$(495)	\$583	\$16	\$339	(83)	\$2,482	\$1,731	\$2,679
Accretion of preferred stock.....							(479)			
Net income (loss) attributable to common shareholders.....							\$ (562)			
Net income (loss) per common share (6).....							\$(.13)	\$0.31	\$0.22	\$0.33
Weighted average shares outstanding (7) (8)....							4,226	8,002	8,002	8,002

</TABLE>

<TABLE>  
<CAPTION>

SEPTEMBER 30, 1997

	ACTUAL	PRO FORMA (3) (7)
<S>	<C>	<C>

BALANCE SHEET DATA:

Cash.....	\$ 559	\$ 1,238
Total assets.....	38,720	62,652
Short-term debt.....	3,936	75
Long-term debt (net of current portion).....	26,339	11,083
Redeemable preferred stock.....	3,757	--
Total shareholders' equity (deficit).....	\$(2,321)	\$43,940

</TABLE>

- (1) Prior to January 17, 1997, the Company had no business operations. Therefore, the business of Looney & Company, for financial statement purposes, represents the predecessor business.
- (2) The Completed Acquisitions have been, and the Pending Acquisitions will be, accounted for as purchases and therefore, the operations of the acquired businesses are included in the statement of income data from the respective dates of acquisition. See the Consolidated Financial Statements of U.S. Legal Support, Inc. included herein.
- (3) Pro forma information gives effect to: (i) the Completed Acquisitions and completion of Pending Acquisitions; (ii) an adjustment to compensation expense for the difference between actual compensation paid to certain officers of businesses acquired or to be acquired and employment contract compensation negotiated in connection with the completed acquisitions and the Pending Acquisitions; (iii) amortization expense relating to intangible assets recorded in conjunction with the Completed Acquisitions and to be recorded in the Pending Acquisitions; and (iv) the sale of the shares offered hereby and the application of the net proceeds thereof, as if such events had occurred on January 1, 1996 (for statement of income data) and as of September 30, 1997 (for balance sheet data). The Pending Acquisitions and the conversion of certain outstanding preferred stock and Convertible Subordinated Promissory Notes described in Note 6 below, are contingent upon and will close concurrently with completion of the Offering. The pro forma results of operations are not necessarily indicative of the results that would have occurred had these transactions been completed as of such date or the results that may be attained in the future.
- (4) Pro forma depreciation and amortization amounts consist primarily of amortization of goodwill totaling \$1,313,000 and \$985,000 for the periods ended December 31, 1996 and September 30, 1997, respectively, recorded or to be recorded as a result of the Completed Acquisitions and the Pending Acquisitions. Goodwill is amortized over periods ranging from ten to 40

years and computed on the basis described in Note 2 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc.

- (5) Includes a non-recurring charge of \$360,000 in the fourth quarter of 1996 representing the estimated fair value of ownership interests granted to certain employees by Looney's shareholder.
- (6) Supplementary historical earnings per common share for the nine months ended September 30, 1997, would be \$.09 per share, giving effect to: (i) the 3,893,000 weighted average shares outstanding for the period; (ii) the issuance of 2,908,000 of shares in the Offering, the proceeds from which would be necessary to (a) repay \$16,000,000 of bank indebtedness under the Company's credit facility, (b) redeem \$9,000,000 of Senior Subordinated Notes, (c) repay \$4,979,000 of Subordinated Promissory Notes, (d) redeem 231,250 shares of Series C Preferred Stock, and (e) pay the applicable Offering expenses; and (iii) the reduction of interest expense and dividends.
- (7) Gives effect to: (i) 1,734,564 shares outstanding prior to the Offering; (ii) 3,500,000 shares to be issued in the Offering; (iii) 609,268 shares to be issued in the Pending Acquisitions; (iv) 1,969,283 shares issued upon conversion of preferred stock and Convertible Subordinated Promissory Notes; and (v) 188,187 shares issuable upon exercise of outstanding stock options in accordance with SEC Staff Accounting Bulletin Topic 4D. See "Capitalization."
- (8) Shares used in calculating net loss per share for the nine months ended September 30, 1997, include the number of shares, the proceeds from the sale of which would be necessary to repay the portion of the Company's debt that funded the distribution to Richard O. Looney in connection with the reorganization of the Company and Looney & Company.

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

The following discussion should be read in conjunction with the historical financial statements and related notes and the pro forma financial statements and related notes included elsewhere in this Prospectus.

OVERVIEW

The Company is one of the largest providers of legal support and staffing services in the United States providing court reporting, certified record retrieval, legal placement and staffing, and other related services to law firms and corporations, including insurance companies, through 40 offices in seven states and the District of Columbia. The Company seeks to become the leading national, full-service provider of legal support and staffing services in the United States through a combination of selective acquisitions and internal growth. After succeeding to the operations of Looney in January 1997, the Company has acquired 13 businesses and will acquire four additional businesses concurrently with the Offering. For the year ended December 31, 1996, the Company had pro forma revenues of \$43.4 million and pro forma operating income of \$5.2 million. For the nine months ended September 30, 1997, the Company had pro forma revenues of \$37.3 million and pro forma operating income of \$5.3 million, compared with pro forma revenues of \$32.0 million and pro forma operating income of \$3.7 million for the nine months ended September 30, 1996.

In 1996, the Company derived approximately 64.0% of its pro forma revenues from court reporting services, 18.0% from certified record retrieval services, 15.0% from permanent placement and temporary legal staffing and 3.0% from other services. For the nine months ended September 30, 1997, the Company derived 60.0% of its pro forma revenues from court reporting, 17.0% from certified record retrieval, 21.0% from permanent placement and temporary legal staffing and 2.0% from other services. The Company believes that over the past several years prices for court reporting and certified record retrieval services have remained stable or have declined in many markets, while rates for permanent placement and temporary legal staffing have remained relatively constant. The Company also believes that law firms and corporations have increased their efforts to reduce legal expenses by centralizing their purchasing decisions and negotiating lower rates with vendors. As these trends and the consolidation among legal support companies continue, the Company believes that the industry will experience more price-based competition. The Company's strategy, however, is to capitalize on the centralization of purchasing decisions by increasing its share of the market represented by larger accounts and expanding the geographic markets in which it operates.

Charges for court reporting services typically are based upon the number of pages transcribed, with a significant portion of revenues being derived from the production of additional copies. Substantially all of the Company's court reporting services are performed by independent contractors. Under its

standard arrangements with independent court reporters, the Company retains a portion, typically averaging 40.0%, of the total court reporting fee and the independent court reporter receives the balance. The Company also derives court reporting revenues from its network of over 130 affiliated court reporting firms in locations not directly served by the Company. Under these arrangements, the Company refers court reporting assignments to network participants and, upon completion of the assignment, bills the client directly and retains a referral fee ranging from 5.0% to 10.0% of the total court reporting fees. The Company anticipates that its reliance on the network of court reporting affiliates will diminish as the Company acquires additional court reporting businesses, including certain of the network affiliates located in market areas not currently served by the Company.

Charges for certified record retrieval services are based upon the number of subpoenas or other notices initiated and the volume of documents generated in response to these subpoenas and notices. Certified record retrieval services generally are used in personal injury and medical malpractice litigation. Because the number of transcript copies requested by the parties and the volume of certified records retrieved generally increase as the number of parties in a lawsuit increases, revenues derived from court reporting and certified record retrieval services are significantly higher in litigation involving more than two parties.

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The Company's legal staffing recruiters are compensated on a commission basis. Fees for successful placement of an attorney typically are based upon a percentage, approximately 25.0% to 30.0% of the attorney's compensation earned during the year following the placement, of which 40.0% to 50.0% is customarily paid to the individual recruiter. This fee is subject to a partial refund if the new employment arrangement is terminated prior to the expiration of a negotiated period, usually three to six months. The Company charges its clients an hourly fee for the number of hours worked by attorneys placed with clients on a temporary basis.

Cost of services consists primarily of amounts due to the Company's independent contractors, payroll for field agents, commissions for recruiters, production equipment rental and costs associated with delivery of documents. Selling, general and administrative expenses include payroll for management and administrative employees, office occupancy costs, sales and marketing expenses and other general and administrative costs. Depreciation and amortization relates primarily to depreciation of office furniture and equipment and amortization of intangible assets. The Company pays fees to its independent contractors based on a percentage of the fees billed to clients. Similarly, the Company compensates its temporary staffing attorneys only for the hours actually worked. Consequently, the compensation for such personnel is a variable cost that fluctuates in proportion to revenues.

The Completed Acquisitions have been, and the Pending Acquisitions will be, accounted for under the purchase method of accounting, with the results of operations of businesses acquired being included in the Company's results of operations beginning on the date of acquisition. Upon completion of the Offering, the Company will have recorded approximately \$51.0 million as goodwill, representing the excess of the fair value of the consideration paid over the fair value of the assets to be acquired. Approximately 77.0% of the goodwill is deductible for federal income tax purposes over 15 years. For financial reporting purposes, goodwill is amortized over periods ranging from ten to 40 years. The pro forma effect of this amortization expense is expected to be approximately \$1.3 million annually. Certain owners and employees of the businesses acquired and to be acquired in the Pending Acquisitions have agreed to reductions totaling \$1.3 million from the levels of their 1996 compensation. These reductions have been reflected in the pro forma financial statements included herein.

#### COMBINED AND PRO FORMA OPERATING DATA

The combined operating data of the Company for the periods presented do not represent combined results of operations prepared in accordance with generally accepted accounting principles, but are only a summation of the revenues, cost of services and gross profit of the individual businesses on a historical basis. The combined results of operations assume that each of the businesses was combined from January 1, 1995.

The pro forma operating data for the year ended December 31, 1996 and the nine months ended September 30, 1997 assumes that the Completed Acquisitions as well as the Pending Acquisitions, were consummated as of January 1, 1996. Pro forma adjustments include a reduction in compensation expense to reflect amounts to be paid under the terms of employment agreements entered into in connection with certain of the acquisitions. Pro forma adjustments also have been made to reflect the amortization of the goodwill recorded in connection with each acquisition.

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The following table sets forth certain combined and pro forma operating data for the indicated periods:

<TABLE>  
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	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,					
	1995		1996		1996		1997	
	COMBINED		PRO FORMA		PRO FORMA		PRO FORMA	
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue.....	\$38,616	100.0%	\$43,405	100.0%	\$32,024	100.0%	\$37,277	100.0%
Cost of services.....	23,200	60.1	25,474	58.7	18,575	58.0	21,261	57.0
Gross profit.....	\$15,416	39.9%	\$17,931	41.3	\$13,449	42.0	\$16,016	43.0
Selling, general and administrative expenses.....			10,968	25.3	8,420	26.3	9,365	25.1
Depreciation and amortization.....			1,754	4.0	1,332	4.2	1,337	3.6
Operating income.....			\$5,209	12.0%	\$3,697	11.5%	\$5,314	14.3%

</TABLE>

RESULTS OF OPERATIONS--PRO FORMA 1996 AND COMBINED 1995

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

Revenue. Revenue increased \$5.3 million, or 16.4%, to \$37.3 million for the nine months ended September 30, 1997 from \$32.0 million for the nine months ended September 30, 1996. The increase in revenue was a result of the following: (i) revenue from court reporting services increased by approximately \$1.6 million, primarily due to higher demand in Pennsylvania, California and New York; (ii) the Company's permanent legal search services revenue increased by approximately \$2.3 million as the result of several significant retained searches; and (iii) revenue from certified record retrieval services in California increased by \$754,000 as the result of several new insurance clients. In addition the start-up of temporary attorney staffing services contributed approximately \$1.0 million to the revenue increase. These increases were partially offset by lower revenue from certified record retrieval services in Texas.

Gross Profit. Gross profit increased \$2.6 million, or 19.1%, to \$16.0 million for the nine months ended September 30, 1997 from \$13.4 million for the nine months ended September 30, 1996. The gross profit on court reporting services increased by approximately \$800,000, while the gross profit on permanent legal placement and temporary staffing services increased by approximately \$1.7 million. The gross margin percentage improved to 43.0% during the nine months ended September 30, 1997 from 42.0% during the nine months ended September 30, 1996. The improvement in the gross margin percentage was primarily the result of an increase in the gross margin percentage on court reporting services resulting from a reduction in the percentage of court reporting fees paid to court reporters at one of the Company's locations, offset by a slight decrease in the gross margin percentage on permanent legal search and temporary staffing services as the result of the start-up of temporary attorney staffing services.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Revenue. Revenue increased \$4.8 million, or 12.4%, to \$43.4 million in 1996 from a combined \$38.6 million in 1995. The increase in revenue was a result of the following: (i) revenue from court reporting services increased by approximately \$3.2 million primarily as the result of higher demand in Florida, Pennsylvania and California; (ii) the Company's permanent legal search services revenue increased by approximately \$1.1 million as the result of several significant retained searches; and (iii) revenue from certified record retrieval services in California increased by \$950,000 as the result of several new insurance clients. The increase in revenue was partially offset by lower court reporting and certified record retrieval revenue in Texas resulting from the settlement of a number of large lawsuits in which the Company had been providing services.

Gross Profit. Gross profit increased \$2.5 million, or 16.3%, to \$17.9 million in 1996 from \$15.4 million in 1995. The gross profit on court reporting services increased by approximately \$2.0 million while gross profit on permanent legal placement services increased by approximately \$400,000 due to the higher level of revenue and improved gross margin percentages. The gross margin percentage improved to 41.3% in 1996 from 39.9%

in 1995. The improvement in the gross margin percentage was primarily the result of an increase in the gross margin percentage from court reporting services resulting from a reduction in the percentage of court reporting fees paid to court reporters at one of the Company's locations. Also, the gross margin percentage on certified record retrieval services in California improved as the result of increased volume from new insurance clients.

#### RESULTS OF OPERATIONS--THE COMPANY AND LOONEY

The Company provides court reporting, certified record retrieval, legal placement and staffing and related services and derives its revenues from fees associated with these services. Looney provides court reporting and certified records retrieval services. The Company acquired Looney in January 1997.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

The Company acquired Klein Bury and eight other businesses during the nine months ended September 30, 1997. Consequently, certain aspects of the Company's results of operations in that period are not comparable to the results of Looney for the nine months ended September 30, 1996.

**Revenue.** Revenue increased \$8.7 million, or 147.2%, to \$14.5 million for the nine months ended September 30, 1997 from \$5.9 million for the nine months ended September 30, 1996. The increase in revenue was primarily the result of the acquisitions made by the Company during the nine months ended September 30, 1997 which contributed \$8.9 million of additional revenue.

**Gross Profit.** Gross profit increased \$3.1 million, or 143.6%, to \$5.3 million for the nine months ended September 30, 1997 from \$2.2 million for the nine months ended September 30, 1996. The gross margin percentage decreased by 0.5% to 36.2% for the nine months ended September 30, 1997 from 36.7% for the nine months ended September 30, 1996. The slight decrease in the gross margin percentage was primarily the result of higher fees paid to court reporters at the Company's Florida subsidiary as compared to fees paid by Looney.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$2.5 million, or 194.3%, to \$3.9 million for the nine months ended September 30, 1997 from \$1.3 million for the nine months ended September 30, 1996. Approximately \$1.8 million was attributable to acquisitions and \$746,000 was the result of higher expenses related to the addition of corporate personnel to facilitate anticipated future growth. Selling, general and administrative expenses as a percentage of revenue was 26.5% for the nine months ended September 30, 1997 as compared to 22.3% for the nine months ended September 30, 1996 as the result of the additional corporate office personnel.

**Depreciation and Amortization.** Depreciation and amortization increased by \$173,000, or 108.8%, to \$332,000 for the nine months ended September 30, 1997 from \$159,000 for the nine months ended September 30, 1996. The increase was due to the amortization of goodwill incurred in connection with the 14 acquisitions made during the nine months ended September 30, 1997.

**Operating Income.** As the result of the foregoing, operating income increased by \$384,000, or 55.5%, to \$1.1 million for the nine months ended September 30, 1997 from \$691,000 for the comparable period in 1996. The operating margin percentage decreased 4.3% to 7.4% for the nine months ended September 30, 1997 from 11.7% for the nine months ended September 30, 1996.

Year Ended December 31, 1996 Compared To Year Ended December 31, 1995

**Revenue.** Revenue decreased \$1.4 million, or 15.8%, to \$7.7 million in 1996 from \$9.1 million in 1995. The decrease in revenue was primarily a result of the bankruptcy of a major client and the settlement of a number of significant lawsuits in late 1995 and early 1996.

**Gross Profit.** Gross profit decreased \$512,000, or 15.3%, to \$2.8 million in 1996 from \$3.3 million in 1995. The gross margin percentage remained relatively constant at 36.9% in 1996 compared with 36.7% in 1995.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$381,000, or 19.4%, to \$2.4 million in 1996 from \$2.0 million in 1995. The increase was due to a non-recurring charge of \$360,000 related to equity interests in the Company that was granted to certain employees. Excluding this non-recurring charge, selling, general and administrative costs remained relatively constant from 1995 to 1996. Selling, general and administrative expenses as a percentage of revenue increased 9.1%

to 30.7% at December 31, 1996 from 21.6% for December 31, 1995.

Depreciation and Amortization. Depreciation and amortization decreased \$18,000, or 7.8%, to \$212,000 in 1996 from \$231,000 in 1995 due to certain assets becoming fully depreciated.

Operating Income. As a result of the foregoing, operating income decreased by \$875,000, or 76.8%, to \$264,000 in 1996 from \$1.1 million in 1995. The operating margin percentage decreased 9.0% to 3.5% in 1996 as compared to 12.5% in 1995.

Year Ended December 31, 1995 Compared To Year Ended December 31, 1994

Revenue. Revenue increased by \$741,000, or 8.9%, to \$9.1 million in 1995 from \$8.4 million in 1994 as the result of higher business activity attributable to two major lawsuits for which the Company was providing both court reporting and certified record retrieval services.

Gross Profit. Gross profit increased \$567,000, or 20.5%, to \$3.3 million in 1995 from \$2.8 million in 1994. The gross margin percentage increased 3.5% to 36.7% in 1995 from 33.2% in 1994 as a result of improved margins related to major multi-party lawsuits.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by \$1.1 million, or 35.3%, to \$2.0 million in 1995 from \$3.0 million in 1994. The decrease was the result of reduced expenses resulting from cost containment actions in 1995. In addition, in 1994 the Company recorded non-recurring charges totalling \$611,000 related to the settlement of certain employee-related litigation and elimination of certain document copying services. Selling, general and administrative expenses as a percentage of revenue decreased 14.8% to 21.6% in 1995 from 36.4% in 1994 due to the factors discussed above.

Depreciation and Amortization. Depreciation and amortization increased \$7,000, or 3.0%, to \$231,000 in 1995 from \$224,000 in 1994.

Operating Income. As a result of the foregoing, operating income increased \$1.6 million to \$1.1 million in 1995 from an operating loss of \$493,000 in 1994.

#### RESULTS OF OPERATIONS--KLEIN BURY

Klein Bury provides court reporting services and derives its revenue from court reporting fees. The Company acquired Klein Bury in January 1997.

Twelve Month Period ended December 31, 1996 Compared To the Twelve Month Period Ended September 30, 1995

Revenue. Revenue increased \$1.2 million, or 16.7%, to \$8.5 million in 1996 from \$7.3 million, for the fiscal year ended September 30, 1995. The increase in revenue was a result of higher demand for Klein Bury's court reporting services attributable to Klein Bury obtaining additional clients in the insurance and health care industry, the expansion of services statewide for certain existing clients and the addition of court reporting services for municipal courts in Dade County, Florida which were previously performed by municipal employees. In addition, Klein Bury derived additional revenue from a new office which opened in 1995.

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Gross Profit. Gross profit increased \$475,000, or 19.3%, to \$2.9 million in 1996 from \$2.5 million in 1995. The gross margin percentage increased slightly to 34.5% in 1996 from 33.7% at September 30, 1995. The improvement in gross margin percentage was the result of slightly lower independent contractor costs in 1996.

Operating Expenses. Operating expenses increased \$515,000, or 22.6%, to \$2.8 million in 1996 from \$2.3 million for the fiscal year ended September 30, 1995. The increase in operating expenses was the result of increased revenue and increased compensation to executive officers. Operating expenses as a percentage of revenue increased to 32.7% in 1996 from 31.2% in fiscal year ended September 30, 1995.

Operating Income. As a result of the foregoing, operating income decreased \$41,000, or 22.1%, to \$144,000 in 1996 from \$185,000 for the fiscal year ended September 30, 1995. Operating margin percentage decreased to 1.7% in 1996 from 2.5% in 1995.

#### RESULTS OF OPERATIONS--REPORTING SERVICE

Reporting Service provides court reporting services and derives its revenue from court reporting fees. Reporting Service will be acquired concurrently with the Offering.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

Revenue. Revenue for the nine months ended September 30 1997 increased \$896,000, or 41.3%, to \$3.1 million from \$2.2 million for the nine months ended September 30, 1996. The increase in revenue was the result of: (i) increased demand from existing clients; (ii) more multi-party lawsuits which result in higher demand for services as well as an increased number of court reporting transcripts; and (iii) improved pricing of Reporting Service's court reporting services.

Gross Profit. Gross profit for the nine months ended September 30, 1997 increased \$718,000, or 72.4%, to \$1.7 million from \$992,000 for the nine months ended September 30, 1996. The gross margin percentage improved by 10.1% to 55.8% for the nine months ended September 30, 1997 compared with 45.7% at September 30, 1996. The improvement in gross margin percentage primarily resulted from (i) increased volume of copies required by parties in multi-party lawsuits and (ii) cost containment actions taken by Reporting Service and improved pricing of its services.

Operating Expenses. Operating expenses for the nine months ended September 30, 1997 increased \$114,000, or 29.1%, to \$505,000 from \$391,000 for the nine months ended September 30, 1996. The increase in operating expenses resulted from costs attributable to additional administrative personnel and other expenses attributable to the increased demand for Reporting Service's court reporting services. Operating expenses as a percentage of sales decreased 1.5% to 16.5% at September 30, 1997 from 18.0% at September 30, 1996, due to the impact of higher volume without a corresponding increase in fixed overhead costs.

Operating Income. As the result of the foregoing, operating income for the nine months ended September 30, 1997 increased \$603,000 or 101.4%, to \$1.2 million from \$595,000 for the nine months ended September 30, 1996. The operating margin percentage improved 11.7% to 39.1% for the nine months ended September 30, 1997 from 27.4% for the nine months ended September 30, 1996.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Revenue. Revenue increased \$1.1 million, or 58.0%, to \$3.0 million in 1996 from \$1.9 million in 1995. The increase was due to increased demand from existing clients, more multi-party lawsuits and improved pricing.

Gross Profit. Gross profit increased \$581,000, or 77.5%, to \$1.3 million in 1996 from \$749,000 million in 1995. The gross margin percentage increased 4.9% to 44.2% in 1996 from 39.3% in 1995. The improvement in the gross margin percentage was due to cost containment actions and improved pricing.

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Operating Expenses. Operating expenses increased \$162,000, or 38.2%, to \$586,000 in 1996 from \$424,000 in 1995 as a result of additional administrative personnel and increased demand for Reporting Service's court reporting services. Operating expenses as a percentage of revenue decreased 2.7% to 19.5% at December 31, 1996 from 22.2% at December 31, 1995.

Operating Income. As a result of the foregoing, operating income increased \$419,000, or 128.8%, in 1996, to \$744,000 from \$325,000 in 1995. Operating margin percentage improved 7.6% to 24.7% in 1996 from 17.1% in 1995.

#### RESULTS OF OPERATIONS--JILIO

Jilio provides court reporting services and derives its revenue from court reporting fees. Jilio will be acquired concurrently with the Offering.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

Revenue. Revenue for the nine months ended September 30 1997 increased \$313,000, or 11.3%, to \$3.1 million from \$2.8 million for the nine months ended September 30, 1996. The increase in revenue was due to an expansion of Jilio's client base as a result of marketing efforts, the impact of large multi-party litigation and the offering of new services, including document depository services, to its clients.

Gross Profit. Gross profit for the nine months ended September 30, 1997 increased \$108,000, or 7.7%, to \$1.5 million from \$1.4 million for the nine months ended September 30, 1996. The gross margin percentage declined 1.6% to 49.1% for the nine months ended September 30, 1997 from 50.7% for the nine months ended September 30, 1996. The decrease in the gross margin percentage was primarily the result of volume pricing discounts related to multi-party lawsuits and start-up costs related to new document depository services.



Operating Expenses. Operating expenses increased \$101,000, or 13.4%, to \$857,000 for the nine months ended September 30, 1997 from \$756,000 for the nine months ended September 30, 1996. Operating expenses as a percentage of revenue increased 0.5% to 27.8% at September 30, 1997 from 27.3% for the nine months ended September 30, 1996. The increase in operating expenses and operating expenses as a percentage of revenue were the result of additional personnel and increased costs related to the initiation of new document depository services and complimentary services related to large multi-party lawsuits.

Operating Income. As the result of the foregoing, operating income for the nine months ended September 30, 1997 increased \$7,000, or 1.0%, to \$656,000 from \$649,000 for the nine months ended September 30, 1996. Operating margin percentage declined 2.1% to 21.3% for the nine months ended September 30, 1997 from 23.4% at September 30, 1996.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Revenue. Revenue increased \$657,000, or 19.5%, to \$4.0 million in 1996 from \$3.4 million in 1995. The increase in revenue was the result of an increase in the number of clients, additional services from existing clients and the number of multi-party lawsuits.

Gross Profit. Gross profit increased \$384,000, or 23.0%, to \$2.1 million in 1996 from \$1.7 million in 1995. Gross margin percentage increased slightly to 51.0% in 1996 from 49.6% in 1995. The improvement in the gross margin percentage was the result of cost containment actions.

Operating Expenses. Operating expenses increased \$188,000, or 21.1%, to \$1.1 million in 1996 from \$891,000 in 1995 as the result of the higher level of business activity. Operating expenses as a percentage of revenue increased slightly from 26.8% in 1996 from 26.5% in 1995.

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Operating Income. As a result of the foregoing, operating income increased \$196,000, or 25.2%, to \$973,000 in 1996 from \$777,000 in 1995. Operating margin percentage increased to 24.2% in 1996 from 23.1% in 1995.

#### RESULTS OF OPERATIONS--ELAINE DINE

Elaine Dine provides permanent placement and temporary legal staffing and derives its revenue from legal placement and staffing fees which are based upon a percentage of the attorney's compensation earned during the year following the placement.

Historically, the operations of Elaine Dine have been focused on the permanent placement of attorneys. In April 1996, Elaine Dine created Elaine Dine Temporaries LLC which provides temporary legal staffing services. Revenue from temporary staffing services are derived from hourly fees charged to clients for the number of hours worked by temporary staffing attorneys.

The Company acquired Elaine Dine in September 1997.

Three Months Ended June 30, 1997 Compared to Three Months Ended June 30, 1996

Revenue. Revenue for the three months ended June 30, 1997 increased \$488,000, or 70.2%, to \$1.2 million from \$695,000 for the three months ended June 30, 1996. The increase was the result of the addition of several new corporate clients and a higher number of searches for corporate in-house attorneys.

Gross Profit. Gross profit for the three months ended June 30, 1997 increased \$210,000, or 62.3%, to \$546,000 from \$337,000 for the three months ended June 30, 1996. During the three months ended June 30, 1997, the gross margin percentage declined 2.3% to 46.2% at June 30, 1997 from 48.5% at June 30, 1996. The decrease in gross margin percentage was the result of an increase in the commission percentages paid to staff recruiters.

Operating Expenses. Operating expenses increased \$58,000, or 35.2%, to \$222,000 for the three months ended June 30, 1997 from \$164,000 for the three months ended June 30, 1996. Operating expenses as a percentage of revenue decreased 4.8% to 18.8% for the three months ended June 30, 1997 from 23.6% for the three months ended June 30, 1996.

Operating Income. As a result of the foregoing, operating income increased \$152,000, or 88.0%, to \$325,000 for the three months ended June 30, 1997 from \$173,000 for the three months ended June 30, 1996. During the three months ended June 30, 1997, the operating margin percentage improved 2.6% to 27.5% for the three months ended June 30, 1997 from 24.9% for the three months ended June 30, 1996.

Year Ended March 31, 1997 Compared to Year Ended March 31, 1996

Revenue. Revenue increased \$1.2 million, or 32.9%, to \$4.7 million for the year ended March 31, 1997 from \$3.5 million for the year ended March 31, 1996. The increase in revenue was due to favorable economic conditions in the financial services industry which created a need for additional attorneys for both law firms and large corporations. In 1996, Elaine Dine added new clients and was awarded several large retained searches, including searches for in-house attorneys.

Gross Profit. Gross profit increased \$544,000, or 36.9%, to \$2.0 million in 1997 from \$1.5 million in 1996. Gross margin percentage increased slightly to 43.3% in 1997 from 42.1% in 1996.

Operating Expenses. Operating expenses decreased \$116,000, or 9.2%, to \$1.1 million in 1997 from \$1.3 million in 1996. The reduction in operating expenses in 1997 was primarily due to lower health insurance costs and outside professional fees as compared with 1996. Operating expenses as a percentage of revenue decreased 11.4% to 24.6% in 1997 from 36.0% in 1996.

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Operating Income. As a result of the foregoing, operating income increased \$660,000, or 313.1%, to \$870,000 in 1997 from \$211,000 in 1996. Operating margin percentage improved 12.7% to 18.7% in 1997 from 6.0% in 1996.

#### RESULTS OF OPERATIONS--LEGAL ENTERPRISE, INC.

Legal Enterprise provides certified record retrieval services and derives its revenue from fees generated from such services, which typically are based upon the number of subpoenas or other notices initiated and the volume of documents generated in response to these subpoenas. The Company acquired Legal Enterprise in August 1997.

#### Six Months Ended June 30, 1997 Compared to Six Months Ended June 30, 1996

Revenue. Revenue increased \$512,000, or 29.8%, to \$2.2 million for the six months ended June 30, 1997 from \$1.7 million for the six months ended June 30, 1996. The increase in revenue was attributable to several new clients during 1996 and early 1997, including several large insurance companies. In addition, Legal Enterprise opened a new office in northern California.

Gross Profit. Gross profit increased \$80,000, or 12.5%, to \$722,000 for the six months ended June 30, 1997 from \$642,000 for the six months ended June 30, 1996. Gross margin percentage declined 5.0% to 32.4% from 37.4% for the six months ended June 30, 1996. The decline in gross margin percentage was the result of increased costs attributable to hiring additional personnel and training costs incurred in connection with the initiation of record retrieval services to be provided to new clients. In addition, Legal Enterprise was negatively impacted by servicing clients outside its core geographic area in the six months ended June 30, 1997.

Operating Expenses. Operating expenses increased \$13,000, or 2.4%, to \$584,000 for the six months ended June 30, 1997 from \$571,000 for the six months ended June 30, 1996. Operating expenses as a percentage of revenue decreased 7.0% to 26.2% for the six months ended June 30, 1997 from 33.2% for the six months ended June 30, 1996 as a result of achieving operating leverage.

Operating Income. As a result of the foregoing, operating income increased \$67,000, or 93.5%, to \$138,000 for the six months ended June 30, 1997 from \$71,000 for the six months ended June 30, 1996. Operating margin percentage improved 2.1% to 6.2% for the six months ended June 30, 1997 from 4.1% for the six months ended June 30, 1996.

#### Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Revenue. Revenue increased \$950,000, or 34.5%, to \$3.7 million in 1996 from \$2.8 million in 1995. During 1996, Legal Enterprise obtained several new insurance company clients and expanded its business into northern California.

Gross Profit. Gross profit increased \$444,000, or 45.8%, to \$1.4 million in 1996 from \$971,000 in 1995. Gross margin percentage increased 3.0% to 38.2% in 1996 from 35.2% in 1995. The increase in the gross margin percentage was the result of the impact of greater revenue on the fixed component of cost of services.

Operating Expenses. Operating expenses increased \$377,000, or 43.3%, to \$1.2 million in 1996 from \$870,000 in 1995. Operating expenses as a percentage of revenue increased 2.0% to 33.6% in 1996 from 31.6% in 1995, primarily as the result of costs associated with relocating the headquarters and the opening of additional locations in 1996.

Operating Income. As a result of the foregoing, operating income increased

\$67,000, or 66.7%, to \$167,000 in 1996 from \$100,000 in 1995. Operating margin percentage improved 0.9% to 4.5% in 1996 from 3.6% in 1995.

#### FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

Revenues from the Company's services historically have shown no significant seasonal variations. Revenues can vary from period to period due to the effects of the timing of acquisitions and the timing and magnitude of costs related to such acquisitions, as well as the timing of the commencement, settlement or completion of major lawsuits. The increase in corporate overhead associated with the Completed Acquisitions and the Pending Acquisitions will be reflected in the Company's results of operations in the periods immediately following the Offering, while the realization of benefits, if any, from such acquisitions may not be reflected until future periods.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements have been primarily to fund the cash portion of the purchase price of the acquisitions. The Company has obtained these funds principally through borrowings under the Bank Credit Agreement, the proceeds from the placement of \$10.0 million of Senior Subordinated Notes and Preferred Stock, and cash provided by operations. For the nine months ended September 30, 1997, cash provided by operating activities was \$615,000. The aggregate cash consideration paid to sellers for acquisitions completed through September 30, 1997 was approximately \$21.4 million, prior to giving effect to any associated working capital adjustments. The cash portion of the purchase price for the Pending Acquisitions will be approximately \$16.9 million, which will be provided from approximately \$4.8 million of the net proceeds of the Offering and borrowings of approximately \$12.1 million under the new credit facility described below.

The Company's existing Bank Credit Agreement provides for a \$4.3 million revolving line of credit of which approximately \$3.2 million has been utilized and a \$14.0 million acquisition line of credit which has been fully utilized. Borrowings under the Bank Credit Agreement bear interest at a base rate plus 0.75%, or LIBOR plus 2.5%, at the Company's option. As of December 15, 1997, the average annual interest rate on borrowings under the credit facilities was 8.50% and such borrowings are secured by substantially all of the assets of the Company, including the capital stock of subsidiaries. The Bank Credit Agreement contains various covenants that, among other matters, restrict or limit the Company's ability to pay dividends, incur indebtedness, make capital expenditures and repurchase capital stock. The Company must also maintain minimum fixed charge coverage and other ratios. All borrowings under the Bank Credit Agreement are required to be repaid concurrently with the completion of the Offering. See "Use of Proceeds."

The Company anticipates that it will require significant amounts of cash to support its acquisition strategy after the Offering. The Company expects to fulfill these requirements for cash primarily through bank borrowings, cash from operations, and from the sale of debt or equity securities of the Company. The Company has entered into a credit agreement (the "New Credit Agreement") with NationsBank of Texas, N.A. ("NationsBank") to provide a new \$40.0 million revolving credit facility upon completion of the Offering. The amount the Company may borrow under the revolving credit facility will be subject to limitations based upon the EBITDA of the Company for the preceding twelve months, adjusted to give effect to all acquisitions completed during such period or pending as of the date of borrowing. The Company expects that, immediately upon completion of the Offering, approximately \$12.1 million will be borrowed and approximately \$10.0 million will be available for borrowing under the New Credit Agreement. From time to time, additional borrowing capacity will be available to the Company under the New Credit Agreement provided that the Company achieves certain levels of financial performance through operations or through acquisitions. Loans under the New Credit Agreement will bear interest at rates based, at the Company's option, on either LIBOR or NationsBank's base rate plus, in each case, an applicable margin. The applicable margin will be contingent upon the ratio of the Company's consolidated funded debt to its consolidated EBITDA (the "Debt Coverage Ratio") and will vary from 1.75% to 2.25% in the case of LIBOR loans and 0% to .50% in the case of base rate loans. In addition, the Company will be required to pay to the lenders a quarterly fee with respect to the unused portion of the credit facility. The unused fee varies depending on the Debt Coverage Ratio and ranges from .30% to .50%. The New Credit Agreement will also permit \$2.5 million of the amount available for borrowings to be used for the issuance of letters of credit. A per annum fee based on the applicable margin for LIBOR loans is payable each quarter with respect to the face amount of letters of credit outstanding during the applicable quarter. See Note 7 of Notes to Financial Statements of U.S. Legal Support, Inc.

Borrowings under the New Credit Agreement will be secured by substantially all of the assets of the Company and its subsidiaries and by a pledge of the stock of the subsidiaries. In addition, subsidiaries of the Company will be required to guarantee the Company's obligations under the New Credit Agreement. The New Credit Agreement also will require the Company and its subsidiaries to comply with various affirmative and negative covenants related to, among other matters: (i) the maintenance of certain financial ratios; (ii) limitations on the incurrence of indebtedness; (iii) restrictions on liens, guarantees, dividends and stock redemptions; and (iv) limitations on mergers and sales of assets. The new revolving credit facility will terminate, and all borrowings will be required to be repaid on December 31, 2000. The Company anticipates that bank borrowings and cash from operations will be sufficient to meet the Company's capital requirements through the end of 1998.

The Company's business has not typically required substantial capital expenditures, and during the nine months ended September 30, 1997, capital expenditures were approximately \$111,000. However, the Company anticipates that capital expenditures will increase to approximately \$150,000 for the remainder of 1997 and will be approximately \$750,000 in 1998. These amounts include approximately \$500,000 expected to be incurred to acquire and implement a centralized management information system designed to standardize financial reporting and accounting controls.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128"). SFAS 128 changes the computation of earnings per share and requires dual presentation of basic and diluted earnings per share. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company will adopt SFAS 128 in the fourth quarter of 1997 as required.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") and Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("SFAS 131").

SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. It requires: (i) classification of the components other comprehensive income by their nature in a financial statement and (ii) the display of the accumulated balance of the components other comprehensive income separate from retained earnings and additional paid-in-capital in the equity section of a statement of financial position. SFAS 130 is effective for years beginning after December 15, 1997 and is not expected to have a material impact on financial position or results of operations.

SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company has not determined the impact of SFAS 131 on its financial reporting practices.

#### BUSINESS

##### GENERAL

The Company is one of the largest providers of legal support and staffing services in the United States, providing court reporting, certified record retrieval, legal placement and staffing, and other related services to law firms and corporations, including insurance companies, through 40 offices in seven states and the District of Columbia. The Company seeks to become the leading national, full-service provider of legal support and staffing services through a combination of selective acquisitions and internal growth. Since commencing operations in January 1997, the Company has acquired 14 businesses, and will acquire four additional businesses concurrently with the Offering. In 1997, the Company has provided court reporting and certified record retrieval services to clients such as The Boeing Company, Ford Motor Company, ITT Hartford, CNA and Kemper Insurance Company. For the year ended December 31, 1996, the Company had pro forma revenues of \$43.4 million and pro forma operating income of \$5.2 million. For the nine months ended September 30, 1997, the Company had pro forma revenues of \$37.3 million and pro forma operating income of \$5.3 million, compared with pro forma revenues of \$32.0 million and pro forma operating income of \$3.7 million for the nine months ended September 30, 1996.

Legal support and staffing services are frequently used by the participants

in civil litigation, particularly in cases involving personal injury, products liability, workers' compensation and property casualty claims. While most civil proceedings are resolved by settlement or are otherwise terminated prior to trial, most legal support services are required in the pre-trial period. The following presents the general progression of a civil lawsuit or other proceeding and the opportunities for the Company to provide services to the parties:

#### LOGO

[Flowchart of basic steps in the progression of a lawsuit or other legal proceeding identifying Company's services at each step as follows:] [Claimant Retains Counsel--Legal Staffing and Placement]--[File Lawsuit]--[Defendant Retains Counsel--Legal Staffing and Placement]--[Gather & Prepare Documents--Certified Record Retrieval]--[Examine Witnesses by Deposition--Court Reporting]--[Trial or Other Proceeding Occurs].

**Legal Placement and Staffing.** During the course of litigation, particularly in the pre-trial phase of complex, multi-party cases, law firms and corporate legal departments may hire additional attorneys on a permanent or temporary basis to assist in the preparation of the case for trial. In addition, law firms and corporations increasingly are utilizing temporary lawyers in other areas of practice to more effectively manage fluctuating work loads.

**Certified Record Retrieval.** After the initiation of a lawsuit or other legal proceeding, the parties typically seek medical, employment, financial or other records to assist in the evaluation, furtherance or defense of the claims asserted. These records must be obtained through the issuance of subpoenas or other notices directed to hospitals, physicians, employers, banks or others in accordance with applicable federal and state rules of procedure to ensure the admissibility of the records in the lawsuit. The Company prepares and delivers subpoenas and other document request notices, monitors the recipient's response and coordinates the retrieval and dissemination of documents for litigation.

**Court Reporting.** Prior to commencement of a trial or other proceeding, attorneys for the parties to the dispute and their insurance providers often seek sworn oral testimony of witnesses. Oral testimony is generally obtained through a deposition transcribed by a court reporter. The persons deposed may include the parties to

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the proceeding as well as expert witnesses and others, and the depositions may include testimony concerning the content of documents previously obtained through certified record retrieval. Licensed court reporters typically transcribe the testimony given in deposition and written copies are made available to the parties. Testimony given during a deposition often leads to further depositions and to additional certified document retrieval assignments.

#### INDUSTRY OVERVIEW

Based on available industry data, the Company estimates that the market for legal support and staffing services in the United States exceeds \$5.0 billion annually. The industry is highly fragmented, with more than 1,000 court reporting and record retrieval firms and over 400 legal placement and staffing firms. The Company believes that the legal support and staffing services market is growing due to several trends, including an increase in the: (i) efforts by law firms and corporations, especially insurance providers, to reduce legal expenses; (ii) outsourcing of legal support services to companies that specialize in providing such services at a lower cost; (iii) use of lawyers on a temporary basis by law firms and corporations; (iv) volume and complexity of litigation; and (v) national scope of litigation, particularly in class action and product liability lawsuits.

Legal support services, such as court reporting and certified record retrieval, traditionally have been marketed to law firms. Increasingly, insurance providers and major corporations, who ultimately pay the costs of legal support and staffing services, are seeking to: (i) control and reduce the costs associated with lawsuits; (ii) centralize their purchasing decisions; and (iii) ensure consistent service quality. As a result, these companies are more frequently selecting the providers of legal support services themselves, rather than delegating that decision to the law firms engaged to represent them.

Currently the legal support and staffing services industry is highly fragmented and consists primarily of local and regional firms that typically provide a single or limited number of legal support and staffing services. The Company believes that many legal support and staffing businesses lack: (i) a full range of legal support services; (ii) regional or national coverage; (iii) access to capital; or (iv) effective marketing programs, and are therefore unable to meet the needs of large, geographically dispersed clients. In addition, there are limited opportunities for owners of local legal support and staffing firms to obtain liquidity or to sell their businesses. The

Company consequently believes that many owners of such businesses will be receptive to consolidation.

#### BUSINESS STRATEGY

The Company seeks to become the leading national, full-service provider of legal support and staffing services in the United States. To achieve this goal, the Company is implementing a focused business strategy that includes the following key elements:

**Establish Full Service Operations in Multiple Metropolitan Areas.** The Company seeks to capitalize on the trend toward vendor consolidation in the legal support and staffing services industry. The Company believes that national and regional accounts are increasingly contracting with vendors such as the Company that are capable of delivering a full range of high-quality legal support and staffing services on a broad geographic basis. The Company offers an array of complementary services that includes court reporting, certified record retrieval, legal placement and staffing, and related services through 40 offices located in or near major metropolitan markets in the United States. The Company expects to continue to increase the variety and geographic scope of its services in targeted metropolitan areas throughout the United States through selected acquisitions and expansion of its existing businesses.

**Adopt Best Practices, Policies and Procedures.** The Company evaluates its operating policies and procedures in order to identify and implement practices that best serve the objectives of the Company and its clients ("best practices"). The Company intends to integrate these best practices, including marketing, sales, field operations, human resources policies and recruiting and training programs into the operations of acquired businesses. The Company also intends to evaluate the practices of each acquired company and to implement selected practices of the acquired companies on a Company-wide basis.

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**Achieve Operating Efficiencies.** The Company seeks to be a low-cost provider of legal support services through operating efficiencies and cost savings, which the Company believes can be achieved by combining a number of general and administrative functions at the corporate level and by reducing or replacing redundant functions and facilities of acquired companies. In addition, the Company believes that it will be able to reduce costs in the purchase of insurance, management information systems, advertising and other services.

**Maintain Decentralized Management.** Many of the businesses the Company will seek to acquire operate on a local or regional basis. To take advantage of existing relationships between the acquired companies and their clients, the Company intends to manage its business on a decentralized basis, with acquired-company management retaining primary responsibility for day-to-day operations and local marketing. The Company believes that allowing local management to retain appropriate autonomy will provide opportunities for internal growth, enhance competitiveness in attracting acquisition candidates and assist in preserving the entrepreneurial spirit of the acquired-company management.

#### GROWTH STRATEGY

The Company has implemented a strategy designed to continue its growth in existing and new markets based on the following key elements:

**Actively Pursue Strategic Acquisitions.** The Company intends to pursue an aggressive strategy of acquiring companies in the fragmented legal support and staffing services industry. Through strategic acquisitions, the Company will seek to serve new geographic markets, expand its presence in existing markets and add complementary services. One source of acquisition candidates has been the court reporting firms that have been affiliated with the Company's national court reporting network, through which the Company provides court reporting services to customers in locations not directly served by the Company. Since inception, the Company has acquired four network affiliates.

**Establish Effective National Marketing Program.** Insurance providers and major corporations, which ultimately pay the cost of legal support and staffing services, are increasingly seeking to centralize their purchasing decisions on a national and regional level and to control or reduce the costs associated with lawsuits. The Company seeks to capitalize on these initiatives by marketing its services directly to these companies and has established a national sales force to pursue these opportunities. The Company seeks to be designated as the exclusive or preferred provider of legal support services on a regional or national basis, which may result in assignments substantially larger than those obtained through local accounts.

**Capitalize on Cross-Selling Opportunities.** The Company believes that significant cross-selling opportunities exist which could enhance the

Company's revenue growth. Many legal support and staffing companies are local or regional and specialize in one segment of the legal support services market. The Company believes that its acquisition of such companies will enable it to become a full-service provider of legal support services nationwide and to leverage its existing client relationships by selling such clients a full range of legal support and staffing services. For example, as a result of the Company's acquisition of a certified record retrieval business in California, the Company recently obtained the California certified record retrieval business from a national insurance provider, who previously had utilized only the Company's court reporting services. In addition, the Company works closely with its clients to identify cost-savings opportunities and to develop solutions to their legal support needs.

Develop New and Expand Existing Client Relationships. The Company intends to develop new client relationships and expand existing relationships with law firms, insurance providers and major corporations through aggressive sales and marketing of its services. Sales and marketing efforts are conducted on both a local and national level and are designed to focus potential clients on the Company's: (i) ability to provide a broad range of complementary legal support and staffing services; (ii) national geographic coverage through 40 offices and its network of more than 130 affiliated court reporting firms; and (iii) high-quality services and programs.

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#### ACQUISITION AND INTEGRATION STRATEGY

The Company's acquisition strategy is to identify, acquire and integrate companies with strong management, profitable operating results and recognized local or regional market presence. The Company typically pursues acquisitions that will allow it to accomplish one or more of the following: (i) expand the geographic markets served by the Company; (ii) increase the Company's penetration of existing markets; (iii) establish or enhance customer relationships; and (iv) offer services complementary to those offered by the Company.

The Company believes that there are numerous attractive acquisition candidates due to the large size and fragmentation of the legal support and staffing services industry. These candidates include but are not limited to participants in the Company's referral network of over 130 affiliated court reporting firms, through whom the Company supplies court reporting services to its clients in locations not served directly by the Company. The Company has acquired four businesses that were previously part of its affiliated network and the Company believes that others in the affiliated network may be likely acquisition candidates. The Company also pursues smaller "tuck-in" businesses that can be easily assimilated into the Company's existing operations. Such tuck-in acquisitions are intended to enable the Company to benefit from the operating leverage of its existing business by adding market share while eliminating or reducing certain general administrative and operating costs. The Company has made three such acquisitions of court reporting businesses in Texas.

The Company's corporate officers are responsible for identifying acquisition prospects, conducting due diligence, negotiating the terms of acquisitions and integrating acquired companies. The Company expects that the management of acquired companies will actively assist the Company in identifying additional acquisition candidates. The Company also utilizes the services of The GulfStar Group, Inc. ("GulfStar"), an investment banking firm and an affiliate of one of the founding shareholders of the Company, in evaluating acquisition candidates and negotiating acquisition terms. The Company's policy is to include Common Stock as part of the consideration for acquisitions to more closely align the interests of the shareholders and managers of acquired companies with those of the Company. See "Certain Transactions."

The Company has relied on the existing accounting, financial and computer systems of certain of the acquired companies for a transition period following completion of their acquisition. Although the Company believes that its existing financial reporting and accounting control systems are satisfactory for the operation of the combined businesses for the near term, the Company is currently evaluating alternatives in order to address the future needs of the combined businesses and to standardize and centralize accounting and financial procedures of acquired companies and establish a uniform system of accounts and standardized budgeting and reporting processes. The marketing, sales, field operations and personnel programs of the acquired companies also will be evaluated and integrated with those of the Company under its best practices program. Further, the Company seeks to identify any practices of an acquired company that could be beneficial if implemented on a Company-wide basis. Management of each of the acquired companies meet regularly to discuss the assimilation of acquired companies, as well as cross-selling and other opportunities to improve operating efficiency and increase revenue and profitability. The Company has entered into employment agreements with certain of the principal executives of each acquired business and intends to continue to seek to enter into such arrangements with key executives of companies

After succeeding to the operations of Looney in January 1997, the Company has acquired 13 businesses and will acquire four additional businesses in the Pending Acquisitions. Certain information relating to the Company's Completed Acquisitions and Pending Acquisitions is summarized in the following table:

<TABLE>  
<CAPTION>

SERVICES	ACQUIRED COMPANY	HEADQUARTERS	NUMBER OF LOCATIONS
<S>	<C>	<C>	<C>
Court Reporting.....	Amicus One	New York	3
	Block	Washington, D.C.	3
	G&G	Los Angeles	1
	Jilio (1)	Los Angeles	1
	Johnson Group	Los Angeles	1
	Kirby Kennedy (1)	Minneapolis	1
	Klein Bury	Miami	6
	Looney (2)	Houston	8
	Reporting Service (1)	Philadelphia	1
	Rocca	Chicago	1
	San Francisco Reporting	San Francisco	1
			---
			27
Certified Record Retrieval.....	Legal Enterprise	Los Angeles	7
Legal Placement and Staffing.....	Elaine Dine	New York	1
	Ziskind Greene	Los Angeles	4
	Commander Wilson (1)	Houston	1
			---
			6
		Total:	40
			===

</TABLE>

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- (1) Pending Acquisition to be completed concurrently with the Offering.
  - (2) Looney also provides certified record retrieval services. Excludes the operations of Cindi Rogers & Associates, Encore Reporting and Preferred Records, Inc., which were acquired in 1997.

LEGAL SUPPORT AND STAFFING SERVICES

The Company provides court reporting, certified record retrieval, legal placement and staffing and other services, as described below.

Court Reporting. Court reporting is the verbatim transcription of sworn oral testimony, generally for use in legal proceedings. While the transcription of legal proceedings held in a courtroom generally is performed by personnel employed by the federal court system or by state agencies, counties or municipalities, court reporting performed outside a courtroom is generally conducted by private court reporters who transcribe depositions and certain other proceedings. Most states require court reporters to be licensed under regulations that require each candidate to attend a certified court reporting school, pass a written examination and demonstrate transcription proficiency using machine shorthand equipment. Court reporters are officers of the court and subject to ethical codes governing their professional conduct.

The Company believes that its court reporters utilize state-of-the-art technology, including computer-aided transcription ("CAT") systems. CAT systems allow the testimony transcribed by a court reporter to be simultaneously recorded on computer disk. In addition to CAT systems, the Company utilizes the following technologies to provide high-quality court reporting services:

- . Transcription on a Real-Time Basis. The Company's court reporters provide instant transcripts of testimony on computer monitors, which may be located where the testimony is taking place, as well as at remote locations. This system also allows attorneys to receive a transcript of the testimony on diskette at the conclusion of the proceeding.

- . Search and Retrieval Programs. Through the use of computers, court reporters can search, store, index and manage transcripts and other documents. In particular, a search through a transcript for a particular



reference in the text can be accomplished quickly.

- . Compressed Transcripts. Compressed transcripts contain an index listing all words in the transcript as well as the frequency and location of the words, thereby simplifying the summarizing of transcripts. This technique also reduces transcript bulk by organizing the text in block and columns.
- . Video Services. Video services include the taping of depositions and other testimony on videotape while the court reporter simultaneously transcribes the testimony on a CAT system. Videotaped testimony is sometimes used in legal proceedings when a witness is unable to appear in person at trial or when capturing the demeanor of a witness is important.

The Company believes that voice recognition technologies currently do not represent a practicable alternative to the Company's court reporting services because of the extremely high accuracy required in the transcription of legal proceedings, the difficulties associated with the electronic recognition of multiple voices, variances in dialect and regional accents and the higher cost of the application of voice recognition technology.

Certified Record Retrieval. The parties to legal proceedings frequently use certified record retrieval services. Certified record retrieval services are labor-intensive and involve the preparation, handling, tracking and delivery of large numbers of written documents. A significant portion of the record retrieval business involves medical records acquired on behalf of insurance companies and their counsel. The Company's record retrieval services include the preparation and delivery of written deposition notices and subpoenas, the monitoring of the recipient's response and the coordination of document retrieval and production for litigation or other legal proceedings.

The Company has developed customized computer software to link record retrieval directly to law firms. This software permits instant communication and promotes efficient litigation management. The Company anticipates that certified document retrieval will increasingly be conducted electronically, with deposition notices and subpoenas being transmitted electronically to document custodians and witnesses, and responses similarly returned electronically.

Legal Placement and Staffing. The Company provides clients with qualified permanent and temporary attorneys through a team of 11 recruiters located in six metropolitan markets. The Company believes it is able to attract clients based on the reputation and relationships of its recruiting personnel, its emphasis on client service and its extensive legal staffing databases, which allow it to match qualified personnel with its clients' needs. The Company's databases include more than 50,000 attorneys and include individuals with practices encompassing a broad range of legal specialties. The Company's permanent search activities consist primarily of the recruitment and placement of attorneys on a permanent basis with law firms and corporate legal departments. The Company also has been engaged from time to time on assignments to establish entire departments or offices. The Company is engaged and paid by the hiring firm or corporation on either an exclusive or non-exclusive basis pursuant to arrangements that may include a non-refundable retainer paid to the Company or entitle the Company to a fee only upon the successful placement of a candidate with the client.

Law firms and corporate legal departments are increasingly using temporary legal personnel to enable them to respond more effectively to fluctuations in work load. In response to this trend, the Company recently has begun to expand its services beyond permanent placement services and supplies attorneys to clients on a temporary basis. Temporary attorney assignments may range from one day to more than a year and may involve one attorney or a team composed of numerous lawyers. The Company does not maintain malpractice insurance to cover the performance of services by its temporary attorneys. Instead, the Company requests that clients agree to include temporary attorneys under their policies and to indemnify the Company from losses associated with the provision of legal services by temporary attorneys. In addition, the Company believes that malpractice insurance coverage maintained by its clients typically includes coverage for temporary attorneys who are supervised by employees of clients.

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Other Ancillary Services. The Company also offers its clients transcription, closed captioning, translation and document management services, either directly or through relationships or alliances with other companies. Document management services include the electronic recording, storage, coding, indexing and automated retrieval of documents, as well as database management services. The Company markets these services to legal support applications.

#### CLIENT RELATIONSHIPS

The Company's client base is composed primarily of over 9,000 law firms, insurance providers and corporations. The Company has a broad customer base,

and no customer of the Company accounted for more than 5% of the Company's pro forma revenues for 1996 or for the nine months ended September 30, 1997. Clients typically engage the Company on a case-by-case basis, although the Company intends to market its services increasingly to general counsels, regional or national litigation managers, or other corporate officers in an effort to persuade such persons to retain the Company on an exclusive or "preferred provider" basis. The Company also works closely with its clients to identify cost-saving opportunities and to develop solutions to the client's legal support needs.

#### SALES AND MARKETING

The Company markets its services through management and sales personnel located in 40 offices. Because the Company derives a majority of its revenues from local or regional accounts, the managers of the Company's individual offices are primarily responsible for sales and marketing in their respective markets. These managers seek to identify leads, qualify prospects and close sales. The Company obtains new clients in local markets primarily through direct sales, client referrals and a variety of local media, including direct mail, Yellow Pages and trade publications. In response to the trend among insurance providers and major corporations to centralize their purchasing decisions and to engage legal support and staffing services on a regional or national basis, the Company also has established a national sales force consisting of six salespersons. These national sales personnel focus on national accounts and seek to have the Company designated as the exclusive or preferred provider of legal support and staffing services. Company operating personnel also participate in marketing efforts by providing advice regarding the Company's operational capabilities. Because the Company offers a variety of services and is seeking to establish national market coverage, sales and operating personnel also seek to capitalize on cross-selling opportunities.

The Company is developing a marketing and advertising program to establish a national brand identification, while preserving the value of the established trade names and customer relationships of the acquired companies. The Company's logo and identifying marks will be featured in promotional materials of the Company, in a manner designed not to detract from the local recognition of an acquired business.

#### COMPETITION

The market for legal support and staffing services is highly competitive. The Company competes with a large number of local and regional court reporting and certified record retrieval companies, as well as with permanent and temporary legal staffing companies, including national temporary staffing firms. A significant source of competition is also the in-house provision of legal support and staffing services by law firms, insurance providers and major corporations. There can be no assurance that these businesses will continue to increase their outsourcing of legal support and staffing services needs or that such businesses will not bring in-house services that they currently outsource. Certain of the Company's competitors have substantially greater resources and operate in broader geographic areas than the Company. Many larger clients retain multiple legal support and placement and staffing service providers, which exposes the Company to continuous competition. The Company competes primarily on the basis of the quality, breadth and timeliness of service, geographic coverage and price.

The Company believes that further consolidation among legal support and staffing services providers will continue during the next few years and that there will be significant competition for attractive acquisition

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candidates. This competition could lead to higher prices being paid for businesses. The Company believes that it will have certain advantages in completing acquisitions, including: (i) management's personal relationships with existing legal support and staffing companies; (ii) its decentralized, entrepreneurial management strategy; (iii) its greater size and scope of services; and (iv) its visibility and resources as a public company. However, there can be no assurance that the Company's acquisition program will be successful or that the Company will be able to compete effectively for acquisitions.

#### INDEPENDENT CONTRACTORS

The Company provides court reporting services through the use of independent contractors who are not employees of the Company. The Company does not pay federal or state employment taxes or withhold income taxes with respect to these independent contractors or include such persons in the Company's employee benefit plans. Independent court reporters are responsible for owning and operating their court reporting equipment. The use of independent contractors as court reporters is widespread industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible

for the taxes required to be paid or withheld and could incur additional costs associated with employee benefits and other employee costs on both a current and a retroactive basis.

#### EMPLOYEES

The Company currently employs approximately 280 persons and believes that its relationships with employees are good.

#### FACILITIES

The Company maintains 40 leased office locations in seven states and the District of Columbia. The initial terms of most of the Company's leases range from one to five years and do not contain renewal terms. The Company's leases generally specify a fixed annual rent with fixed increases, or increases based on changes in the Consumer Price Index, at various intervals during the lease term. Generally, the leases are net leases which require the Company to pay all or a portion of the cost of insurance, maintenance and utilities. The Company believes that these facilities are adequate to serve its current level of operations. If additional facilities are required, the Company believes that suitable additional or alternative space will be available as needed on commercially reasonable terms. Substantially all of the leasehold interests and personal property of the Company are subject to a lien under its Bank Credit Agreement. See "Certain Transactions."

#### REGULATION

Court reporters are subject to significant regulation under state licensing programs. The conduct of court reporters is also subject to ethical and other restrictions imposed by state laws and regulations. While these regulations are not directly applicable to the Company, they affect the Company's court reporting business. In addition, attorneys are subject to significant regulation by committees on legal ethics and professional responsibility of the various state and national bar associations, who from time to time, examine and issue opinions regarding attorney services, including the use of temporary attorneys through a placement agency. Changes in these laws and regulations, particularly in California, New York, Florida, Pennsylvania or Texas, the states from which the Company derives most of its revenues, could have a material effect on the Company, its business, operations and profitability.

#### LEGAL PROCEEDINGS

The Company is involved in legal proceedings from time to time in the ordinary course of its business. Management believes that no pending legal proceeding will have a material adverse effect on the financial condition or results of operations of the Company.

#### MANAGEMENT

##### EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information concerning the executive officers and directors of the Company and certain persons who will become directors or executive officers upon completion of the Offering:

<TABLE>  
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Richard O. Looney.....	40	Chairman of the Board, President and Chief Executive Officer
David P. Tusa.....	37	Executive Vice President and Chief Financial Officer
Tony L. Maddocks.....	40	Vice President, Sales and Marketing
James M. Wilson.....	48	Vice President, Legal Staffing
Scott R. Creasman.....	32	Vice President and Corporate Controller
Michael A. Klein.....	52	Director; President--Klein Bury
Fentress Bracewell.....	76	Director
Robert J. Cresci.....	53	Director
G. Kent Kahle.....	46	Director
Ronald C. Lassiter.....	65	Director

</TABLE>

Richard O. Looney has served as Chairman of the Board, President and Chief Executive Officer of the Company since January 1997. Mr. Looney founded Looney & Company in 1988 and served as its President until October 1997. Mr. Looney is an active member of the National Court Reporters Association and the Texas Court Reporters Association.

David P. Tusa joined the Company in November 1997 as Executive Vice President and Chief Financial Officer. From August 1994 until August 1997, Mr. Tusa served as Senior Vice President of Finance and Administration of Serv-Tech, Inc., a publicly held specialty provider of technology driven industrial maintenance services. From 1990 until 1994, Mr. Tusa was with CRSS, Inc., a publicly held diversified engineering and construction services firm, most recently as Corporate Controller.

Tony L. Maddocks joined the Company in August 1997 as Vice President, Sales and Marketing. From June 1993 until August 1997, Mr. Maddocks served as President and Chief Executive Officer of Legal Enterprise, a certified record retrieval company. The Company purchased substantially all of the assets of Legal Enterprise in August 1997. From 1981 until June 1993, Mr. Maddocks served as Vice President of Sales and Marketing of Compex, Inc., a document management and record retrieval firm.

James M. Wilson joined the Company in September 1997 as Vice President, Legal Staffing. Mr. Wilson has been directly involved in the attorney search and consulting industry since 1986. In 1996, Mr. Wilson formed Commander Wilson, Inc. Mr. Wilson has served on the Board of Directors of the National Association of Legal Search Consultants, as well as serving as the organization's Ethics Committee Chairman. In May 1996, Mr. Wilson filed a voluntary petition for Chapter XIII bankruptcy relief following the initiation of a lawsuit filed by a former independent contractor engaged by Commander Wilson. Mr. Wilson has submitted a Chapter XIII plan which has not yet been confirmed by the presiding bankruptcy court. Commander Wilson will sell all of its assets to the Company concurrently with the closing of the Offering, and such sale has been approved by the bankruptcy court.

Scott R. Creasman joined the Company in November 1997 as Vice President and Corporate Controller. From October 1996 until August 1997, Mr. Creasman served as Controller of Brink's Home Security, Inc., a national provider of residential security services. From 1990 until 1996, Mr. Creasman was with Texas Eastern Products Pipeline Company, the operator of a publicly held petroleum products pipeline company, most recently as Controller.

Michael A. Klein has been a director of the Company since January 1997. Mr. Klein is the founder and President of Klein Bury, the Company's Florida-based subsidiary, and has been directly involved in the court reporting industry for over twenty-nine years. The Company purchased all of the capital stock of Klein Bury in January 1997.

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Fentress Bracewell has agreed to serve as a director of the Company effective upon the closing of the Offering. Mr. Bracewell is a founder of and Senior Counsel to the law firm of Bracewell & Patterson, L.L.P. He also serves as the Chairman of the Board of Directors of First Investors Financial Services, Inc., an automobile finance company and is a member of the Board of Trustees of the Institute of International Education. Mr. Bracewell served as the Chairman of the Port of Houston Authority from 1970 to 1985.

Robert J. Cresci has served as a director of the Company since January 1997. Since September 1990, Mr. Cresci has been a Managing Partner of Pecks Management Partners Ltd., an investment firm. Mr. Cresci currently serves on the boards of Bridgeport Machines, Inc., EIS International, Inc., Sepracor, Inc., Garnet Resources Corporation, HarCor Energy, Inc., Meris Laboratories, Inc., Westbrae Natural, Inc. Arcadia Financial, Ltd., Hitox, Inc. Film Roman, Inc., Educational Medical, Inc., Source Media, Inc. and NetPower, Inc.

G. Kent Kahle has served as a director of the Company since its formation. Mr. Kahle has been a Managing Director of GulfStar since 1990. Prior to joining GulfStar he was a Senior Vice President and Director of Rotan Mosle, Inc., a subsidiary of PaineWebber Inc. Mr. Kahle currently serves on the board of Castle Dental Centers, Inc.

Mr. Ronald C. Lassiter has agreed to serve as a director of the Company effective upon the closing of the Offering. Since January 1997, Mr. Lassiter has served as the Chairman and Chief Executive Officer of Daniel Industries, a manufacturer of fluid measurement and flow control products and services for the oil and gas industry. From October 1992 until June 1997, Mr. Lassiter served as Chairman and Chief Executive Officer of Zapata Protein, Inc. Before joining Zapata Protein, Inc., Mr. Lassiter served as Chairman and Chief Executive Officer of Zapata Corporation. Mr. Lassiter also serves on the Board of Directors of Zapata Corporation.

See "Certain Transactions" for a description of the terms of transactions or other relationships between the Company and certain of its officers and directors.

#### BOARD OF DIRECTORS

Directors serve for one-year terms and are elected annually by the Company's

shareholders. Pursuant to the terms of an agreement entered into in connection with the Company's acquisition of all of the capital stock of Klein Bury, as long as the Company is indebted to Mr. Klein under the \$1.4 million Subordinated Promissory Note issued in connection with such acquisition, Mr. Klein is entitled to serve as a director of the Company. Mr. Cresci serves as a director of the Company pursuant to the terms of the Securities Purchase Agreement between the Company and the purchasers of the Senior Subordinated Notes and the Series A Preferred Stock. The Securities Purchase Agreement will terminate immediately prior to the completion of the Offering.

The Board of Directors has established two standing committees, the Audit Committee and the Compensation Committee. Pursuant to resolutions of the Board, these committees have the following responsibilities and authority.

**Audit Committee.** The Audit Committee has the responsibility, among other things, to: (i) recommend the selection of the Company's independent public accountants; (ii) review and approve the scope of the independent public accountants' audit activity and extent of non-audit services; (iii) review with management and the Company's independent public accountants the adequacy of the Company's basic accounting system and the effectiveness of the Company's internal audit plan and activities; (iv) review with management and the independent public accountants the Company's financial statements and exercise general oversight of the Company's financial reporting process; and (v) review litigation and other legal matters that may affect the Company's financial condition. The Audit Committee is composed of Messrs. Kahle (Chair) and Cresci.

**Compensation Committee.** The Compensation Committee has the responsibility, among other things, to: (i) recommend to the Board the salary rates of officers of the Company and its subsidiaries; (ii) examine periodically the compensation structure of the Company; and (iii) supervise the welfare and pension plans and compensation

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plans of the Company. The Compensation Committee is composed of all of the non-employee directors, currently Messrs. Kahle (Chair) and Cresci.

The Company's Board also may establish other committees.

#### DIRECTOR COMPENSATION

Prior to the date of this Prospectus, directors of the Company did not receive compensation for their services as directors or for attending board meetings. Upon completion of the Offering, non-employee directors of the Company will receive options to purchase 25,000 shares of Common Stock at the initial public offering price. In addition, each non-employee director will receive an annual fee of \$6,000, a fee of \$1,000 for each meeting of the Board attended and \$500 for each meeting of a Board committee attended. Each director also will be reimbursed for travel expenses incurred for each non-telephonic meeting of the Board or any committee thereof attended.

#### EXECUTIVE COMPENSATION; EMPLOYMENT AGREEMENTS

Prior to January 1997, the Company did not conduct any operations, other than activities related to the acquisition of Looney and Klein Bury, and did not pay any compensation. The Company anticipates that during 1997 its most highly compensated executive officers (the "Named Executive Officers") and their annualized base salaries will be: Richard O. Looney, \$250,000; David P. Tusa, \$170,000; Tony L. Maddocks, \$162,500; James M. Wilson, \$150,000; Michael A. Klein, \$175,000; and Scott R. Creasman, \$100,000.

The Company and Mr. Looney have entered into an employment agreement that provides for an annual base salary of \$250,000 and a semi-annual cash bonus based on a percentage of the annual pre-tax profits of the Company, subject to an annual maximum of \$100,000. Mr. Looney's employment agreement expires on January 17, 2000. In the event his employment is terminated without cause, Mr. Looney's annual salary and bonus opportunity will continue until the earlier to occur of one year from the date of such termination or January 17, 2000. Mr. Looney has also agreed not to compete with the Company in a court reporting or litigation support service business within 50 miles of an office served by the Company until the later to occur of January 17, 2002, or three years after his employment terminates.

The Company and Mr. Maddocks have entered into an employment agreement which provides for an annual base salary of \$162,500 and an annual cash bonus not exceeding \$60,000, based on annual new national account sales of the Company. Mr. Maddocks' employment agreement expires on August 29, 2000. In the event his employment is terminated without cause, Mr. Maddocks' annual salary and bonus opportunity will continue until the earlier to occur of one year from the date of termination or August 29, 2000 or Mr. Maddocks' death. Mr. Maddocks has agreed not to compete with the Company until the last to occur of August 29, 2002, or three years after his employment under the agreement

terminates.

Mr. Wilson has entered into an employment agreement with the Company which provides for an annual base salary of \$150,000 and, commencing in 1998, an annual cash bonus equal to 10% of the amount by which the annual adjusted net profit (as defined in the agreement) derived from legal placement and staffing services exceeds the adjusted net profit in the preceding year. In addition, Mr. Wilson is entitled to receive: (i) commissions based upon the revenues generated from national account sales by Mr. Wilson, not to exceed 3% of such sales and (ii) 10% of any finder's fees or commissions payable by the Company to a third party in connection with any acquisition in which Mr. Wilson provides assistance. The agreement expires September 25, 2000. In the event his employment is terminated without cause, Mr. Wilson's annual salary and bonus opportunity will continue until the earlier to occur of one year from the date of termination or the expiration of the term of the agreement. In addition, Mr. Wilson has agreed not to compete with the Company until the later of March 25, 2002, three years after termination of his employment or three years after expiration of the agreement.

Mr. Michael Klein has entered into an employment agreement with the Company which provides for an annual base salary of \$175,000 and entitles Mr. Klein to a percentage of certain revenues derived from specified

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clients, a percentage of court reporting fees billed by Mr. Klein and a cash bonus based on the increase in the annual net profits of Klein Bury. Under such bonus, Mr. Klein will receive 10% of the amount, if any, by which the annual net profits of Klein Bury exceed the prior year's net profits. In addition, Mr. Klein is entitled to receive (i) 85% of the amount billed on any eight depositions per month transcribed by him individually in his capacity as a court reporter and (ii) a percentage of any non Florida-based revenue primarily attributable to Mr. Klein's promotional efforts. The agreement expires on January 17, 2000. In the event his employment is terminated without cause, Mr. Klein's annual salary, commissions and bonus opportunity will continue until the earlier to occur of the year from the date of termination or January 17, 2000. In addition, Mr. Klein has agreed not to compete with the Company within 50 miles of any office location operated by the Company until the last to occur of January 17, 2002, or three years after his employment under the agreement terminates.

#### STOCK OPTION PLANS

##### 1997 Stock Incentive Plan

The Company's 1997 Stock Incentive Plan provides for the granting to eligible employees or directors of the Company and its subsidiaries of options to purchase shares of Common Stock, which may be incentive stock options within the meaning of Section 422(b) of the Internal Revenue Code or non-qualified options. The 1997 Stock Incentive Plan is administered by the Compensation Committee of the Board of Directors, which designates option recipients, the number and type of options granted and their terms and conditions, including the exercise price and vesting schedule. A total of 750,000 shares of Common Stock have been reserved for issuance pursuant to options granted under the 1997 Stock Incentive Plan. Options to purchase 158,915 shares of Common Stock had been granted as of September 30, 1997, with exercise prices ranging from \$6.41 to \$10.20, and options to purchase an additional 565,109 shares of Common Stock will be granted upon completion of the Offering under the 1997 Stock Incentive Plan with exercise prices equal to the initial public offering price set forth on the cover of this Prospectus. All options granted under the 1997 Stock Incentive Plan vest 20% annually, are fully vested on the fifth anniversary of the date of grant and expire 10 years after the date of grant.

No options were granted pursuant to the Company's 1997 Stock Incentive Plan in 1996. The Board of Directors and shareholders have approved the 1997 Stock Incentive Plan. The Company has granted to Messrs. Looney, Tusa, Wilson and Creasman options to purchase 200,000, 150,000, 25,000 and 40,000 shares of Common Stock, respectively, at an exercise price per share equal to the initial public offering price set forth on the cover of this Prospectus. Messrs. Looney, Tusa, Wilson and Creasman hold no other options to purchase Common Stock. The Company has not granted options to any other Named Executive Officer.

##### Stock Option Plan for Non-Employee Directors

The Company has adopted the U.S. Legal Support, Inc. Stock Option Plan for Non-Employee Directors (the "Directors' Stock Option Plan"). A total of 150,000 shares of Common Stock have been reserved for issuance under the Directors' Stock Option Plan, which provides for the grant of options to purchase 25,000 shares of Common Stock with an exercise price equal to the fair market value on the date of grant, to each incumbent director and to each person who becomes a director concurrently with his or her first election to

the Board. Options granted under the Directors' Stock Option Plan vest 20% annually and are fully vested on the fifth anniversary of the date of grant. Upon completion of the Offering, each non-employee director of the Company will be awarded options to purchase 25,000 shares of Common Stock.

#### LIMITATIONS ON DIRECTORS' LIABILITIES AND INDEMNIFICATION

Pursuant to the Company's Articles of Incorporation, as amended, and under Texas law, the directors of the Company are not liable to the Company or its shareholders for monetary damages for breach of fiduciary duty, except for liability in connection with a breach of duty of loyalty, for acts or omissions not in good faith which involve intentional misconduct or a knowing violation of law, for unlawful dividend payments or stock repurchases or any transaction in which a director has derived an improper personal benefit. The Company intends to maintain liability insurance for the benefit of its directors and its officers.

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#### CERTAIN TRANSACTIONS

In connection with the initial capitalization of the Company on October 2, 1996, the Company issued 843,840 shares of Common Stock to Mr. Looney, the Chairman of the Board, President and Chief Executive Officer of the Company, in exchange for services rendered to the Company by Mr. Looney, which were valued by the Company at \$8,438.40, the aggregate par value of the shares issued. In January 1997, the Company and Looney entered into a business combination in which the Company acquired the capital stock of Looney for consideration consisting of \$4,087,834 in cash and 2,046,667 shares of Series B Preferred Stock.

On January 17, 1997, the Company acquired all of the outstanding capital stock of Klein Bury from Mr. Klein who became a director of the Company upon consummation of the sale. The purchase price consisted of: (i) \$3,850,397 in cash; (ii) 170,600 shares of Common Stock issued to Mr. Klein; (iii) a Subordinated Promissory Note issued by a subsidiary of the Company in the adjusted principal amount of \$1,424,113, which bears interest at the rate of 10% annually and is due on February 1, 2002; and (iv) options to purchase 40,000 shares of Common Stock granted to various employees and independent contractors of Klein Bury. At the option of Mr. Klein, the payment of the principal and all accrued interest on the note may be accelerated at any time after the Offering. The Company expects to repay the principal and accrued interest on the note with a portion of the proceeds of the Offering. In addition, Mr. Klein may receive contingent consideration equal to 50% of the accounts receivable of Klein Bury that were 120 days past due as of January 16, 1997 but which are collected by the Company. Such contingent consideration is estimated by the Company to be \$500,000, the contractual maximum. In addition, since 1993, Klein Bury has leased its offices in Fort Lauderdale, Florida from Mr. Klein, his wife and Richard Bury. The lease expires on March 31, 1998, and provides for annual rental of approximately \$50,400. The Company believes that the terms of the lease are no less favorable to the Company than would be available under a similar lease entered into with an unaffiliated third party.

On January 17, 1997, the Company sold \$9,000,000 principal amount of Senior Subordinated Notes and 1,000,000 shares of Series A Preferred Stock to three investors for an aggregate purchase price of \$10,000,000. The Company used the proceeds from the sale to finance a portion of the purchase price for the acquisition of Looney and Klein Bury. Mr. Robert Cresci, a director of the Company, is a Managing Partner of Pecks Management Partners Ltd., which provides investment advisory services to each of the investors. Pecks received a \$35,000 structuring fee paid by the Company in connection with the transaction. The Senior Subordinated Notes bear interest at an annual interest rate of 12% and will be due and payable on January 27, 2004, subject to mandatory prepayment two days following the completion of the Offering. The Company intends to repay the Senior Subordinated Notes with a portion of the proceeds of the Offering. The Series A Convertible Preferred Stock will be converted into a total of 1,560,000 shares of Common Stock upon completion of the Offering. The Company and the investors also entered into a Registration Rights Agreement pursuant to which the Company has agreed in certain circumstances to register the shares of Common Stock issued on conversion of the Series A Preferred Stock. See Note 8 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc. and "Shares Eligible For Future Sale--Registration Rights."

On August 29, 1997, the Company acquired substantially all of the assets of Legal Enterprise. Mr. Maddocks, who serves as Vice President, Sales and Marketing of the Company, was the President and a 50% shareholder of Legal Enterprise. The purchase price consisted of: (i) \$1,200,000 in cash, \$1,189,169 as adjusted; (ii) a Subordinated Promissory Note in the principal amount of \$319,340, \$316,458, as adjusted; (iii) a Convertible Subordinated Promissory Note in the principal amount of \$821,160, \$813,748, as adjusted; and (iv) options to purchase 7,000 shares of Common Stock to an employee of

Legal Enterprise. The promissory notes bear interest at a rate of 6.375% per annum, are payable on August 31, 2005 and were issued by a subsidiary of the Company. At the option of Legal Enterprise, the payment of the principal and all interest accrued on the Subordinated Promissory Note may be accelerated at any time after the Offering. The Company expects to repay the principal and accrued interest on the Subordinated Promissory Note with a portion of the proceeds of the Offering. Concurrently with the Offering, the Convertible Subordinated Promissory Note will be converted into 95,735 shares of Common Stock at a conversion rate of \$8.50 per share of Common Stock. Any accrued but unpaid interest on such note will be paid to Legal Enterprise, in cash, upon the completion of the Offering. In addition, Legal Enterprise may receive additional consideration (the "Additional Consideration") based on an amount

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equal to the excess of six times earnings before taxes, depreciation and amortization of the acquired business over the initial purchase price, subject to adjustment on February 28, 2000. Sixty-five percent of the Additional Consideration is payable in cash and thirty-five percent is payable in shares of Common Stock valued at the average trading price per share of Common Stock over the first ten business days after the end of each period in which Additional Consideration is calculated. Interim payments of the Additional Consideration are to be made every six months until the aggregate amount of such payments is equal to \$934,000. Thereafter, no additional payments will be made until April 15, 2000, at which time any Additional Consideration owed is required to be paid to Legal Enterprise.

On September 4, 1997, the Company acquired substantially all of the non-cash assets of Amicus One, a holder of more than 5% of the currently outstanding Common Stock. The purchase price consisted of: (i) \$1.9 million in cash; (ii) 116,471 shares of Common Stock; and (iii) a Subordinated Promissory Note issued by a subsidiary of the Company in the principal amount of \$560,000, which bears interest at the rate of 6% annually, and is due on July 1, 2002. The Company expects to repay the principal and accrued interest on the note with a portion of the proceeds of the Offering. At the option of Amicus One, the payment of the principal and all accrued interest on the note may be accelerated concurrently with the Offering.

On September 17, 1997, the Company acquired all of the outstanding capital stock of Burton House, Inc, doing business as Ziskind Greene, from Gregg Ziskind and Susan Ziskind. The purchase price consisted of \$1.4 million in cash and 158,824 shares of Common Stock. In addition, the Ziskinds may receive additional consideration beginning on January 1, 1998, in the amount of 20% of the amount by which earnings before taxes, depreciation and amortization of Burton House, Inc. exceeds threshold amounts ranging from \$150,000 for the period from the date of the acquisition through December 31, 1997, to \$750,000 for the year ended December 31, 2000.

The Company has entered into Registration Rights Agreements with Messrs. Looney, Maddocks, Klein, Ziskind and Susan Ziskind and Amicus One, pursuant to which the Company has agreed to include shares of Common Stock held by them in any registration of securities effected by the Company, subject to certain customary provisions restricting the number of shares to be included.

The Company and James M. Wilson entered into an Asset Purchase Agreement dated September 25, 1997, and on that date Mr. Wilson was appointed Vice President, Legal Staffing of the Company. Under the Asset Purchase Agreement, the Company will acquire from Mr. Wilson the assets of Commander Wilson, a sole proprietorship, in exchange for approximately \$1.4 million in cash and 56,250 shares of Common Stock, valued at the initial public offering price. The Company and Mr. Wilson entered into a letter agreement dated May 7, 1997, pursuant to which Mr. Wilson assisted the Company in identifying acquisition candidates in the legal placement and staffing industry. Pursuant to this agreement, the Company paid Mr. Wilson a non-refundable retainer of \$50,000 and reimbursed him for certain expenses. The letter agreement will be terminated upon completion of the Company's acquisition of Commander Wilson. See Note 6 of Notes to Financial Statements of Commander Wilson.

In October 1996, the Company issued 150,000 shares of its Common Stock to GulfStar Investments, Ltd., an affiliated partnership of Gulfstar, in exchange for investment banking services rendered to the Company by GulfStar. GulfStar has provided merger and acquisition advisory services to the Company since its inception. Mr. Kahle, a director of the Company, is a Managing Director of GulfStar. In addition, the Company paid investment banking fees aggregating \$475,000 to GulfStar for services in connection with the placement of the Senior Subordinated Notes and Series A Convertible Preferred Stock, negotiation of the Company's Bank Credit Agreement, and the acquisitions of Looney and Klein Bury in January 1997. Pursuant to the terms of a letter agreement dated April 24, 1997 (the "Letter Agreement") between GulfStar and the Company, GulfStar has agreed to provide negotiation and other financial advisory services to the Company in connection with the Company's evaluation of acquisitions and will be paid advisory fees equal to 1.0% of the total purchase price for each acquisition, as well as reimbursement of out-of-pocket expenses.



The fees payable to GulfStar under the Letter Agreement in connection with the Completed Acquisitions and the Pending Acquisitions will be \$480,000, of which \$33,000 has been paid.

NationsBank of Texas, N.A. has agreed to act as arranger, syndication agent and a lender in connection with the Company's \$40.0 million credit facility.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of November 30, 1997, certain information with respect to the ownership of shares of Common Stock, before and after the Offering and the Pending Acquisitions, by: (i) each person who is or is expected to be the beneficial owner of 5% or more of the outstanding shares of Common Stock upon consummation of the Offering; (ii) each person who is or is expected to become a director upon completion of the Offering; (iii) each Named Executive Officer; (iv) the Selling Shareholder; and (v) all officers and directors of the Company as a group. All persons listed have an address in care of the Company's principal executive offices at 1001 Fannin Street, Suite 650, Houston, Texas 77002, and have sole voting and investment power with respect to shares beneficially owned by them, unless otherwise noted. Information set forth in the table with respect to beneficial ownership of the Company's equity securities has been provided to the Company by such holders.

<TABLE>  
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES	PERCENTAGE OWNED	
		BEFORE OFFERING	AFTER OFFERING
<S>	<C>	<C>	<C>
Richard O. Looney (1).....	1,027,233	53.6%	13.1%
David P. Tusa (2).....	--	--	--
Tony Maddocks (3).....	101,975	5.6	1.3
James M. Wilson (4).....	--	--	*
Scott R. Creasman (5).....	--	--	--
Michael A. Klein.....	170,600	9.8	2.2
Fentress Bracewell (6).....	--	--	--
Robert J. Cresci (7).....	1,560,000	47.3	20.0
G. Kent Kahle (8).....	150,000	8.6	1.9
Ronald C. Lassiter (6).....	--	--	--
Delaware State Employees' Retirement Fund (9).....	1,045,200	37.6	13.4
Declaration of Trust for Defined Benefit Plan of ICI American Holdings Inc. (10).....	304,200	14.9	3.9
Declaration of Trust for Defined Benefit Plan of Zeneca Holdings Inc. (11).....	210,600	10.8	2.7
GulfStar Investments, Ltd. (12).....	150,000	8.6	1.9
Gregg M. and Susan L. Ziskind (13).....	158,824	9.2	2.0
Legal Enterprise, Inc. (14).....	95,735	5.2	1.2
Amicus One (15).....	116,471	6.7	1.5
All executive officers and directors as a group (10 persons) (16).....	3,009,808	80.8	38.5

</TABLE>

\* Beneficially owns less than 1% of the outstanding shares of Common Stock.

- (1) Includes (a) 183,393 shares of Common Stock issuable upon conversion of the Series B Convertible Preferred Stock; (b) 90,000 shares of Common Stock held by trusts for the benefit of Mr. Looney's children; and (c) 10,000 shares subject to a three-year option granted by Mr. Looney to an officer of Gulfstar. Excludes 200,000 shares of Common Stock subject to unvested options granted pursuant to the Company's 1997 Stock Incentive Plan. Mr. Looney has granted the Underwriters a 30-day option to purchase up to 100,000 shares of Common Stock solely to cover any over-allotments. If this option is exercised in full, Mr. Looney would hold 927,233 shares of Common Stock, representing 12.0% of the outstanding Common Stock after the Offering.
- (2) Excludes 150,000 shares of Common Stock subject to unvested options granted pursuant to the Company's 1997 Stock Incentive Plan.
- (3) Includes 95,735 shares of Common Stock issuable upon conversion of a Convertible Subordinated Promissory Note held by Legal Enterprise, a corporation of which Mr. Maddocks is President and a 50% shareholder.

- (4) Mr. Wilson owns no shares directly. Excludes 56,250 shares of Common Stock issuable as a portion of the purchase price in a Pending Acquisition and 25,000 shares of Common Stock subject to unvested options granted pursuant to the Company 1997 Stock Incentive Plan to be awarded upon completion of the Offering.

- (5) Excludes 40,000 shares of Common Stock subject to unvested options granted pursuant to the Company's 1997 Stock Incentive Plan.
- (6) Excludes 25,000 shares of Common Stock subject to unvested options granted pursuant to the Directors' Stock Option Plan to be awarded upon completion of the Offering.
- (7) Mr. Cresci owns no shares directly. Includes 1,560,000 shares issuable upon conversion of an aggregate of 1,000,000 shares of Series A Preferred Stock, which is held by three pension or defined benefit plans for whom Pecks Management Partners, Ltd. provides investment management services. Mr. Cresci is a Managing Director of Pecks Management Partners, Ltd. and therefore may be deemed to be a beneficial owner of such shares. Mr. Cresci disclaims beneficial ownership of all such shares. Excludes 25,000 shares of Common Stock subject to unvested options granted pursuant to the Directors' Stock Option Plan to be awarded upon completion of the Offering. The shareholders' addresses of record is c/o Pecks Management Partners Ltd., One Rockefeller Plaza, New York, New York 10020.
- (8) Mr. Kahle owns no shares directly. Includes 150,000 shares held by GulfStar Investments, Ltd., an affiliate of GulfStar. Mr. Kahle serves as a Managing Director of GulfStar. Excludes 25,000 shares of Common Stock subject to unvested options to be awarded upon completion of the Offering pursuant to the Company's Directors' Stock Option Plan.
- (9) Represents shares of Common Stock issuable upon conversion of 670,000 shares of Series A Preferred Stock. The shareholder's address of record is c/o Pecks Management Partners Ltd., One Rockefeller Plaza, New York, New York 10020.
- (10) Represents shares of Common Stock issuable upon conversion of 195,000 shares of Series A Preferred Stock. The shareholder's address of record is c/o Pecks Management Partners Ltd., One Rockefeller Plaza, New York, New York 10020.
- (11) Represents shares of Common Stock issuable upon conversion of 135,000 shares of Series A Preferred Stock. The shareholder's address of record is c/o Pecks Management Partners Ltd., One Rockefeller Plaza, New York, New York 10020.
- (12) The shareholder's address of record is 700 Louisiana Street, Suite 3800, Houston, Texas 77002.
- (13) The shareholder's address of record is 2666 Overland Avenue, Suite 600, Los Angeles, California 90064.
- (14) Represents shares of Common Stock issuable upon conversion of a Convertible Subordinated Promissory Note. The shareholder's address of record is 4232-1 Las Virgenes Road, Suite 100, Calabasas, California 91302.
- (15) The shareholder's address of record is 20 Vesey Street, 9th Floor, New York, New York 10007.
- (16) Excludes an aggregate of 415,000 shares of Common Stock subject to unvested options granted pursuant to the Company's 1997 Stock Incentive Plan and 100,000 shares subject to unvested options granted pursuant to the Company's Directors' Option Plan.

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#### DESCRIPTION OF CAPITAL STOCK

##### GENERAL

Under the Company's Articles of Incorporation, as amended (the "Articles"), the Company has authority to issue 110,000,000 shares of capital stock, consisting of 10,000,000 shares of Preferred Stock, par value \$1.00 per share (the "Preferred Stock") and 100,000,000 shares of Common Stock, par value \$.01 per share. As of November 15, 1997, the Company had outstanding 1,734,564 shares of Common Stock and 3,277,917 shares of Preferred Stock (1,000,000 shares of Series A Preferred Stock, 2,046,667 shares of Series B Preferred Stock and 231,250 shares of Series C Preferred Stock). All of the outstanding Preferred Stock will be converted into Common Stock upon completion of the Offering or will be redeemed with the net proceeds of the Offering. See Note 8 of Notes to Consolidated Financial Statements of U.S. Legal Support, Inc. for a description of the terms of each of the outstanding series of Preferred Stock. Shares of Preferred Stock that are redeemed will return to authorized shares of Preferred Stock undesignated as to series.

The following summary description of the capital stock of the Company is intended as a summary only and is qualified in its entirety by reference to the Articles, a copy of which has been filed as an exhibit to this Registration Statement.

##### PREFERRED STOCK

The Articles authorize the issuance of the Preferred Stock, in one or more series having designations, rights and preferences determined from time to time by the Board of Directors. One of the effects of undesignated Preferred Stock may be to enable the Board of Directors, without approval of holders of Common Stock, to issue Preferred Stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of the Common Stock. In the event of

issuance, the Preferred Stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company. Although the Company has no present intention to issue any additional shares of its Preferred Stock, there can be no assurance that it will not do so in the future.

#### COMMON STOCK

**Voting Rights.** Holders of Common Stock are entitled to one vote for each share on all matters on which shareholders generally are entitled to vote, including elections of directors. The Articles do not provide for cumulative voting for the election of directors; therefore, the holders of a majority of the voting power of the total number of outstanding shares of Common Stock are able to elect the entire Board of Directors of the Company. Holders of Common Stock have no preemptive, subscription, redemption or conversion rights.

**Dividends.** Subject to the preferential rights of any outstanding Preferred Stock created by the Board of Directors under the Articles, dividends may be paid to holders of Common Stock when, as and if declared by the Board of Directors out of funds legally available for such purpose. Dividends may be paid by the Company out of "surplus" (as defined under Article 1.02 of the Texas Business Corporation Act) or, if there is no surplus, out of net profits for the fiscal year in which the dividends are declared and/or the preceding fiscal year. Further, dividends may be paid out of any net profits for the current and/or prior fiscal year, if any. The declaration and payment of dividends on Common Stock could be restricted by the terms of any Preferred Stock issued.

**Liquidation.** In the event of the dissolution or winding up of the Company, after payment or provision for payment of debts and other liabilities of the Company and any other series or class of the Company's securities that rank senior to the Common Stock, the holders of Common Stock will be entitled to share ratably in all remaining assets of the Company. All outstanding shares of Common Stock are, and the shares of Common Stock to be sold by the Company in this Offering will be, duly and validly issued, fully paid and nonassessable.

The transfer agent and registrar for the Common Stock is Harris Trust and Savings Bank, Houston, Texas.

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#### STATUTORY BUSINESS COMBINATION PROVISION

The Company is subject to Article 13 of the TBCA ("Article 13") which, with certain exceptions, prohibits a Texas corporation from engaging in a "business combination" (as defined in Article 13) with any shareholder who is a beneficial owner of 20% or more of the corporation's voting power for a period of three years after such shareholder's acquisition of a 20% ownership, unless: (i) the board of directors of the corporation approves the transaction or the shareholder's acquisition of shares prior to the acquisition or (ii) two-thirds of the unaffiliated shareholders of the corporation approve the transaction at a shareholders' meeting held no earlier than six months after the shareholder acquires that ownership. Shares that are issuable pursuant to options, conversion or exchange rights or other agreements are not considered outstanding for purposes of Article 13.

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#### SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, the Company will have outstanding approximately 7,813,115 shares of Common Stock (8,238,115 shares if the Underwriters' over-allotment option is exercised in full). Of these shares, the 3,500,000 shares (4,025,000 shares if the Underwriters' over-allotment option is exercised in full) sold in the Offering will be freely tradable in the public market without restriction or limitation under the Securities Act, except for any shares purchased by an "affiliate" (as defined in the Securities Act) of the Company. The remaining 4,313,115 shares of Common Stock held by existing shareholders of the Company are "restricted securities" within the meaning of Rule 144 promulgated under the Securities Act of 1933, as amended.

The Company's directors, executive officers and certain shareholders, who hold an aggregate of 3,285,080 shares of Common Stock, have entered into lock-up agreements with the Representatives of the Underwriters. These persons have agreed not to offer, sell, contract to sell, grant any option with respect to, pledge, hypothecate or otherwise dispose of, any shares of Common Stock owned by them until the date occurring 180 days after the date of this Prospectus without the prior written consent of the Representatives. All such shares will become available for sale upon expiration of these lock-up agreements, subject

to compliance with Rule 144 promulgated under the Securities Act. In addition, certain shareholders have the right to have the shares of Common Stock owned by them registered by the Company under the Securities Act as described below.

In general, under Rule 144, as currently in effect, a person (or persons whose shares are required to be aggregated) who has beneficially owned, for a least one year, shares of Common Stock that have not been registered under the Securities Act or that were acquired from an "affiliate" of the Company is entitled to sell within any three-month period the number of shares of Common Stock which does not exceed the greater of one percent of the number of the then outstanding shares or the average weekly reported trading volume during the four calendar weeks preceding the sale. Sales under Rule 144 are also subject to certain notice requirements and to the availability of current public information about the Company and must be made in unsolicited brokers' transactions or to a market maker. A person (or persons whose shares are aggregated) who is not an "affiliate" of the Company under the Securities Act during the three months preceding a sale and who has beneficially owned such shares for at least two years is entitled to sell such shares under Rule 144 without regard to the volume and notice provisions of such Rule. Commencing 90 days after the completion of the Offering, approximately 2,920,000 "restricted" shares of Common Stock will be eligible for resale pursuant to Rule 144, subject to the volume, manner of sale and other limitations thereof. The remaining "restricted" shares will become eligible for resale pursuant to Rule 144 from time to time thereafter.

On the date of this Prospectus, the Company had outstanding options to purchase 649,024 shares of Common Stock granted pursuant to the 1997 Stock Incentive Plan. In addition, the Company intends to grant options to purchase 100,000 shares of Common Stock pursuant to the Company's Stock Option Plan for Non-Employee Directors upon completion of the Offering. Options to purchase at least an additional 150,000 shares of Common Stock are available for grant under the 1997 Stock Incentive Plan and the Non Employee Directors Stock Option Plan. The Company expects to file a registration statement on Form S-8 under the Securities Act to register all of the 900,000 shares of Common Stock issuable upon exercise of options granted under the 1997 Stock Incentive Plan and the Non Employee Directors Stock Option Plan. Accordingly, such shares will be freely tradeable by holders who are not affiliates of the Company and, subject to the volume and manner of sale limitations of Rule 144, by holders who are affiliates of the Company. In addition, on the date of this Prospectus, the Company had outstanding options to purchase 131,856 shares of Common Stock granted in connection with the Completed Acquisitions.

Prior to this Offering, there has been no market for the Common Stock. No predictions can be made of the effect, if any, that market sales of shares of Common Stock or the availability of such shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of significant amounts of Common Stock could adversely affect the prevailing market price of Common Stock, as well as impair the ability of the Company to raise capital through the issuance of additional equity securities.

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#### REGISTRATION RIGHTS

Pursuant to several Registration Rights Agreements (the "Registration Rights Agreements"), the Company has agreed to register under the Securities Act substantially all of the shares of Common Stock outstanding on the date of this Prospectus (approximately 1,734,564 shares) as well as the 183,393 shares of Common Stock issuable upon conversion of the Series B Preferred Stock, and will enter similar agreements with respect to 609,268 shares of Common Stock to be issued in the Pending Acquisitions. Pursuant to the Registration Rights Agreements, shareholders and their permitted transferees have certain "piggyback" registration rights and will be entitled, subject to certain limitations, to include their shares of Common Stock in a registration of shares of Common Stock by the Company under the Securities Act.

In addition, a Registration Rights Agreement with the holders of the Series A Convertible Preferred Stock provides that following the Offering, any one or more of such shareholders shall twice have the right to require the Company to effect registration of all or any part of the shareholders' shares of Common Stock under the Securities Act. In order to demand registration of the Common Stock, the holder or holders of Common Stock requesting such registration must own more than 50% (by number of shares) of the shares subject to the agreement and the aggregate market value to be registered must be at least \$3.0 million. The number of shares included in any registration is subject to customary provisions providing for a reduction in the number of shares to be registered if in the opinion of the managing underwriter such shares would affect the marketing or the selling price of the securities to be sold.

The Registration Rights Agreements require the Company to pay the expenses associated with any registration other than sales discounts, commissions, transfer taxes and amounts to be borne by underwriters or as otherwise required by law and include customary provisions for indemnification against

UNDERWRITING

The underwriters named below (the "Underwriters"), have severally agreed, subject to the terms and conditions in the underwriting agreement (the "Underwriting Agreement") by and between the Company and the Underwriters, to purchase from the Company the number of shares of Common Stock indicated below opposite their respective names, at the initial public offering price less the underwriting discount set forth on the cover page of this Prospectus. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters are committed to purchase all of the shares of Common Stock, if they purchase any.

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UNDERWRITERS -----	NUMBER OF SHARES -----
<S>	<C>
NationsBanc Montgomery Securities, Inc.....	
Hambrecht & Quist LLC.....	
J.C. Bradford & Co.....	
Total.....	3,500,000 =====

</TABLE>

The Underwriters have advised the Company that the Underwriters propose initially to offer the shares of Common Stock to the public on the terms set forth on the cover page of this Prospectus. The Underwriters may allow selected dealers a concession of not more than \$ per share; and the Underwriters may allow to selected dealers, and such dealers may reallow, a concession of not more than \$ per share to certain other dealers. After the Offering, the public offering price and other selling terms may be changed by the Underwriters. The Common Stock is offered subject to receipt and acceptance by the Underwriters, and to certain other conditions, including the right to reject orders in whole or in part.

The Company and a shareholder have granted to the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to a maximum of 525,000 additional shares of Common Stock to cover over-allotments, if any, at the same price per share as the initial 3,500,000 shares to be purchased by the Underwriters. To the extent that the Underwriters exercise this option, each of the Underwriters will be committed, subject to certain conditions, to purchase such additional shares in approximately the same proportion as set forth in the above table. The Underwriters may purchase such shares only to cover over-allotments made in connection with the Offering.

The Underwriting Agreement provides that the Company will indemnify the Underwriters against certain liabilities, including civil liabilities under the Securities Act of 1933, as amended, or will contribute to payments the Underwriters may be required to make in respect thereof.

Certain shareholders of the Company and the Company's executive officers and directors have agreed that for a period of 180 days after the date of this Prospectus they will not, without the prior written consent of NationsBanc Montgomery Securities, Inc., offer, sell, or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock. The Company has also agreed not to issue, offer, sell, grant options to purchase or otherwise dispose of any of the Company's equity securities for a period of 180 days after the date of this Prospectus without the prior written consent of NationsBanc Montgomery Securities, Inc., except for: (i) the issuance of shares of Common Stock upon conversion of debt or equity securities of the Company or any of its subsidiaries outstanding as of the date of this Prospectus; (ii) the grant, award, issuance or sale of shares of Common Stock or options or other rights to purchase or acquire Common Stock pursuant to the terms of any stock option, stock bonus or other plan or arrangement referred to in this Prospectus; or (iii) the issuance of shares of Common Stock, Preferred Stock or any security convertible into or exchangeable for Common Stock or Preferred Stock in connection with the acquisition of court reporting, certified record retrieval and legal staffing and placement businesses and related assets.

Certain persons participating in this Offering may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of

the Common Stock at levels above those which might otherwise prevail in the open market. Such transactions may include stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means the placing of any bid or effecting any purchase for the purpose of pegging, fixing or maintaining the price of the Common Stock. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the Offering. A penalty bid means an arrangement that permits the Underwriters to reclaim a selling concession from a syndicate member in connection with the Offering when shares of Common Stock sold by the syndicate member are purchased in syndicate covering transactions. Such transactions may be effected on the Nasdaq National Market, in the over-the-counter market, or otherwise.

The Underwriters have informed the Company that the Underwriters do not expect to make sales of Common Stock offered by this Prospectus to accounts over which they exercise discretionary authority in excess of 5% of the number of shares of Common Stock offered hereby.

Prior to the Offering, there has been no public trading market for the Common Stock. Consequently, the initial public offering price of the Common Stock has been determined by negotiations between the Company and the Underwriters. Among the factors considered in such negotiations were the results of operations of the businesses acquired in recent periods, the prospects for the Company and the industry in which the Company competes, an assessment of the Company's management, its financial condition, the prospects for future earnings of the Company, the present state of the Company's development, the general condition of the economy and the securities markets at the time of the Offering and the market prices of and demand for publicly traded common stock of comparable companies in recent periods.

#### LEGAL MATTERS

The legality of the Common Stock offered hereby will be passed upon for the Company by Bracewell & Patterson, L.L.P., Houston, Texas, and for the Underwriters by Locke Purnell Rain Harrell (A Professional Corporation), Dallas, Texas.

#### EXPERTS

The financial statements and schedules of U.S. Legal Support, Inc., Looney, Klein Bury, G&G, San Francisco Reporting, Legal Enterprise, Elaine Dine, Ziskind Greene, Jilio, Reporting Service, Kirby Kennedy, Johnson Group, Amicus One, Block and Commander Wilson included in this Prospectus and elsewhere in the Registration Statement, to the extent and for the periods indicated in their reports, have been audited by Coopers & Lybrand L.L.P., independent accountants, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing. The report on the financial statements of U.S. Legal Support, Inc. includes an explanatory paragraph regarding the Company's ability to continue as a going concern.

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#### AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement (which term encompasses any and all amendments thereto) under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which is filed as part of the Registration Statement, does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto, certain items of which were omitted in accordance with the rules and regulations of the Commission. Statements made in this Prospectus concerning the contents of any contract, agreement or other document referred to are summaries of the terms of such contract, agreement or other document and are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is hereby made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. For further information with respect to the Company, reference is hereby made to the Registration Statement and such exhibits and schedules filed as a part thereof, which may be inspected, without charge, at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: 7 World Trade Center, Suite 1300, New York, New York 10048; and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of all or any portion of the Registration Statement may be obtained from the Public Reference facilities of the Commission, upon payment of the prescribed fees. The Registration Statement is also available on the Internet at the Commission's World Wide Web site at <http://www.sec.gov>.

As a result of the Offering, the Company will be subject to the reporting requirements under the Exchange Act and, in accordance therewith, will file reports, proxy statements, information statements and other information with

the Commission. The Company intends to furnish annual reports to its shareholders containing audited financial statements reported on by an independent certified public accounting firm.

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UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The following Unaudited Pro Forma Combined Balance Sheet as of September 30, 1997 and the Unaudited Pro Forma Combined Statements of Operations for the year ended December 31, 1996 and the nine months ended September 30, 1997 and 1996 have been prepared to reflect adjustments to the historical financial position and results of operations to give effect to the transactions described below. The Unaudited Pro Forma Combined Balance Sheet reflects such transactions as if they had occurred as of September 30, 1997, and the Unaudited Pro Forma Combined Statements of Operations for the year ended December 31, 1996 and the nine months ended September 30, 1997 and 1996 reflect such transactions as if they had occurred as of January 1, 1996.

U.S. Legal Support, Inc., a Texas Corporation ("U.S. Legal") was formed in October 1996 to continue the business of Looney & Company, a Texas Corporation, ("Looney") and to create a leading provider of legal support and

staffing services to law firms, insurance providers and major corporations. In January, U.S. Legal was combined with Looney in a transaction accounted for as a merger of entities under common control in which Looney became a wholly-owned subsidiary of U.S. Legal (Looney and U.S. Legal are hereinafter referred to as the "Company"). Simultaneously, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with three investors represented by Pecks Management Partners Ltd. pursuant to which the Company issued 1,000,000 shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock") and \$9.0 million principal amount of 12% Senior Subordinated Notes (the "Senior Subordinated Notes"). Concurrently, the Company entered into a Bank Credit Agreement with a commercial bank, which provided for a revolving credit facility of \$4.0 million. The Company amended the Bank Credit Agreement to, among other things, reduce the revolving credit facility to \$2.0 million and to provide for term loans up to \$14.0 million, for acquisitions. See Note 7 to the Company's financial statements. In October 1997, the Company increased the revolving line of credit to \$3.25 million through December 31, 1997.

On the same date as the transactions described above, the Company acquired all of the outstanding capital stock of Klein, Bury & Associates, Inc. ("Klein Bury") headquartered in Miami, Florida with offices in various locations throughout the state of Florida. In May 1997, the Company acquired certain net assets of G & G Court Reporters and San Francisco Reporting Service headquartered in Los Angeles and San Francisco, California, respectively.

In August 1997, the Company acquired all of the outstanding capital stock of Goren of Newport, Inc., Rapidtext, Inc. and Medtext, Inc. (the "Johnson Court Reporting Group") and acquired certain assets and assumed certain liabilities of Legal Enterprise, Inc. Both companies are headquartered in California.

In September 1997, the Company acquired the assets and assumed certain liabilities of Elaine P. Dine, Inc. and acquired all of the outstanding capital stock of Burton House, Inc. d.b.a. Ziskind Greene Watanabe & Nason headquartered in New York, New York and Los Angeles, California, respectively. Additionally, the Company acquired all of the outstanding capital stock of Block Court Reporting, Inc. and acquired certain assets and assumed certain liabilities of Amicus One Legal Support Services, Inc. headquartered in Washington, D.C. and New York, New York respectively.

The Company intends to sell approximately 3,500,000 shares of common stock, par value \$.01 per share (the "Common Stock") (at an assumed initial price of \$12.00 per share) to the public (the "Offering"). The businesses acquired prior to the Offering ("Completed Acquisitions") were acquired using a combination of cash, preferred stock, Common Stock and subordinated promissory notes. Upon completion of the Offering, all of the shares of preferred stock will be converted into shares of Common Stock, other than 231,250 shares of Series C Preferred Stock which will be redeemed for \$231,250 upon completion of the Offering. The aggregate consideration paid by the Company for the Completed Acquisitions consisted of: (i) \$21,400,000 in cash, (ii) 2,046,667 shares of Series B Convertible Preferred Stock (the "Series B Preferred Stock"); (iii) 231,250 shares of Series C Preferred Stock (the "Series C Preferred Stock"); (iv) \$4,979,000 of Subordinated Promissory Notes; and (v) \$1,845,000 Convertible Subordinated Promissory Notes.

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Additionally, the Company has entered into definitive agreements with respect to the acquisition of Jilio & Associates, Kirby A. Kennedy & Associates, Reporting Service Associates, Inc. and Commander Wilson, Inc. (the "Pending Acquisitions," collectively with the Completed Acquisitions, the "Acquisitions"). All of the Pending Acquisitions are expected to close contemporaneously with, and are conditional upon, the closing of this Offering.

The Unaudited Pro Forma Combined Balance Sheet as of September 30, 1997 gives effect to: (i) the sale of 3,500,000 shares of Common Stock in the Offering and the application of the net proceeds therefrom, as described in "Use of Proceeds"; (ii) the conversion of all outstanding shares of Series A Preferred Stock and Series B Preferred Stock into shares of Common Stock; (iii) the conversion of \$1,845,000 of Convertible Subordinated Promissory Notes into shares of Common Stock; (iv) the redemption of 231,250 shares of Series C Preferred Stock for cash; and (v) the Acquisitions, as if each of such transactions had occurred as of September 30, 1997. The Unaudited Pro Forma Combined Statements of Operations for the year ended December 31, 1996, and the nine months ended September 30, 1996 and 1997, give effect to: (i) the sale of 3,500,000 shares of Common Stock in the Offering and the application of net proceeds therefrom as described in "Use of Proceeds"; (ii) the conversion of all outstanding shares of Series A and Series B Preferred Stock into shares of Common Stock; (iii) the conversion of \$1,845,000 principal amount of Convertible Subordinated Promissory Notes into Common Stock; and (iv) the Acquisitions, as if each of such transactions had occurred as of January 1, 1996.

The pro forma combined financial statements have been prepared by the Company based on the historical financial statements of the Company and the businesses acquired or to be acquired, the financial statements of which are included elsewhere in this Prospectus. These pro forma combined financial statements are presented for illustrative purposes only and are not necessarily indicative of the results that would have been obtained if the transactions had occurred on the dates indicated or that may be realized in the future. The Company is not aware of any known contingencies that could result in adjustments that would have a material effect on the unaudited pro forma financial statements. The pro forma information should be read in conjunction with the Consolidated Financial Statements of U.S. Legal Support, Inc. and the Notes thereto and the historical financial statements of the companies acquired or to be acquired and the notes thereto included elsewhere in this Prospectus.

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U.S. LEGAL SUPPORT, INC.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

SEPTEMBER 30, 1997

(IN THOUSANDS)

<TABLE>

<CAPTION>

ASSETS	HISTORICAL			HISTORICAL		
	COMPANY (A)	OFFERING ADJUSTMENTS (B)	AS ADJUSTED (C)	PENDING ACQUISITIONS (C)	PENDING ACQUISITIONS ADJUSTMENTS (C) (D)	PRO FORMA (C)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Current assets:						
Cash.....	\$559	\$6,600	\$7,159	\$103	\$(103)	\$1,238
Accounts receivable....	6,990	--	6,990	2,119	(5,921)	7,651
Prepaid expenses and other current assets..	189	--	189	21	(3)	207
Deferred income taxes..	48	--	48	--	--	48
Total current assets.....	7,786	6,600	14,386	2,243	(7,485)	9,144
Property and equipment, net.....	1,153	--	1,153	109	--	1,262
Intangibles.....	27,980	--	27,980	--	22,973	51,238
Other assets.....	1,801	(250)	1,008	--	285	1,008
		(543)			--	
Total assets.....	\$38,720	\$5,807	\$44,527	\$2,352	\$15,773	\$62,652

<CAPTION>

LIABILITIES AND  
STOCKHOLDERS' EQUITY  
(DEFICIT)

	<C>	<C>	<C>	<C>	<C>	<C>
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Current liabilities:						
Accounts payable						
Trade.....	\$3,689	\$ --	\$3,689	\$395	\$(167)	\$3,917
Affiliates.....	316	--	316	--	--	316
Accrued liabilities....	2,715	--	2,715	32	285	3,032
Income taxes payable...	34	--	34	--	--	34
Deferred income taxes..	--	--	--	--	--	--
Current maturities of long-term obligations.....	3,936	(3,861)	75	--	--	75
Other current liabilities.....	--	--	--	--	--	--
Total current liabilities.....	10,690	(3,861)	6,829	427	118	7,374
Long-term obligations, net of current maturities.....	26,339	(26,256)	83	--	11,000	11,083
Deferred income taxes...	255	--	255	--	--	255
Commitments and contingencies						
Redeemable preferred stock						

Series A Convertible Preferred Stock.....	1,479	(1,479)	--	--	--	--
Series B Convertible Preferred Stock.....	2,047	(2,047)	--	--	--	--
Series C Convertible Preferred Stock.....	231	(231)	--	--	--	--
Total redeemable preferred stock.....	3,757	(3,757)	--	--	--	--
Stockholders' equity (deficit):						
Common stock.....	17	55	72	195	(189)	78
Additional paid-in capital.....	3,840	41,311	45,151	--	6,574	51,725
Retained earnings (deficit).....	(6,178)	(1,685)	(7,863)	1,730	(1,730)	(7,863)
Total stockholders' equity (deficit):	(2,321)	39,681	37,360	1,925	4,655	43,940
Total liabilities and stockholders' equity (deficit).....	\$38,720	\$5,807	\$44,527	\$2,352	\$15,773	\$62,652

</TABLE>

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U.S. LEGAL SUPPORT, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

(A) Represents the September 30, 1997 historical consolidated balance sheet of the Company.

(B) Represents the issuance of 3,500,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of \$12.00 per share and the use of proceeds therefrom as follows:

<TABLE>

<CAPTION>

	IN THOUSANDS
<S>	<C>
Gross proceeds of the Offering.....	\$42,000
Underwriting discounts and commissions.....	(2,940)
Expenses related to the Offering.....	(2,500)
Net proceeds.....	36,560
Repayment of long-term debt, including current portion.....	(29,979)
Redemption of 231,250 shares of Series C preferred stock at \$1.00 per share.....	(231)
Expenses paid at September 30, 1997 related to Offering.....	250
Net increase in cash and cash equivalents.....	\$6,600

</TABLE>

In addition, upon completion of the Offering, \$1,845,000 of Subordinated Convertible Promissory Notes, the 1,000,000 shares of Series A Preferred Stock and the 2,046,667 shares of the Series B Preferred Stock will be converted into shares of Common Stock. The principal amount of Subordinated Convertible Promissory Notes convert at prices ranging from \$7.56 to \$8.50 per share. The 1,000,000 shares of Series A Preferred Stock convert into 1,560,000 shares of common stock. The Series B Preferred Stock converts at 93% of the assumed initial public offering price and the Company anticipates recording a \$154,000 noncash dividend, that reflects the discount from the assumed initial offering price at which it will convert to Common Stock.

The Offering and the conversion of the Convertible Subordinated Promissory Notes, Series A Preferred Stock and Series B Preferred Stock will affect the pro forma equity, as follows (in thousands):

<TABLE>

<CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN-CAPITAL	TOTAL
<S>	<C>	<C>	<C>
Offering.....	\$35	\$36,525	\$36,560
Subordinated Convertible Promissory Notes.....	2	1,278	1,280
Series A Preferred Stock.....	16	1,463	1,479

Series B Preferred Stock.....	2	2,045	2,047
	---	-----	-----
	\$55	\$41,311	\$41,366
	===	=====	=====

</TABLE>

The net repayment of long-term obligations is calculated as follows:

<TABLE>

<CAPTION>

	IN THOUSANDS
<S>	<C>
Other assets.....	\$ (543) (a)
Current portion of long-term obligations.....	3,861
Long-term debt, net of current maturities.....	26,256
Common Stock.....	(2)
Additional paid-in capital.....	(1,278)
Retained earnings.....	1,685 (b)
	-----
Cash paid.....	\$29,979
	=====

</TABLE>

-----

- (a) To write off deferred financing costs related to the retirement of the Senior Subordinated Notes.
- (b) To reflect the reduction in retained earnings for extraordinary losses on the retirement of indebtedness repaid with cash.

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U.S. LEGAL SUPPORT, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET--(CONTINUED)

(C) Represents the September 30, 1997 historical combined balance sheets of businesses to be acquired in the Pending Acquisitions, and the purchase adjustments thereto.

The estimated fair value of the assets to be acquired in the Pending Acquisitions is summarized below:

<TABLE>

<CAPTION>

	TOTAL	JILIO	KIRBY KENNEDY	REPORTING SERVICE	COMMANDER WILSON
	-----	-----	-----	-----	-----
	IN THOUSANDS				
<S>	<C>	<C>	<C>	<C>	<C>
Accounts receivables, net.....	\$661	\$ 404	\$ 257	\$ --	\$ --
Prepaid expenses and other current assets.....	18	18	--	--	--
Property and equipment.....	109	25	42	42	--
Excess of cost over fair value of net assets acquired, including goodwill of \$22,933 and covenants not to compete of \$40.....	22,973	7,648	3,442	9,858	2,025
Accounts payable and accrued liabilities.....	(260)	(95)	(165)	--	--
	-----	-----	-----	-----	-----
	\$23,501	\$8,000	\$3,576	\$9,900	\$2,025
	=====	=====	=====	=====	=====

</TABLE>

The adjustments also reflect the elimination of certain assets and liabilities not acquired or assumed.

The consideration for the Pending Acquisitions will be as follows:

<TABLE>

<CAPTION>

	TOTAL	JILIO	KIRBY KENNEDY	REPORTING SERVICE	COMMANDER WILSON
	-----	-----	-----	-----	-----
	IN THOUSANDS				
<S>	<C>	<C>	<C>	<C>	<C>
Cash (includes \$5,921 from Offering proceeds and \$11,000 from new borrowings).....	\$16,921	\$5,600	\$2,503	\$7,400	\$1,418
Issuance of 609,268 shares of Common Stock.....	6,580	2,400	1,073	2,500	607
	-----	-----	-----	-----	-----

</TABLE>

The value of the Common Stock to be issued is based upon 90 percent of the assumed initial public offering price of \$12.00 per share. The excess of cost over the fair value of the identifiable net assets acquired in the Pending Acquisitions will be amortized over 40 years.

(D) Includes estimated transaction costs of \$285,000.

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U.S. LEGAL SUPPORT, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997

(IN THOUSANDS)

<S>	HISTORICAL					SUBTOTAL	HISTORICAL		PRO FORMA
	COMPANY (A)	COMPLETED ACQUISITIONS (B)	ADJUSTMENTS	COMBINED	OFFERING ADJUSTMENTS		PENDING ACQUISITIONS (C)	PENDING ACQUISITIONS ADJUSTMENTS	
Revenues.....	\$14,549	\$14,801	\$ --	\$29,350	\$ --	\$29,350	\$7,927	\$ --	\$37,277
Cost of services.....	9,287	8,199	--	17,486	--	17,486	3,775	--	21,261
Gross profit.....	5,262	6,602	--	11,864	--	11,864	4,152	--	16,016
Selling, general and administrative expenses.....	3,855	4,769	(760) (D)	7,864	--	7,864	1,571	(70) (D)	9,365
Depreciation and amortization.....	332	161	372 (F)	865	--	865	35	437 (F)	1,337
Operating income.....	1,075	1,672	388	3,135	--	3,135	2,546	(367)	5,314
Interest expense.....	1,147	47	1,298 (G)	2,492	(2,459) (H)	33	14	660 (G)	707
Income (loss) before income taxes.....	(72)	1,625	(910)	643	2,459	3,102	2,532	(1,027)	4,607
Provision for income taxes.....	11	757	(425) (I)	343	983 (I)	1,326	--	602 (I)	1,928
Net (loss) income....	(83)	868	(485)	300	1,476	1,776	2,532	(1,629)	2,679
Accretion of preferred stock.....	(479)	--	--	(479)	479 (K)	--	--	--	--
Net income (loss) attributable to common shareholders.....	\$ (562)	\$ 868	\$ (485)	\$ (179)	\$1,955	\$ 1,776	\$2,532	\$ (1,629)	\$ 2,679
Net income (loss) per share.....	\$ (0.13)								\$ .33
Weighted average outstanding shares..	4,226								8,002 (J)

</TABLE>

U.S. LEGAL SUPPORT, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996

(IN THOUSANDS)

<S>	HISTORICAL					SUBTOTAL	HISTORICAL		PRO FORMA
	COMPANY (A)	COMPLETED ACQUISITIONS (B)	ADJUSTMENTS	COMBINED	OFFERING ADJUSTMENTS		PENDING ACQUISITIONS (C)	PENDING ACQUISITIONS ADJUSTMENTS	
Revenues.....	\$5,886	\$19,656	\$ --	\$25,542	\$ --	\$25,542	\$6,482	\$ --	\$32,024
Cost of services.....	3,726	11,423	--	15,149	--	15,149	3,426	--	18,575

Gross profit.....	2,160	8,233	--	10,393	--	10,393	3,056	--	13,449
Selling, general and administrative expenses.....	1,310	6,533	(830) (D) 494 (E)	7,507	--	7,507	1,348	(435) (D)	8,420
Depreciation and amortization.....	159	145	548 (F)	852	--	852	43	437 (F)	1,332
Operating income.....	691	1,555	(212)	2,034	--	2,034	1,665	(2)	3,697
Interest expense.....	177	61	2,253 (G)	2,491	(2,483) (H)	8	16	644 (G)	668
Income (loss) before income taxes.....	514	1,494	(2,465)	(457)	2,483	2,026	1,649	(646)	3,029
Provision (benefit) for income taxes.....	175	102	(374) (I)	(97)	993 (I)	896	--	402 (I)	1,298
Net income (loss).....	\$ 339	\$ 1,392	\$(2,091)	\$(360)	\$ 1,490	\$ 1,130	\$1,649	\$(1,048)	\$ 1,731
Net income per share..									\$ .22
Weighted average shares outstanding...									8,002 (J)

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U.S. LEGAL SUPPORT, INC.

UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, 1996  
(IN THOUSANDS)

<S>	HISTORICAL				OFFERING ADJUSTMENTS	SUBTOTAL	HISTORICAL		PRO FORMA
	COMPLETED COMPANY (A)	ACQUISITIONS (B)	ADJUSTMENTS	COMBINED			PENDING ACQUISITIONS (C)	PENDING ACQUISITIONS ADJUSTMENTS	
Revenues.....	\$7,667	\$26,743	\$ --	\$34,410	\$ --	\$34,410	\$8,995	\$ --	\$43,405
Cost of services.....	4,839	15,819	--	20,658	--	20,658	4,816	--	25,474
Gross profit.....	2,828	10,924	--	13,752	--	13,752	4,179	--	17,931
Selling, general and administrative expenses.....	2,352	8,846	(2,280) (D) 659 (E)	9,577	--	9,577	1,971	(580) (D)	10,968
Depreciation and amortization.....	212	173	730 (F)	1,115	--	1,115	56	583 (F)	1,754
Operating income.....	264	1,905	891	3,060	--	3,060	2,152	(3)	5,209
Interest expense.....	238	63	3,021 (G)	3,322	(3,322) (H)	--	20	860 (G)	880
Income (loss) before income taxes.....	26	1,842	(2,130)	(262)	3,322	3,060	2,132	(863)	4,329
Provision (benefit) for income taxes.....	10	232	(232) (I)	10	1,329 (I)	1,339	--	508 (I)	1,847
Net income (loss).....	\$ 16	\$ 1,610	\$(1,898)	\$(272)	\$1,993	\$ 1,721	\$2,132	\$(1,371)	\$ 2,482
Net income per share..									\$ .31
Weighted average outstanding shares...									8,002 (J)

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NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME

(A) Represents the historical Consolidated Statement of Operations data of the Company, which includes the operations of the Completed Acquisitions from respective dates of acquisition through September 30, 1997.

(B) Represents the combined historical statement of operations data for the

Completed Acquisitions from January 1, 1997 through their respective dates of acquisition.

(C) Represents the combined historical statements of operations data of the Pending Acquisitions.

(D) Represents adjustments to reflect the excess of historical compensation paid to owners of businesses acquired in the Acquisitions over compensation that would have been payable under the terms of employment agreements entered into in connection with each acquisition as follows:

<TABLE>

<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,
	1997	1996	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Aggregate owners historical compensation.....	\$1,776	\$ 2,353	\$4,310
Less: Aggregate Salary Per Post-Acquisition Employment Contract.....	(946)	(1,088)	(1,450)
Adjustment.....	\$830	\$1,265	\$2,860
	=====	=====	=====

</TABLE>

(E) Represents corporate office compensation for personnel-related costs that would have been necessary to perform administrative functions in 1996.

(F) Represents an increase in amortization of goodwill associated with the Acquisitions. The excess of cost over the fair value of the net assets acquired will be amortized over a period of 10 to 40 years.

<TABLE>

<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,
	1997	1996	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Completed Acquisitions.....	\$ 372	\$ 548	\$730
Pending Acquisitions.....	437	437	583
	-----	-----	-----
	\$ 809	\$985	\$1,313
	=====	=====	=====

</TABLE>

(G) Represents (i) an adjustment to accrue interest expense on debt incurred in connection with the Completed Acquisitions, such expense computed based on fixed or variable interest rates, as appropriate, at the time the Company entered into each agreement; and (ii) an adjustment to reflect the interest expense on debt to be incurred in connection with the Pending Acquisitions based on pro forma debt of \$11.0 million computed based upon the terms of the New Credit Agreement which bears interest at 8.00% (LIBOR plus 200 basis points). The effect on net income of a 1/8% variance of the interest rate would be \$8,250 (annual basis).

(H) Represents an adjustment to reduce interest expense on debt that will be repaid with proceeds of the Offering.

(I) Represents adjustments to accrue income taxes on earnings for certain Acquisitions not previously taxed at the corporate level and to reflect the tax effects of adjustments based on estimated combined federal and state statutory tax rates of 40%. The Company's total effective tax rate approximates 41% and 43% for the nine months ended September 30, 1997 and 1996, and 42% for the year ended December 31, 1996, respectively because of non-deductible portion of the goodwill recorded in connection with the Acquisitions.

(J) Pro forma earnings per share gives effect to: (i) 1,734,564 shares outstanding prior to the offering, (ii) 609,268 shares to be issued in the Pending Acquisitions; (iii) 3,500,000 shares to be issued in the Offering; and (iv) 1,969,283 shares to be issued upon conversion of preferred stock and Subordinated Convertible Promissory Notes. Also, Common Shares, options and warrants issued within one year prior to the initial public offering have been treated as outstanding for all periods presented.



(K) Represents adjustment to eliminate accretion of redeemable preferred stock which will be converted to Common Stock.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders

U.S. Legal Support, Inc.:

We have audited the accompanying consolidated balance sheet of U.S. Legal Support, Inc. as of September 30, 1997, and the related consolidated statements of income, stockholder's deficit and cash flows for the nine months ended September 30, 1997. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Legal Support, Inc. as of September 30, 1997 and the consolidated results of its operations and its cash flows for the nine months ended September 30, 1997 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared on the going concern basis of accounting. As more fully described in Note 1 to the consolidated financial statements, proceeds from a planned initial public offering are to be used to repay current maturities of debt. The success of the initial public offering cannot presently be determined. As a result, there is substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

COOPERS & LYBRAND L.L.P.

Houston, Texas

December 15, 1997

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U.S. LEGAL SUPPORT, INC.

CONSOLIDATED BALANCE SHEET

<TABLE>

<CAPTION>

	UNAUDITED PRO FORMA	
	SEPTEMBER 30, 1997	SEPTEMBER 30, 1997 (1)
ASSETS	-----	-----
<S>	<C>	<C>
Current assets:		
Cash.....	\$ 558,574	\$ 558,574
Accounts receivable, net of allowance of \$777,480.....	6,990,522	6,990,522
Prepaid expenses and other current assets.....	188,969	188,969
Deferred income taxes.....	47,632	47,632
	-----	-----
Total current assets.....	7,785,697	7,785,697
Property and equipment, net.....	1,153,015	1,153,015
Intangibles, net.....	27,980,167	27,980,167
Deferred charges.....	1,546,526	1,546,526
Other assets.....	254,806	254,806
	-----	-----
Total assets.....	\$38,720,211	\$38,720,211
	=====	=====

<CAPTION>

LIABILITIES AND STOCKHOLDERS' DEFICIT

<S>

<C>

<C>

Current liabilities:		
Accounts payable.....	\$ 3,689,227	\$ 3,689,227
Accounts payable, related parties.....	315,886	315,886
Accrued liabilities.....	2,714,558	2,714,558
Income taxes payable.....	33,637	33,637
Current maturities of long-term obligations.....	3,935,964	3,935,964
	-----	-----
Total current liabilities.....	10,689,272	10,689,272
Long-term obligations, net of current maturities.....	26,339,283	25,058,991
Deferred income taxes.....	255,356	255,356
Redeemable preferred stock:		
Series A Convertible Preferred Stock, \$1.00 par value, 2,000,000 shares authorized; 1,000,000 shares issued and outstanding.....	1,479,000	--
Series B Convertible Preferred Stock, \$1.00 par value, 2,500,000 shares authorized; 2,046,667 shares issued and outstanding.....	2,046,667	--
Series C Convertible Preferred Stock, \$1.00 par value, 231,250 shares authorized, issued and outstanding....	231,250	231,250
	-----	-----
Total redeemable preferred stock.....	3,756,917	231,250
Commitments and contingencies		
Stockholders' deficit:		
Preferred Stock, \$1.00 par value, 5,268,750 authorized, no shares issued or outstanding.....	--	--
Common Stock, \$.01 par value, 100,000,000 shares authorized; 1,734,564 shares issued and outstanding (3,703,847 pro forma shares issued and outstanding)..	17,346	37,039
Additional paid-in capital.....	3,840,117	8,626,383
Accumulated deficit.....	(6,178,080)	(6,178,080)
	-----	-----
Total stockholders' deficit.....	(2,320,617)	2,485,342
	-----	-----
Total liabilities and stockholders' deficit.....	\$38,720,211	\$38,720,211
	=====	=====

</TABLE>

-----

(1) Gives effect to the conversion of (i) 1,000,000 shares of Series A Convertible Preferred Stock into 1,560,000 shares of Common Stock; (ii) 2,046,667 shares of Series B Convertible Preferred Stock into 183,393 shares of Common Stock; and (iii) \$1,844,955 principal amount (1,280,292 net of discount) of Convertible Subordinated Promissory Notes into 225,890 shares of Common Stock.

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

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U.S. LEGAL SUPPORT, INC.

CONSOLIDATED STATEMENT OF INCOME

<TABLE>

<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30, 1997
	-----
<S>	<C>
Revenues.....	\$14,549,056
Cost of services.....	9,287,213
	-----
Gross profit.....	5,261,843
Selling, general and administrative expenses.....	3,854,666
Depreciation and amortization.....	331,896
	-----
Operating income.....	1,075,281
Interest expense.....	1,147,595
	-----
Loss before income taxes.....	(72,314)
Provision for income taxes.....	11,041
	-----
Net loss.....	(83,355)
Accretion of preferred stock.....	(479,000)
	-----
Net loss attributable to common shareholders.....	\$ (562,355)
	=====
Net loss per common share.....	\$ (.14)
	=====
Weighted average shares outstanding.....	3,893,000

If the shares necessary to fund the cash portion of the distribution to Richard O. Looney were outstanding for the entire period, net loss per common share and weighted average shares outstanding would have been as follows:

Pro forma net loss per common share.....	\$	(.13)
Weighted average shares outstanding.....		4,226,000

</TABLE>

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

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U.S. LEGAL SUPPORT, INC.

STATEMENT OF STOCKHOLDERS' DEFICIT

<TABLE>  
<CAPTION>

	COMMON STOCK		ADDITIONAL	ACCUMULATED	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT	STOCKHOLDERS' (DEFICIT)
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Balance as of January 1, 1997.....	993,840	\$9,938	--	\$ (72,761)	\$ (62,823)
Net assets acquired in connection with reorganization of the Company and Looney & Company .....	--	--	--	207,763	207,763
Distribution in connection with reorganization of the Company and Looney & Company.....	--	--	--	(6,227,902)	(6,227,902)
Issuance of Common Stock.....	740,724	7,408	4,319,117	--	4,326,525
Accretion of Preferred Stock.....			(479,000)		(479,000)
Preferred Stock Dividend.....	--	--	--	(1,825)	(1,825)
Net loss.....	--	--	--	(83,355)	(83,355)
Balance as of September 30, 1997.....	1,734,564	\$17,346	\$3,840,117	\$ (6,178,080)	\$ (2,320,617)

</TABLE>

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

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U.S. LEGAL SUPPORT, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30, 1997
	-----
<S>	<C>
Cash flows from operating activities:	
Net loss.....	\$ (83,355)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization.....	331,896
Amortization of debt issue costs and debt discount.....	166,600
Provision for doubtful accounts.....	154,467
Deferred taxes.....	(213,026)

Changes in operating assets and liabilities:	
Accounts receivable.....	(1,186,127)
Prepaid expenses and other current assets.....	(78,069)
Accounts payable and accrued liabilities.....	2,330,567
Income taxes payable.....	(183,730)
Deferred charges and other assets.....	(1,236,783)
	-----
Net cash provided by operating activities.....	2,440
	-----
Cash flows from investing activities:	
Capital expenditures.....	(110,827)
Acquisitions, net of cash acquired.....	(20,307,527)
	-----
Net cash used in investing activities.....	(20,418,354)
	-----
Cash flows from financing activities:	
Issuance of redeemable preferred stock.....	1,000,000
Debt issuance costs.....	(572,139)
Borrowings under senior credit agreement.....	16,000,000
Issuance of subordinated debt.....	9,580,260
Principal payments on long-term obligations.....	(964,578)
Dividends paid .....	(1,825)
Distribution to the Looney and Company shareholder.....	(4,087,835)
	-----
Net cash provided by financing activities.....	20,953,883
	-----
Increase in cash and cash equivalents.....	537,969
Cash and cash equivalents at beginning of period.....	20,605
	-----
Cash and cash equivalents at end of period.....	\$558,574
	=====
Supplemental cash flow information:	
Cash paid for interest.....	\$606,888
Cash paid for income taxes.....	360,000

</TABLE>

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

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U.S. LEGAL SUPPORT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY:

U.S. Legal Support, Inc. (the "Company") was founded in 1996 by Richard O. Looney and GulfStar Investments, Ltd. to continue the business of Looney & Company ("Looney") and create a leading provider of legal support services, including court reporting, certified record retrieval, legal placement and temporary staffing, to law firms, insurance providers and major corporations throughout the United States. As described in Note 3 to these financial statements, the merger with Looney was accounted for as a merger of entities under common control. Accordingly, these financial statements should be read in conjunction with the historical financial statements of Looney included elsewhere in this prospectus. The Company operates in one business segment. The Company, including Looney, has completed the acquisition of 13 companies, and has entered into definitive agreements to acquire an additional four businesses. The Company requires additional financing in order to implement its business strategy. The Company intends to offer and sell 3,500,000 shares of common stock, par value \$.01 per share (the "Common Stock") at an estimated offering price between \$11 and \$13 per share. Additionally, 609,268 shares are expected to be issued in connection with Pending Acquisitions described in Note 3 and 1,969,283 shares are expected to be issued upon the conversion of (i) 1,000,000 shares of Series A Convertible Preferred Stock into 1,560,000 shares of Common Stock; (ii) 2,046,667 shares of Series B Convertible Preferred Stock into 183,393 shares of Common Stock; and (iii) \$1,800,000 principal amount of Convertible Subordinated Promissory Notes into 225,890 shares of Common Stock (see unaudited pro forma balance sheet).

The Company's operations to date have been financed through the issuance of redeemable convertible preferred stock, convertible debt, subordinated debt and bank debt. The proceeds of the planned initial public offering would be used to repay debt, redeem preferred stock and pay the cash portion of pending acquisitions (Note 3). Certain convertible debt and convertible preferred stock is expected to be converted into common stock upon completion of the initial public offering. The failure to raise additional equity in the planned initial public offering would require restructuring of its debt and equity securities. Additionally, without additional equity financing, the Company would be unable to consummate the pending acquisitions and implement its business strategy beyond 1997. Unless the Company were able to obtain financing from other sources or negotiate an extension, the bank could

exercise its rights under the loan agreement giving it additional authority over the Company's operations and the ability to call the outstanding balance of the revolving line of credit and term loans (Note 7). Any impediment to the Company's ability to obtain additional capital could have a material adverse effect on the Company's business, financial position, results of operations and cash flows.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Unless the context requires otherwise, the term "Company" refers to U.S. Legal Support, Inc. and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

Cash and cash equivalents include highly liquid debt instruments purchased with original maturities of three months or less. The Company maintains cash deposits in banks. The balance, at times, may exceed federally insured amounts although management believes the risk of loss is minimal.

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U.S. LEGAL SUPPORT, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

### Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized, while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in operations.

### Intangibles

Intangibles consist primarily of goodwill, which is amortized on a straight line basis over the estimated useful life of 10 to 40 years. Accumulated amortization of goodwill was \$150,613 at September 30, 1997. Amounts allocated to covenants not to compete in the amount of \$105,000 are amortized over the lives of the related contract. Accumulated amortization of such covenants was \$7,750 at September 30, 1997. The Company evaluates, for impairment, the carrying value of intangible assets by comparing the carrying value to the anticipated future undiscounted cash flows from the businesses whose acquisition gave rise to the asset. If the intangible asset is impaired, the asset is written down to fair value.

### Debt Issue Costs

Debt issue costs relating to long-term debt are included in other assets and are amortized to interest expense over the scheduled maturity of the debt utilizing the interest method.

### Income Taxes

The Company utilizes the liability method of accounting for income taxes. Deferred income taxes are recognized for the tax consequences of differences in the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

### Revenue Recognition

The Company recognizes revenues from its court reporting and certified record retrieval services upon delivery of prepared transcripts and as

documents or records are delivered to customers. With respect to the Company's legal placement and staffing services, the Company recognizes revenue from its permanent placement services when candidates accept job offers, and with respect to its temporary placement services, as services are provided to the Company's clients. An allowance is provided for anticipated bad debts, based primarily on historical experience and current estimates.

#### Concentration of Credit Risk

The Company grants credit, primarily to law firms, insurance companies, and major corporations. The Company maintains allowances for potential credit losses, and such losses have been within management's estimates.

#### Earnings per Share Data

Earnings per share data is computed using the weighted average number of common and common equivalent shares outstanding during each year presented. Common equivalent shares consist of convertible debt, convertible preferred stock, and stock options and are computed using the treasury stock method. Under guidelines issued by the Securities and Exchange Commission, common shares, options and warrants issued within one year prior to a public offering at prices below the initial offering price are treated as outstanding for all periods presented (using the Treasury stock method) in computing net earnings (loss) per share. Pro forma earnings (loss) per share have been presented for the nine months ended September 30, 1997 to reflect issuance

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U.S. LEGAL SUPPORT, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

of the number of shares that would have been necessary to fund the cash portion of the \$6,227,902 distribution to Richard O. Looney in January 1997 (at an assumed public offering price of \$12.00 per share). Fully diluted earnings per share is not presented because such amounts would be the same as amounts computed for primary earnings per share.

#### Stock-Based Compensation

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock-based compensation plans.

#### Financial Instruments

For all financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and long-term debt, the carrying value is considered to approximate fair value.

#### New Accounting Standards

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). SFAS 128 changes the computation of earnings per share and requires dual presentation of basic and diluted earnings per share. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") and Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("SFAS 131").

SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. It requires (a) classification of the components of other comprehensive income by their nature in a financial statement and (b) the display of the accumulated balance of the other comprehensive income separate from retained earnings and additional paid-in capital in the equity section of a statement of financial position. SFAS 130 is effective for years beginning after December 15, 1997 and is not expected to have a material impact on financial position or results of operations.

SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company has not determined the impact of SFAS 131 on its financial reporting practices.

#### 3. REORGANIZATION AND BUSINESS COMBINATIONS:

In a reorganization in January 1997, the Company received 100% of the outstanding capital stock of Looney & Company ("Looney"), a Texas-based court reporting and certified records retrieval company. The Company paid Richard Looney approximately \$4,088,000 in cash and issued 2,046,667 shares of the Company's Series B Convertible Preferred Stock, \$1.00 par value (the "Series B Preferred Stock"). Looney has been deemed to be the accounting acquiror because the two companies were under common control and prior to their combination, the Company had no substantive operations. Therefore, the net assets of Looney have been recorded at their historical cost basis. The consideration paid for the net assets of Looney was recorded as a capital distribution to Looney's shareholder.

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U.S. LEGAL SUPPORT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

In January 1997, the Company acquired all of the outstanding capital stock of Klein, Bury and Associates, Inc. ("Klein Bury"), a Florida based court reporting company. The purchase price consisted of approximately \$3,850,000 in cash; 170,600 shares of the Company's Common Stock; a \$1,424,000 promissory note payable over five years with interest at 10%; options to purchase 40,000 shares of the Company's Common Stock and 50% of amounts collected in respect of accounts receivable over 120 days past due as of the closing date, up to a maximum of \$500,000. The acquisition was accounted for under the purchase method of accounting. The results of operations of Klein Bury are included from the date of the acquisition. The excess of the cost over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$5,373,000 and is being amortized over 40 years.

In May 1997, the Company acquired the assets of San Francisco Reporting Service ("San Francisco Reporting"), a California-based court reporting company. The purchase price consisted of approximately \$545,000 in cash, 30,608 shares of the Company's Common Stock and 231,250 shares of the Company's Series C Convertible Preferred Stock, \$1.00 par value. The acquisition was accounted for under the purchase method of accounting. The results of operations of San Francisco Reporting are included from the date of acquisition. The excess of the cost over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$811,000 and is being amortized over 40 years.

In May 1997, the Company acquired the assets of G & G Court Reporters ("G&G"), a California-based court reporting company. The purchase price consisted of approximately \$1,268,000 in cash and two subordinated promissory notes in the aggregate amount of \$1,038,000, which were subsequently adjusted to \$996,000. The acquisition was accounted for under the purchase method of accounting. The results of operations of G&G are included from the date of acquisition. The excess of the cost over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$1,919,000 and is being amortized over 40 years.

In August 1997, the Company acquired by merger Goren of Newport, Inc., Rapidtext, Inc. and Medtext, Inc. (the "Johnson Group"), three California-based companies involved in court reporting, closed captioning, and medical transcription. The purchase price consisted of approximately \$983,000 in cash, \$246,000 in subordinated notes and 142,476 shares of the Company's Common Stock. The acquisition has been accounted for under the purchase method of accounting. The results of operations of the Johnson Group are included from the date of acquisition. The excess of the cost over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$2,256,000 and is being amortized over 40 years.

In August 1997, the Company acquired the assets of Legal Enterprise, Inc., ("Legal Enterprise") a California-based document retrieval and data management company. The purchase price consisted of approximately \$1,200,000 in cash, \$1,140,500 in subordinated notes and options to purchase 7,000 shares of Company Common Stock. The acquisition has been accounted for under the purchase method of accounting. The results of operations of Legal Enterprise are included from the date of acquisition. The excess of the cost over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$1,460,000 and is being amortized over 40 years.

In September 1997, the Company acquired the assets of Amicus One Legal Support Services, Inc. ("Amicus"), a New York-based court reporting company. The purchase price was approximately \$1,886,000 in cash, \$560,000 in a subordinated note and 116,471 shares of the Company's common stock. The acquisition has been accounted for under the purchase method of accounting. The results of operations of Amicus are included from the date of acquisition. The excess of the cost over the fair value of the assets acquired less

liabilities assumed attributed to goodwill is approximately \$3,033,000 and is being amortized over 40 years.

In September 1997, the Company acquired the stock of Block Court Reporting ("Block"), a court reporting company serving Washington, D.C., Northern Virginia, and Baltimore. The purchase price was approximately

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U.S. LEGAL SUPPORT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

\$600,000 in cash and \$600,000 in subordinated notes. The acquisition has been accounted for under the purchase method of accounting. The results of operations of Block are included from date of acquisition. The excess of the cost over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$1,018,000 and is being amortized over 40 years.

In September 1997, the Company acquired the stock of Burton House, Inc. d.b.a. Ziskind, Greene, Watanabe and Nason ("Ziskind Greene"), a California-based company providing permanent legal search services. The purchase price was approximately \$1,350,000 in cash and 158,824 shares of the Company's Common Stock. The acquisition has been accounted for under the purchase method of accounting. The results of operations of Ziskind Greene have been included from the date of acquisition. The excess of the costs over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$2,750,000 and is being amortized over 40 years.

In September 1997, the Company acquired the assets of Elaine P. Dine, Inc., ("Elaine Dine"), a New York-based company providing permanent legal search and temporary legal staffing services. The purchase price was approximately \$6,000,000 in cash, \$2,000,000 in subordinated notes and 76,471 shares of the Company's Common Stock and 41,176 options to purchase shares of Company Common Stock. The acquisition was accounted for under the purchase method of accounting. The results of operations of Elaine Dine have been included from the date of acquisition. The excess of the cost over the fair value of the assets acquired less liabilities assumed attributed to goodwill is approximately \$8,687,000 and is being amortized over 40 years. In addition, the Company is obligated to pay \$500,000 for an estimated tax liability.

The following unaudited pro forma summary presents consolidated results of operations information as if the aforementioned acquisitions had been completed at the beginning of the period presented. These results do not purport to be indicative of the results of operations of the Company that might have occurred nor are they indicative of future results.

<S>	<C>
Revenues.....	\$29,350,000
Net income.....	\$300,000
Earnings per common share.....	\$0.07

Adjustments made in arriving at the pro forma unaudited results of operations include interest expense on acquisition debt, amortization of goodwill, compensation reductions and related tax adjustments. No effect has been given to synergistic benefits which may be realized from the acquisition or to the use of proceeds from the Company's proposed initial public offering (the "Offering").

In addition, with respect to certain of the businesses acquired, the Company may be obligated to pay cash or common stock in the form of an "earn-out" payment. In most cases, the earn-out is a function of cash and common stock based on increases in the businesses' future operating income in excess of historical levels. With respect to certain of the businesses acquired, the Company is obligated to pay contingent consideration equal to six times the amount by which pre-tax earnings exceed a specified amount. Contingent consideration paid will be recorded as additional goodwill.

Pending Acquisitions (the "Pending Acquisitions")

All of the Pending Acquisitions will be accounted for under the purchase method of accounting. In addition, the cash consideration to be paid for each of the Pending Acquisitions is subject to post-closing adjustments.

Upon completion of the Offering, the Company will acquire the assets of Reporting Service Associates, Inc., a Philadelphia-based court reporting services firm serving the mid-Atlantic markets. The purchase price will be approximately \$7,400,000 in cash and 231,481 shares of the Company's Common Stock.



## U.S. LEGAL SUPPORT, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Upon completion of the Offering, the Company will acquire the assets of Jilio & Associates, a Southern California-based court reporting services firm. The purchase price will be approximately \$5,600,000 in cash and 222,222 shares of the Company's Common Stock.

Upon completion of the Offering, the Company will acquire the assets of Kirby Kennedy & Associates, a court reporting services firm which serves the Minneapolis and St. Paul, Minnesota markets. The purchase price will be approximately \$2,500,000 in cash and 99,315 shares of the Company's Common Stock.

Upon completion of the Offering, the Company will acquire the assets of Commander Wilson, Inc., a firm that provides permanent legal search services to national and Texas law firms and legal departments of major corporations. The purchase price will be approximately \$1,400,000 in cash and 56,250 shares of the Company's Common Stock.

## 4. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE> <CAPTION>	USEFUL LIVES	SEPTEMBER 30, 1997
<S>	<C>	<C>
Leasehold improvements.....	5 years	\$163,764
Furniture, fixtures and equipment.....	5 to 7 years	2,142,860
		-----
		2,306,624
Less accumulated depreciation.....		(1,153,609)
		-----
		\$1,153,015
		=====

</TABLE>

The Company has entered into various capital leases. The leases were recorded upon their inception using the interest rate implicit in the lease agreements. The capitalized cost of leased office equipment and related accumulated depreciation was approximately \$324,000 and \$235,000, respectively, at September 30, 1997.

## 5. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following:

<TABLE> <CAPTION>	SEPTEMBER 30, 1997
<S>	<C>
Accrued interest.....	\$374,107
Deferred purchase price.....	500,000
Payroll.....	574,374
Customer overpayments.....	507,150
Stock options.....	438,535
Other.....	320,392
	-----
	\$2,714,558
	=====

</TABLE>

Customer overpayments arise primarily when customers make duplicate payments or payments in excess of billed amounts. The customers have generally denied the Company's refund attempts, which the management of the Company believes is due to the significant volume and relatively small amount of each individual billing.

## U.S. LEGAL SUPPORT, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

6. INCOME TAXES:

The provision for income taxes consisted of the following:

<TABLE>	
<CAPTION>	
	SEPTEMBER 30, 1997
	-----
<S>	<C>
Current.....	\$ 224,067
Deferred.....	(213,026)
	-----
	\$ 11,041
	=====

</TABLE>

A reconciliation of the differences between income taxes computed at the U.S. federal statutory rate of 34% and the Company's reported provision for income taxes is:

<TABLE>	
<CAPTION>	
	SEPTEMBER 30, 1997
	-----
<S>	<C>
Income tax provision at statutory rate.....	\$ (24,587)
State tax provision, net of federal income tax benefit.....	(2,893)
Nondeductible amortization and other expenses.....	38,521
	-----
	\$11,041
	=====

</TABLE>

The components of deferred income tax assets and liabilities were as follows:

<TABLE>	
<CAPTION>	
	SEPTEMBER 30, 1997
	-----
<S>	<C>
Deferred tax assets:	
Accrued liabilities.....	\$19,000
Allowance for doubtful accounts.....	149,920
	-----
Deferred tax assets.....	168,920
	-----
Deferred tax liabilities:	
Conversion from cash to accrual basis for tax reporting purposes.....	(306,867)
Property and equipment.....	(18,387)
Intangibles.....	(51,390)
	-----
Deferred tax liability.....	(376,644)
	-----
Net deferred income taxes.....	\$ (207,724)
	=====

</TABLE>

7. LONG-TERM DEBT:

Long-term debt consisted of the following:

<TABLE>	
<CAPTION>	
	SEPTEMBER 30, 1997
	-----
<S>	<C>
Bank notes payable:	
Revolving line of credit.....	\$2,000,000
Term loans.....	14,000,000
Senior subordinated notes, interest at 12% payable quarterly, principal due in three annual installments beginning January 2002 but must be repaid within two days of an initial public offering of common stock or a change of control.....	9,000,000

Subordinated Promissory Note, interest at 10% discounted to yield an effective interest rate of 15%, quarterly principal payments of \$71,206 through February 1, 2002 but must be repaid within two days of an initial public offering of common stock or a change of control.....	1,281,701
Subordinated Promissory Notes, interest at rates ranging from 6% to 7.5% payable beginning August 1997, discounted to yield an effective interest rate of 15%, principal payments payable beginning August 1998, maturing in 2002, principal must be paid, or at the holders' option, converted into common stock at the issuance price on the closing date of an initial public offering or a change of control.....	1,696,873
Convertible Subordinated Promissory Notes, interest at 6.375% payable monthly, principal due in 2005, discounted to yield an effective interest rate of 15% convertible at the holders' option into common stock at conversion prices ranging from \$7.56 to \$8.50, automatically converts into common stock on the closing date of an initial public offering or a change of control.....	1,844,955
Subordinated Promissory Notes, interest at 6.375% payable monthly, discounted to yield an effective interest rate of 15%, principal due in 2005, principal must be repaid at the closing date of an initial public offering or a change of control.....	2,000,000
Capital lease obligations.....	158,911
	-----
Total debt.....	31,982,440
Less discount on debt(1).....	1,707,193
	-----
Long term debt, net of discount.....	30,275,247
Less current maturities.....	3,935,964
	-----
	\$26,339,283
	=====

</TABLE>  
-----

(1) The debt discount is applicable to the various categories of long-term debt as follows:

<TABLE>	
<S>	<C>
10% Subordinated Promissory Note.....	\$ 131,855
6% to 7.5% Subordinated Promissory Notes.....	347,640
6.375% Convertible Subordinated Promissory Notes.....	564,663
6.375% Subordinated Promissory Notes.....	663,035
	-----
	\$1,707,193
	=====

</TABLE>

#### Revolving Credit and Term Loan Agreements

The Company's Bank Credit Agreement provided for a revolving line of credit of \$2,000,000, all of which had been fully utilized at September 30, 1997 and matures on July 10, 1998. The Bank Credit Agreement also provides for an acquisition line of credit of \$14,000,000, all of which had been fully utilized at September 30, 1997. The acquisition line of credit borrowings have been made under term loans with maturity dates through May 2000. Borrowings under this agreement bear interest at the base rate plus 0.75%, or LIBOR plus 2.5%, at the Company's option. At September 30, 1997, the average interest rate under the credit facility was 8.2%. Borrowings under the facility are collateralized by substantially all the assets of the Company and the stock of the subsidiaries. The Bank Credit Agreement contains various financial covenants including the maintenance of certain financial ratios, restrictions on capital expenditures, and a prohibition against the payment of dividends.

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U.S. LEGAL SUPPORT, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

In October 1997, the Company amended the Bank Credit Agreement to increase the revolving line of credit from \$2,000,000 to \$3,250,000 and further amended the Agreement in December 1997 to increase the revolving line of credit to \$4,250,000. The additional borrowings of \$2,250,000 mature on February 15, 1998. If the Company is unable to pay such amount, the bank has the ability to call the outstanding balance of both the revolving line of credit and the term loans. The revolving credit and term loans must be repaid within three days of the closing of an initial public offering of Common Stock or a change of control. Also, the holders of the Senior Subordinated Notes agreed to defer the receipt of interest payments in the amount of \$540,000 until the earlier of February 15, 1998 or the completion of an initial public offering of the

Company's Common Stock.

The Company has entered into an agreement with a commercial bank for a new \$40.0 million revolving credit facility which will be effective upon the closing of the Company's initial public offering (the "New Credit Facility").

The Company expects that, immediately upon completion of the initial public offering, approximately \$12.1 million will have been borrowed and approximately \$10.0 million will be available for additional borrowings under the New Credit Facility. From time to time, additional borrowing capacity will be available to the Company under the New Credit Agreement provided that the Company achieves certain levels of financial performance through operations or through acquisitions. Loans under the New Credit Facility will bear interest at rates based, at the Company's option, on either LIBOR or the base rate plus, in each case, an applicable margin. The applicable margin will be contingent upon the debt coverage ratio as defined in the New Credit Facility and will vary from 1.75% to 2.25% in the case of LIBOR loans and 0% to .50% in the case of base rate loans. In addition, the Company will be required to pay to the lenders a quarterly fee with respect to the unused portion of the New Credit Facility. The New Credit Agreement will also have a \$2.5 million sublimit for the issuance of letters of credit.

Borrowings under the New Credit Facility will be secured by substantially all of the assets of the Company and the stock of the subsidiaries. The New Credit Facility also will require the Company to comply with various covenants related to, among other matters: (i) the maintenance of certain financial ratios, (ii) limitations on the incurrence of indebtedness, (iii) restrictions on liens, guarantees, dividends and stock redemptions, and (iv) limitations on mergers and sales of assets. The New Credit Facility will terminate, and all borrowings will be required to be repaid on December 31, 2000.

Maturities of debt, excluding capital lease obligations of \$158,911, are as follows:

<TABLE>	
<S>	<C>
1997 (three months).....	\$ 100,373
1998.....	4,624,743
1999.....	3,458,040
2000.....	9,603,850
2001.....	3,658,032
2002.....	3,214,197
Thereafter.....	7,164,294
	-----
	\$31,823,529
	=====

</TABLE>

8. PREFERRED STOCK:

Series A Preferred Stock

Pursuant to the terms of the Articles of Incorporation, the Board of Directors has created a series of Preferred Stock consisting of 2,000,000 shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock"). As of September 30, 1997, 1,000,000 shares of Series A Preferred Stock were issued and outstanding. The Series A Preferred Stock (a) has a liquidation preference of \$1.00 per share, plus accrued but unpaid

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

dividends and (b) entitles the holder, concurrently with each dividend paid on the Common Stock, to dividends in the same amount payable on the number of shares of Common Stock then issuable on conversion of the Series A Preferred Stock. Holders of Series A Preferred Stock vote together with the Common Stock on all matters submitted to a vote of the shareholders, and each share of Series A Preferred Stock entitles the holder to one vote for each share of Common Stock issuable on conversion thereof. The Series A Preferred Stock ranks on a parity with the Common Stock with respect to dividends and senior to Common Stock and the Series B Preferred Stock described below as to distributions of assets upon liquidation. Shares of Series A Preferred Stock may be converted into Common Stock, at the option of the holder, at an initial conversion rate of 1.56 shares of Common Stock for each share of Series A Preferred Stock, subject to adjustment. The Company may elect to convert all outstanding Series A Preferred Stock into shares of Common Stock at the foregoing conversion rate, at any time after the closing of an underwritten public offering of equity securities of the Company resulting in gross proceeds of at least \$15,000,000 (a "Qualifying Public Offering"), provided the \$9,000,000 principal amount of 12% Senior Subordinated Notes issued by a

subsidiary of the Company are no longer outstanding. Under the terms of the Securities Purchase Agreement pursuant to which the Series A Preferred Stock was issued, the holders have the right to require the Company to redeem any or all shares of Series A Preferred Stock upon the occurrence of a Change of Control (as defined in the Agreement). The redemption price is payable in cash in an amount equal to the Market Price (as defined) at the time notice of the Change of Control is given, together with a premium in the maximum aggregate amount of \$2,700,000. If at any time after January 17, 2003, there is no Liquid Secondary Market (as defined), the holders of the Series A Preferred Stock shall have the right to require the Company to redeem any or all of the outstanding shares of Series A Preferred Stock in three annual installments, at a redemption price equal to the Fair Market Value (as defined) of the shares of Common Stock into which the Series A Preferred Stock are then convertible, together with interest on the unpaid balance at an annual rate of 12.0%. For the nine months ended September 30, 1997, the Company has accreted \$479,000 toward the redemption value of the Series A Preferred Stock. Subject to the rights of the holders of the Series A Preferred Stock to convert their shares into Common Stock, the Company may redeem the Series A Preferred Stock, in whole but not in part, at any time on or after a Qualifying Public Offering, provided the Senior Subordinated Notes are no longer outstanding. The redemption price for shares redeemed at the option of the Company shall be \$.001 for each share of Common Stock issuable upon conversion of the Series A Preferred Stock so redeemed (subject to adjustments).

#### Series B Preferred Stock

Pursuant to the terms of the Articles of Incorporation, the Board of Directors has created a series of Preferred Stock consisting of 2,500,000 shares of Series B Convertible Preferred Stock (the "Series B Preferred Stock"). As of September 30, 1997, 2,046,667 shares of Series B Preferred Stock were issued and outstanding. The Series B Preferred Stock (a) has a liquidation preference of \$1.00 per share, (b) ranks junior to the Series A Preferred Stock with respect to distributions of assets on liquidation and (c) is convertible into Common Stock in the event of a Qualifying Public Offering at a conversion price equal to 93% of the price at which shares of Common Stock are offered to the public in the Qualifying Public Offering. Holders of Series B Preferred Stock are not entitled to receive any dividends. Within five business days after the receipt of notice from the Company that the Company has filed a Registration Statement with the Securities and Exchange Commission (the "Commission") related to a Qualifying Public Offering, the holder is required to notify the Company if such holder elects to cause the Company to redeem all or part of the Series B Preferred Stock for a cash redemption price of \$1.00 per share or to convert such shares into Common Stock at the rate specified above. In the event the holder fails to give the Company notice of its election, all conversion and redemption rights shall immediately terminate. Any shares of Series B Preferred Stock not redeemed or converted into Common Stock, must be redeemed by the Company quarterly, during the 20 fiscal quarters following the quarter in which a Qualifying Public Offering occurs. The Series B Preferred Stock does not entitle the holders to vote on any matter submitted to the Company's shareholders, except as required by law.

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U.S. LEGAL SUPPORT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### Series C Preferred Stock

The Board of Directors has created a series of Preferred Stock consisting of 231,250 shares of Series C Convertible Preferred Stock (the "Series C Preferred Stock"). As of September 30, 1997, 231,250 shares of Series C Preferred Stock were issued and outstanding. The Series C Preferred Stock has a liquidation preference of \$1.00 per share, plus accrued and unpaid dividends. The Series C Preferred Stock ranks senior to the Series A Preferred Stock and the Common Stock with respect to dividends and distributions of assets upon liquidation, and ranks senior to the Series B Preferred Stock with respect to distributions of assets on liquidation. The Series C Preferred Stock carries an annual dividend equal to \$.06 per share, payable quarterly in respect of any quarter in which aggregate net income before taxes, depreciation, and amortization of the business represented by SFRS exceeds \$160,000. Dividends of \$1,825 were paid on the Series C Preferred Stock in the nine months ended September 30, 1997. The Series C Preferred Stock is convertible into Common Stock upon the occurrence of a Qualifying Public Offering, at a conversion rate equal to the initial public offering price. Within 10 business days after the receipt of notice from the Company that the Company has filed a Registration Statement with the Commission related to a Qualifying Public Offering, the holder is required to notify the Company if such holder elects to cause the Company to redeem all or part of the Series C Preferred Stock for a cash redemption price of \$1.00 per share or to convert such shares into Common Stock at the rate specified above. In the event the

holder fails to give the Company notice of its election, all conversion and redemption rights shall immediately terminate. On or after May 15, 1998, any holder of Series C Preferred Stock may require the Company to redeem all such holders of shares of Series C Preferred Stock quarterly over the 16 fiscal quarters ended after notice of such election is delivered to the Company. The Series C Preferred Stock does not entitle the holders to vote on any matter submitted to the Company's shareholders, except as required by law.

9. COMMITMENTS AND CONTINGENCIES:

Leases

The Company leases various office space under noncancelable operating leases with remaining terms of up to four years. The Company also leases certain office and computer equipment under operating leases. Rental expense associated with these operating leases for the nine months ended September 30, 1997 was approximately \$355,000.

The future minimum rental payments under noncancelable operating leases from 1997 through 2002 are as follows (in thousands):

<S>	<C>
1997 (three months).....	\$189,746
1998.....	723,699
1999.....	658,839
2000.....	528,387
2001.....	231,121
2002.....	46,832
	-----
	\$2,378,624
	=====

</TABLE>

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Legal Proceedings

The Company is involved in certain lawsuits and claims arising in the normal course of business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

10. STOCK OPTION PLANS:

1997 Stock Incentive Plan

The Company's 1997 Stock Incentive Plan provides for the granting to eligible employees or directors of the Company and its subsidiaries of options to purchase shares of Common Stock, which may be incentive stock options within the meaning of Section 422(b) of the Internal Revenue Code or non-qualified options. The 1997 Stock Incentive Plan is administered by the Compensation Committee of the Board of Directors, which designates the employees who will receive options, the type of options, the number of shares of Common Stock subject to these options and their terms and conditions, including their exercise price and vesting schedule. A total of 750,000 shares of Common Stock have been reserved for issuance pursuant to options granted under the 1997 Stock Incentive Plan. As of September 30, 1997 options to purchase a total of 138,915 shares of Common Stock had been granted under the 1997 Stock Incentive Plan with exercise prices ranging from \$6.41 to \$10.20. All options granted under the 1997 Stock Incentive Plan vest 20% annually, are fully vested on the fifth anniversary of the date of grant and expire 10 years after the date of grant. Subsequent to September 30, 1997, the Company granted

an additional 470,109 stock options under the 1997 Stock Incentive Plan with an exercise price equal to the initial public offering price.

Stock Option Plan for Non-Employee Directors

The Company also has adopted the U.S. Legal Support, Inc. Stock Option Plan for Non-Employee Directors (the "Directors' Stock Option Plan"). A total of 150,000 shares of Common Stock have been reserved for issuance under the Directors' Stock Option Plan which provides for the grant of options to purchase 25,000 shares of Common Stock, with an exercise price equal to the fair market value on the date of grant, to each incumbent director and to each person who becomes a director concurrently with his or her first election to the Board. Options granted under the Directors' Stock Option Plan vest 20% annually and are fully vested on the fifth anniversary of the date of grant. Upon completion of the Offering, each director of the Company will be awarded options to purchase 25,000 shares of Common Stock with an exercise price equal to the per share price set forth on the cover page of this Prospectus.

The following is a summary of stock option activity for the nine months ended September 30, 1997:

<TABLE>  
<CAPTION>

	# OF SHARES OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICES
	-----	-----
<S>	<C>	<C>
Outstanding at beginning of the year.....	--	--
Granted.....	138,915	\$7.94
Exercised.....	--	--
Forfeited.....	--	--
Expired.....	--	--
Outstanding at end of period.....	138,915	\$7.94
Exercisable at end of period.....	--	--
Weighted average fair value of options granted.....		\$2.54

</TABLE>

The fair value of each stock option granted is estimated on the date of grant using The Black-Scholes pricing model with the following assumptions for grants during the nine months ended September 30, 1997: expected dividend yield of 0%; risk-free interest rates of 6%; and weighted average expected life of five years. The minimum value method has been applied, which excludes expected volatility.

U.S. LEGAL SUPPORT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Options outstanding as of September 30, 1997 are summarized below:

<TABLE>  
<CAPTION>

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
	WGTD. AVG. REMAINING	WGTD. AVG. EXERCISE		WGTD. AVG. EXERCISE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	LIFE (IN YEARS)	PRICE	NUMBER EXERCISABLE	PRICE
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
\$6.41 to \$8.50	98,915	9	\$7.02	--	--
\$10.20	40,000	9	\$10.20	--	--
-----	-----	---	-----	-----	-----
\$6.41 to \$10.20	138,915	9	\$7.94	--	--

</TABLE>

Had the compensation expense for the 1997 Stock Incentive Plan been recognized in accordance with SFAS 123, the Company's net loss and net loss per common share for the nine months ended September 30, 1997 would have been as follows (in thousands except per share data):

<TABLE>  
<CAPTION>

	AS REPORTED	PRO FORMA
	-----	-----
<S>	<C>	<C>

Net loss attributable to common shareholders..... \$(562,355) \$(586,583)  
 Net loss per common share..... \$ (.14) \$ (.15)

</TABLE>

The effects of applying SFAS 123 for only 1997 option grants may not be representative of the pro forma impact in future years.

Purchase Price Options

In connection with the acquisitions of Klein Bury, Legal Enterprise and Elaine Dine, the Company granted non-compensatory stock options as partial consideration. The fair value of the options granted was determined at the date of acquisition and accounted for as part of the purchase price. Additionally, options were granted to employees of Looney in connection with the combination of Looney and compensation expense of approximately \$20,000 was recognized.

Other Options outstanding as of September 30, 1997 are summarized below:

<TABLE>

<CAPTION>

GRANTED	OPTION PRICE	OPTIONS EXERCISED	OPTIONS OUTSTANDING
-----	-----	-----	-----
<S>	<C>	<C>	<C>
104,336	\$.01	12,480	91,856
40,000	\$.10	--	40,000

</TABLE>

11. RELATED PARTY TRANSACTIONS:

To finance the distribution to Richard Looney and the acquisition of Klein Bury, the Company issued \$9,000,000 principal amount of Senior Subordinated Notes to three investors managed by Pecks Management Partners Ltd. in January 1997. A director of the Company serves as a Managing Partner of Pecks Management Partners Ltd.

The GulfStar Group, Inc. ("GulfStar") has provided merger and acquisition advisory services to the Company since its inception. A director of the Company is a Managing Director of GulfStar. In October 1996, GulfStar Investments, Ltd., an affiliate of GulfStar was issued 150,000 shares of Common Stock at a price of \$.01 per share, or \$1,500, in exchange for services rendered in connection with the organization of the Company and strategic planning. The estimated fair value of the shares received by GulfStar was approximately \$60,000, or \$.40 per share, based on a January 17, 1997 valuation which considers the combination with Looney. Upon completion of the initial public offering, such amount will be recorded as a simultaneous increase and decrease to paid-in capital. If the offering is not successful, such amount will be charged to expense. GulfStar also received an investment banking fee aggregating \$475,000 in exchange for services in connection with the placement of \$9,000,000 of Senior Subordinated Notes, the placement of the Series A Preferred Stock, the

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U.S. LEGAL SUPPORT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

negotiation of the Bank Credit Agreement and the acquisition of Looney and Klein Bury in January 1997. Pursuant to the terms of a letter agreement dated April 24, 1997, between GulfStar and the Company, GulfStar agreed to provide negotiation and other financial advisory services to the Company in connection with the Company's evaluation of acquisitions and will be paid advisory fees equal to 1.0% of the total purchase price of each acquisition as well as reimbursement of out-of-pocket expenses. GulfStar has received a total of \$33,000 under the letter agreement and will be entitled to an additional \$450,000 upon completion of the initial public offering.

12. SUPPLEMENTAL CASH FLOW INFORMATION:

The following represents supplemental noncash investing and financing activities:

<TABLE>

<CAPTION>

SEPTEMBER 30,  
1997

-----  
<C>

<S>  
Common control exchange of shares between Looney and the Company



Net assets acquired in connection with reorganization.....	\$207,763
Issuance of Series B Preferred Stock.....	2,046,667
Acquisition of Klein Bury	
Net assets acquired, net of cash.....	510,521
Grant of stock options..	12,000
Issuance of a note payable.....	1,424,113
Issuance of Common Stock.....	68,240
Acquisition of San Francisco Reporting	
Net assets acquired, net of cash.....	112,814
Issuance of Preferred Stock.....	231,250
Issuance of Common Stock.....	12,243
Acquisition of G&G	
Net assets acquired, net of cash.....	152,012
Issuance of notes payable.....	995,568
Acquisition of Legal Enterprise	
Net assets acquired, net of cash.....	625,707
Grant of stock options..	59,500
Issuance of notes payable.....	1,140,500
Acquisition of Ziskind Greene	
Net assets acquired, net of cash.....	4,259
Issuance of Common Stock.....	1,350,000
Acquisition of Block	
Net assets acquired, net of cash.....	(32,494)
Issuance of notes payable.....	600,000
Acquisition of Elaine Dine	
Net assets acquired, net of cash.....	286,000
Issuance of Common Stock.....	650,000
Grant of stock options..	350,000
Issuance of notes payable.....	2,000,000
Deferred purchase price.....	500,000
Acquisition of Johnson Group	
Net assets acquired, net of cash.....	199,868
Issuance of Common Stock.....	1,211,046
Issuance of notes payable.....	245,760
Acquisition of Amicus One	
Net assets acquired, net of cash.....	363,029
Issuance of Common Stock.....	990,000
Issuance of a note payable.....	560,000

</TABLE>

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Looney & Company as of December 31, 1995 and 1996, and the related statements of operations, stockholder's equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial

statements based on our audits.

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

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

COOPERS & LYBRAND L.L.P.

Houston, Texas  
September 5, 1997

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LOONEY & COMPANY

BALANCE SHEET

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1995	1996
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash.....	\$--	\$20,605
Accounts receivable:		
Trade, net of allowance of \$142,581 and \$223,331, respectively.....	2,095,032	1,307,330
Related parties.....	69,531	319,302
Prepaid expenses and other current assets.....	56,049	45,926
Deferred income taxes.....	--	26,742
Total current assets.....	2,220,612	1,719,905
Property and equipment, net.....	590,101	426,296
Other assets.....	51,041	27,500
Deferred income taxes.....	--	18,500
Total assets.....	\$2,861,754	\$2,192,201
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable.....	\$452,125	\$183,389
Accrued liabilities.....	897,265	1,140,163
Income taxes payable.....	123,303	--
Deferred income taxes.....	15,188	--
Current maturities of long-term obligations.....	832,157	529,413
Total current liabilities.....	2,320,038	1,852,965
Long-term obligations, net of current maturities.....	227,378	131,473
Deferred income taxes.....	122,274	--
Commitments and contingencies		
Stockholder's equity:		
Common stock, \$1 par value, 100,000 shares authorized, 1,000 shares issued and outstanding.....	1,000	1,000
Retained earnings.....	191,064	206,763
Total stockholder's equity.....	192,064	207,763
Total liabilities and stockholder's equity.....	\$2,861,754	\$2,192,201
	=====	=====

</TABLE>

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

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LOONEY & COMPANY

STATEMENT OF OPERATIONS

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED
	1994	1995	1996	SEPTEMBER 30, 1996
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$8,362,920	\$9,103,728	\$7,667,539	\$5,886,022
Cost of services.....	5,589,599	5,763,195	4,838,932	3,725,852
Gross profit.....	2,773,321	3,340,533	2,828,607	2,160,170
Selling, general and administrative expenses.....	3,042,999	1,970,310	2,351,669	1,309,628
Depreciation.....	223,680	230,353	212,277	159,208
Operating income (loss).....	(493,358)	1,139,870	264,661	691,334
Interest expense.....	184,414	229,969	238,251	177,920
Income (loss) before income taxes.....	(677,772)	909,901	26,410	513,414
Income tax (benefit) expense..	(182,979)	327,177	10,711	174,550
Net income (loss).....	\$ (494,793)	\$ 582,724	\$ 15,699	\$ 338,864

</TABLE>

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

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LOONEY & COMPANY

STATEMENT OF STOCKHOLDER'S EQUITY

<TABLE>  
<CAPTION>

	COMMON STOCK	RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY
	<S>	<C>	<C>
Balance as of January 1, 1994.....	\$1,000	\$103,133	\$104,133
Net loss.....	--	(494,793)	(494,793)
Balance as of December 31, 1994.....	1,000	(391,660)	(390,660)
Net income.....	--	582,724	582,724
Balance as of December 31, 1995.....	1,000	191,064	192,064
Net income.....	--	15,699	15,699
Balance as of December 31, 1996.....	\$1,000	\$206,763	\$207,763

</TABLE>

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

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LOONEY & COMPANY

STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED
	1994	1995	1996	SEPTEMBER 30, 1996
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income (loss).....	\$ (494,793)	\$582,724	\$15,699	\$338,864
Adjustments to reconcile net				

income (loss) to net cash provided by operating activities:				
Depreciation.....	223,680	230,353	212,277	159,208
Provision for doubtful accounts.....	28,566	82,773	80,750	60,037
Deferred income taxes.....	40,263	75,272	(182,704)	(19,639)
Loss on disposal of equipment..	47,345	--	--	--
Changes in operating assets and liabilities:				
Accounts receivable.....	(161,513)	(256,538)	706,952	982,208
Other receivables, related parties.....	--	34,407	(249,771)	(217,235)
Prepaid expenses and other current assets.....	(12,116)	(1,199)	10,123	(96,102)
Accounts payable and accrued liabilities.....	275,578	(305,706)	76,138	(673,138)
Income taxes payable.....	--	123,303	(123,303)	(33,967)
Other assets.....	148,305	3,010	23,541	19,226
	-----	-----	-----	-----
Net cash provided by operating activities.....	95,315	568,399	569,702	519,462
	-----	-----	-----	-----
Cash flows from investing activities:				
Purchase of property and equipment.....	(182,331)	(7,654)	(51,028)	(41,180)
	-----	-----	-----	-----
Net cash used in investing activities .....	(182,331)	(7,654)	(51,028)	(41,180)
	-----	-----	-----	-----
Cash flows from financing activities:				
Proceeds from borrowings.....	972,517	--	--	--
Principal payments on long-term obligations.....	(1,013,769)	(491,404)	(396,093)	(280,881)
Other.....	128,268	(69,341)	(101,976)	(101,976)
	-----	-----	-----	-----
Net cash provided by (used in) financing activities .....	87,016	(560,745)	(498,069)	(382,857)
	-----	-----	-----	-----
Increase in cash.....	--	--	20,605	95,425
Cash and cash equivalents at beginning of period.....	--	--	--	--
	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ --	\$ --	\$ 20,605	\$ 95,425
	=====	=====	=====	=====
Cash paid for interest.....	\$252,906	\$229,969	\$238,251	--
Cash paid for income taxes.....	--	120,000	297,590	--
Non cash investing and financing activities:				
Equipment acquired under capital leases.....	123,126	44,504	13,051	--

</TABLE>

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

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LOONEY & COMPANY

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Looney & Company (the "Company"), a Texas corporation, was founded in 1988 and operates in six Texas offices, providing litigation support services primarily to insurance companies, law firms and large corporations. The Company's primary business is court reporting, the transcription of spoken legal testimony into the written word, the retrieval of records used in conjunction with the investigation and litigation of legal proceedings, and copying services. Looney is the predecessor to U.S. Legal Support, Inc. ("USLS"). The interim financial statements for the nine months ended September 30, 1996 should be read in conjunction with the interim financial statements of USLS included elsewhere in this prospectus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The financial statements for the nine months ended September 30, 1996,

reflect all adjustments that are, in the opinion of management, necessary or a fair presentation of the results for the period. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

#### 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash

Cash is maintained in two banks. The balances, at times, may exceed federally insured amounts although management believes that risk of loss is minimal.

#### Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statement of operations.

#### Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to its customers. An allowance is provided for anticipated bad debts based primarily on historical experience and current estimates.

#### Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

#### Income Taxes

Deferred income taxes are provided for the accumulated temporary differences in the bases of assets and liabilities for financial reporting and income tax purposes using enacted tax rates and laws in effect in the years in which the differences are expected to reverse.

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#### LOONEY & COMPANY

#### NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

#### 3. RECEIVABLES, RELATED PARTIES:

Receivables, related parties, consisted of the following at December 31:

<TABLE>

<CAPTION>

	1995	1996
	-----	-----
<S>	<C>	<C>
Shareholder.....	\$69,531	--
U.S. Legal Support, Inc.....	--	\$258,988
Klein, Bury & Associates.....	--	60,314
	-----	-----
	\$69,531	\$319,302
	=====	=====

</TABLE>

In 1996, the Company paid, on behalf of Klein, Bury & Associates ("Klein Bury") and U.S. Legal Support, Inc. ("USLS"), costs incurred related to the January 1997 acquisitions of the Company and Klein Bury by USLS (see Note 9).

#### 4. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at December 31:

<TABLE>

<CAPTION>

	USEFUL LIVES	1995	1996
<S>	<C>	<C>	<C>
Furniture, fixtures and equipment.....	5 to 7 years	\$1,304,264	\$1,367,342
Vehicles.....	5 years	56,640	21,782
		1,360,904	1,389,124
Less accumulated depreciation.....		(770,803)	(962,828)
		\$ 590,101	\$ 426,296
		=====	=====

</TABLE>

The Company has entered into various capital leases. The leases were recorded upon their inception using the interest rate implicit in the lease agreements. The capitalized cost of leased office equipment was approximately \$581,000 and \$594,000 at December 31, 1995 and 1996, respectively.

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LOONEY & COMPANY

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

5. LONG-TERM OBLIGATIONS:

Long-term obligations consisted of the following at December 31:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Note payable to a bank under line of credit, providing borrowings up to \$1,500,000, with interest at the prime rate plus 2.25%, collateralized by substantially all assets of the Company not otherwise pledged.....	\$657,422	\$438,853
Obligations under capital leases of certain equipment, due in monthly installments through July 2000, with implicit interest rates ranging from 8.0% to 20%.....	319,024	218,533
Notes payable to bank, due in monthly installments, including interest at 7% to 9.25%, through January 1997, collateralized by certain equipment.....	83,089	3,500
	1,059,535	660,886
Less current maturities.....	(832,157)	(529,413)
	\$227,378	\$131,473
	=====	=====

</TABLE>

At December 31, 1996, future minimum payments under long-term obligations were as follows:

<TABLE>

<CAPTION>

YEAR ENDED	NOTE PAYABLE	CAPITAL LEASES
<S>	<C>	<C>
1997.....	\$442,353	\$109,516
1998.....	--	83,560
1999.....	--	59,179
2000.....	--	9,093
	442,353	261,348
Less amounts representing interest.....	--	42,815
	\$442,353	\$218,533
	=====	=====

</TABLE>

6. INCOME TAXES:

The provision for income taxes consisted of the following for the years ended December 31:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Current.....	\$ (223,242)	\$251,905	\$193,415
Deferred.....	40,263	75,272	(182,704)
	\$ (182,979)	\$327,177	\$ 10,711
	=====	=====	=====

</TABLE>

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LOONEY & COMPANY

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

A reconciliation of the differences between income taxes computed at the U.S. federal statutory rate of 34% and the Company's reported provision (benefit) for income taxes follows:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Income tax provision (benefit) at statutory rate.....	\$ (230,442)	\$309,366	\$8,979
State tax provision, net of federal income tax benefit.....	20,333	27,297	792
Nondeductible expenses and other.....	27,130	(9,486)	940
	\$ (182,979)	\$327,177	\$10,711
	=====	=====	=====

</TABLE>

The components of deferred income tax assets and liabilities were as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Deferred tax assets:		
Accrued liabilities.....	\$54,331	\$84,884
Allowance for doubtful accounts.....	52,755	82,632
Deferred tax assets.....	107,086	167,516
Deferred tax liabilities:		
Conversion from cash to accrual basis for tax reporting purposes.....	244,548	122,274
Net deferred tax asset (liability).....	\$ (137,462)	\$45,242
	=====	=====

</TABLE>

7. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Customer overpayments.....	\$602,361	\$ 519,711
Payroll.....	154,904	160,452
Litigation settlements and other.....	140,000	100,000
Ownership interests.....	--	360,000
	\$897,265	\$1,140,163
	=====	=====

</TABLE>

The Company recorded a charge of \$360,000 in the fourth quarter of 1996 for the fair value of ownership interests granted to certain employees by the Company's shareholder. The obligation was satisfied in January 1997 in connection with the acquisition of the Company's stock (Note 9).

Customer overpayments arise primarily when customers make duplicate payments or payments in excess of billed amounts. The customers have generally denied the Company's refund attempts, which the management of the Company believes is due to the significant volume and relatively small amount of each individual billing. Legal counsel has advised the Company that any claims by third parties for overpayments are subject to statute-of-limitation laws and related interpretations, which vary by state, and the ultimate resolution of any such third-party claims, if made, is not certain.

In 1997, the Company paid all outstanding amounts owed under litigation settlements.

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LOONEY & COMPANY

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

8. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<TABLE>	
<S>	<C>
1997.....	\$274,314
1998.....	242,035
1999.....	197,163
2000.....	143,637
2001.....	73,110
	-----
	\$930,259
	=====

</TABLE>

Rent expense recorded in 1995 and 1996 totaled approximately \$295,000 and \$260,000, respectively. Certain rental agreements provide for additional rent based on the lessors' operating expenses.

Legal Proceedings

The Company is involved in certain lawsuits and claims arising in the normal course of business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

9. FORMATION OF NEW COMPANY:

In October 1996, the Company's shareholder, along with an investment firm, formed U.S. Legal Support, Inc. ("USLS") to create a nationwide a leading provider of legal support and staffing services to law firms, insurance providers and major corporations. In January 1997, the Company's stock was exchanged for stock of USLS as part of a common control combination (see Note 1 of the U.S. Legal Support, Inc. financial statements).

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To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Klein, Bury & Associates, Inc. as of September 30, 1995 and December 31, 1996, and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Klein, Bury & Associates, Inc. as of September 30, 1995 and December 31, 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Houston, Texas  
August 15, 1997

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KLEIN, BURY & ASSOCIATES, INC.

BALANCE SHEET

<TABLE>

<CAPTION>

	SEPTEMBER 30, 1995	DECEMBER 31, 1996
	-----	-----
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash.....	\$ --	\$315,437
Accounts receivable, net of allowance of \$216,619 and \$235,823, respectively.....	1,908,325	2,120,265
	-----	-----
Total current assets.....	1,908,325	2,435,702
Property and equipment, net.....	61,278	30,411
Other assets.....	4,405	4,405
	-----	-----
Total assets.....	\$1,974,008	\$2,470,518
	=====	=====

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

	<C>	<C>
<S>		
Current liabilities:		
Accounts payable.....	\$ 843,577	\$1,167,787
Accrued liabilities.....	4,296	4,638
Income taxes payable.....	--	140,482
Deferred income taxes.....	425,407	358,474
	-----	-----
Total current liabilities.....	1,273,280	1,671,381
Deferred income taxes.....	25,605	26,507
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$1 par value, 500 shares authorized, issued and outstanding.....	500	500
Additional paid-in capital.....	30,000	30,000
Retained earnings.....	644,623	742,130
	-----	-----
Total stockholders' equity.....	675,123	772,630
	-----	-----
Total liabilities and stockholders' equity.....	\$1,974,008	\$2,470,518
	=====	=====

</TABLE>

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

## KLEIN, BURY &amp; ASSOCIATES, INC.

## STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30, 1995	YEAR ENDED DECEMBER 31, 1996
<S>	<C>	<C>
Revenues.....	\$7,302,368	\$8,525,386
Cost of services.....	4,837,854	5,586,241
Gross profit.....	2,464,514	2,939,145
Selling, general and administrative expenses.....	2,263,112	2,779,564
Depreciation.....	16,343	15,367
Income before income taxes.....	185,059	144,214
Income taxes.....	76,901	55,065
Net income.....	\$ 108,158	\$ 89,149

&lt;/TABLE&gt;

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

## KLEIN, BURY &amp; ASSOCIATES, INC.

## STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>  
<CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>
October 1, 1994.....	\$500	\$ --	\$536,465	\$536,965
Capital contributions.....	--	30,000	--	30,000
Net income.....	--	--	108,158	108,158
September 30, 1995.....	500	30,000	644,623	675,123
Net income, three months ended December 31, 1995.....	--	--	8,358	8,358
December 31, 1995.....	500	30,000	652,981	683,481
Net income.....	--	--	89,149	89,149
December 31, 1996.....	\$500	\$30,000	\$742,130	\$772,630

&lt;/TABLE&gt;

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

## KLEIN, BURY &amp; ASSOCIATES, INC.

## STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30, 1995	YEAR ENDED DECEMBER 31, 1996
<S>	<C>	<C>
Cash flows from operating activities:		
Net income.....	\$108,158	\$89,149

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	16,343	15,367
Provision for doubtful accounts.....	86,801	64,366
Deferred tax expense.....	76,901	92,528
Changes in operating assets and liabilities:		
Accounts receivable.....	(453,406)	(428,690)
Accounts payable.....	12,451	244,132
Accrued liabilities.....	141,336	(63,740)
	-----	-----
Net cash provided by operating activities.....	(11,416)	13,112
	-----	-----
Cash flows from investing activities:		
Capital expenditures.....	--	(2,261)
	-----	-----
Net cash used in investing activities.....	--	(2,261)
	-----	-----
Cash flows from financing activities:		
Capital contribution.....	30,000	--
Cash overdraft.....	(18,616)	--
	-----	-----
Net cash provided by financing activities.....	11,384	--
	-----	-----
Increase (decrease) in cash.....	(32)	10,851
Cash and cash equivalents at beginning of year.....	32	304,586
	-----	-----
Cash and cash equivalents at end of year.....	\$ --	\$315,437
	=====	=====

</TABLE>

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

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KLEIN, BURY & ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS

#### 1. ORGANIZATION AND BUSINESS:

Klein, Bury & Associates, Inc., (the "Company"), a Florida corporation, was founded in 1977 as a court reporting business based in Miami, Florida, with four additional offices in Florida. The Company provides general court reporting services, the transcription of spoken legal testimony into the written word, and has particular expertise in handling cases involving medical malpractice.

The Company changed its fiscal year end for reporting purposes from September 30 to December 31. The results of operations for the three months ended December 31, 1996 have been included in the statement of stockholders' equity.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Cash

Cash is maintained at one bank. The balances, at times, may exceed federally insured amounts, although management believes that risk of loss is minimal.

##### Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statement of income.

##### Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to its customers. An allowance is provided for anticipated bad debts, based

primarily on historical experience and current estimates.

#### Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

#### Income Taxes

Deferred income taxes are provided for the accumulated temporary differences in the bases of assets and liabilities for financial reporting and income tax purposes using enacted tax rates and laws in effect in the years in which the differences are expected to reverse.

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### KLEIN, BURY & ASSOCIATES, INC.

#### NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

#### 3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	USEFUL LIVES	SEPTEMBER 30, 1995	DECEMBER 31, 1996
<S>	<C>	<C>	<C>
Leasehold improvements.....	5 years	\$26,085	\$26,085
Furniture, fixtures and equipment.....	5 to 7 years	116,393	118,654
		-----	-----
		142,478	144,739
Less accumulated depreciation...		(81,200)	(114,328)
		-----	-----
		\$61,278	\$30,411
		=====	=====

</TABLE>

#### 4. INCOME TAXES:

The provision for income taxes consisted of the following:

	SEPTEMBER 30, 1995	DECEMBER 31, 1996
<S>	<C>	<C>
Current.....	\$ --	\$(37,463)
Deferred.....	76,901	92,528
	-----	-----
	\$76,901	\$ 55,065
	=====	=====

</TABLE>

A reconciliation of the differences between income taxes computed at the U.S. federal statutory rate of 34% and the Company's reported provision for income taxes follows:

	SEPTEMBER 30, 1995	DECEMBER 31, 1996
<S>	<C>	<C>
Income tax provision at statutory rate.....	\$62,920	\$49,033
State tax provision, net of federal income tax benefit.....	6,847	5,336
Nondeductible expenses and other.....	7,134	696
	-----	-----
	\$76,901	\$55,065
	=====	=====

</TABLE>

The components of deferred income tax assets and liabilities were as follows:

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 1995	DECEMBER 31, 1996
	-----	-----
<S>	<C>	<C>
Deferred tax liabilities:		
Conversion from accrual to cash basis.....	\$425,407	\$358,474
Property and equipment.....	25,605	26,507
	-----	-----
	\$451,012	\$384,981
	=====	=====

</TABLE>

5. RELATED-PARTY TRANSACTIONS:

During the years ended September 30, 1995 and December 31, 1996, the Company incurred rent expense of approximately \$41,000 and \$45,600, respectively, for office space leased from a partnership in which an interest is held by the Company's president and majority shareholder.

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KLEIN, BURY & ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

6. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<S>	<C>
1997.....	\$281,398
1998.....	244,222
1999.....	225,855
2000.....	232,702
2001.....	177,381
	-----
	\$1,161,558
	=====

</TABLE>

Rent expense for the years ended September 30, 1995 and December 31, 1996 totaled approximately \$240,000 and \$276,000, respectively. Certain rental agreements provide for additional rent based on the lessors' operating expenses.

Legal Proceedings

The Company is involved in certain lawsuits and claims arising in the normal course of business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

7. SALE OF THE COMPANY:

In January 1997, the Company's stock was acquired by U.S. Legal Support, Inc.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of G & G Court Reporters (a Sole Proprietorship) as of December 31, 1995 and 1996, and the related statements of income, owner's equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of G & G Court Reporters as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Houston, Texas  
September 4, 1997

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G & G COURT REPORTERS

BALANCE SHEET

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
ASSETS		
<S>	<C>	<C>
Current assets:		
Accounts receivable, net of allowance of \$15,500 in 1995 and 1996.....	\$281,925	\$251,103
Total current assets.....	281,925	251,103
Property and equipment, net.....	1,693	1,403
Total assets.....	\$283,618	\$252,506
	=====	=====

<CAPTION>

LIABILITIES AND OWNER'S EQUITY

<S>	<C>	<C>
Current liabilities:		
Cash overdraft.....	\$ 23,193	\$ 709
Accounts payable.....	4,218	3,163
Accrued liabilities.....	4,451	11,754
Total current liabilities.....	31,862	15,626
Commitments and contingencies		
Owner's equity.....	251,756	236,880
Total liabilities and owner's equity.....	\$283,618	\$252,506
	=====	=====

</TABLE>

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

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G & G COURT REPORTERS

STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,		JANUARY 1, THROUGH MAY 19,	
	1995	1996	1996	1997		
(UNAUDITED)						
<S>	<C>	<C>	<C>	<C>		
Revenues.....	\$1,544,379	\$1,517,377	\$745,412	\$543,282		
Cost of services.....	813,646	837,774	412,850	321,716		
Gross profit.....	730,733	679,603	332,562	221,566		
Selling, general and administrative expenses.....	281,725	286,861	138,900	98,112		
Depreciation.....	318	290	145	145		
Net income.....	\$ 448,690	\$ 392,452	\$193,517	\$123,309		

</TABLE>

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

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G & G COURT REPORTERS  
STATEMENT OF OWNER'S EQUITY

<TABLE>	
<S>	<C>
Balance, January 1, 1995.....	\$265,153
Distributions.....	(462,087)
Net income.....	448,690
Balance, December 31, 1995.....	251,756
Distributions.....	(407,328)
Net income.....	392,452
Balance, December 31, 1996.....	236,880
Distributions (unaudited).....	(199,594)
Net income (unaudited).....	123,309
Balance, May 19, 1997 (unaudited).....	\$160,595

</TABLE>

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

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G & G COURT REPORTERS  
STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,		JANUARY 1, THROUGH MAY 19,	
	1995	1996	1996	1997		
(UNAUDITED)						
<S>	<C>	<C>	<C>	<C>		
Cash flows from operating activities:						
Net income.....	\$448,690	\$392,452	\$193,517	\$123,309		
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation.....	318	290	145	145		
Changes in operating assets and liabilities:						
Accounts receivable.....	22,479	30,822	73,191	29,636		
Accounts payable and accrued liabilities.....	4,203	6,248	4,619	45,795		

Net cash provided by operating activities.....	475,690	429,812	271,472	198,885
Cash flows from financing activities:				
Cash overdraft.....	(13,603)	(22,484)	9,670	709
Distributions.....	(462,087)	(407,328)	(281,142)	(199,594)
Net cash used in financing activities.....	(475,690)	(429,812)	(271,472)	(198,885)
Change in cash.....	--	--	--	--
Cash and cash equivalents at beginning of period.....	--	--	--	--
Cash and cash equivalents at end of period.....	\$ --	\$ --	\$ --	\$ --

</TABLE>

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

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G & G COURT REPORTERS

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

G & G Court Reporters, a Sole Proprietorship (the "Company"), operates in California, providing litigation support services primarily for insurance companies, law firms and large corporations. The Company's primary business is court reporting, the transcription of spoken legal testimony into the written word.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The unaudited financial statements for the periods ended June 30, 1996 and May 19, 1997 reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained primarily in one bank. The balances, at times, may exceed federally insured amounts, although management believes that risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statements of income.

Income Taxes

The Company is organized as a sole proprietorship. No provision for federal income taxes is provided in these financial statements because the Company's income is included in the owner's separate income tax return.

Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to its customers. An allowance is provided for anticipated bad debts, based primarily on historical experience and current estimates.



Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

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G & G COURT REPORTERS

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>  
<CAPTION>

	USEFUL LIVES	DECEMBER 31,	
		1995	1996
<S>	<C>	<C>	<C>
Furniture, fixtures and equipment.....	5 to 7 years	\$55,700	\$51,181
Less accumulated depreciation.....		(54,007)	(49,778)
		\$ 1,693	\$ 1,403
		=====	=====

</TABLE>

4. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Rent expense totalled approximately \$59,000 and \$56,000 for the years ended December 31, 1995 and 1996, respectively. The Company's office lease expired in June 1997. The Company entered a new office lease in June 1997 expiring July 2002 with annual rent of approximately \$44,000.

Legal Proceedings

The Company is involved in certain lawsuits and claims arising in the normal course of business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

5. SALE OF THE BUSINESS:

On May 19, 1997, certain of the Company's net assets were sold to U.S. Legal Support, Inc.

F-56

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of San Francisco Reporting Service (a California Partnership) as of December 31, 1996 and May 14, 1997, and the related statements of income, partners' capital and cash flows for the year ended December 31, 1996 and the period from January 1, 1997 through May 14, 1997. These financial statements are the responsibility of 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Reporting Service as of December 31, 1996 and May 14, 1997, and the results of its operations and its cash flows for the year ended December 31, 1996 and the period from January 1, 1997 through May 14, 1997 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Houston, Texas  
September 19, 1997

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SAN FRANCISCO REPORTING SERVICE

BALANCE SHEET

<TABLE>  
<CAPTION>

	DECEMBER 31, MAY 14,	
	1996	1997
	-----	-----
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash.....	\$ --	\$19,309
Accounts receivable, net of allowance of \$4,000 at 1996 and 1997.....	112,772	197,543
Prepaid expenses and other current assets.....	5,296	8,762
	-----	-----
Total current assets.....	118,068	225,614
Property and equipment, net.....	42,939	38,222
	-----	-----
Total assets.....	\$161,007	\$263,836
	=====	=====

<CAPTION>

LIABILITIES AND PARTNERS' CAPITAL

	<C>	<C>
<S>		
Current liabilities:		
Note payable to bank.....	\$21,195	\$63,425
Accounts payable.....	65,703	144,166
Due to related parties.....	11,000	--
Cash overdraft.....	28,709	--
Current maturities of capital lease obligation.....	2,477	2,477
	-----	-----
Total current liabilities.....	129,084	210,068
Capital lease obligation.....	3,580	2,586
Commitments and contingencies		
Partners' capital.....	28,343	51,182
	-----	-----
Total liabilities and partners' capital.....	\$161,007	\$263,836
	=====	=====

</TABLE>

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

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SAN FRANCISCO REPORTING SERVICE

STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	SIX MONTHS	PERIOD
YEAR ENDED	ENDED	ENDED
DECEMBER 31,	JUNE 30,	MAY 14,
1996	1996	1997

	(UNAUDITED)		
<S>	<C>	<C>	<C>
Revenues.....	\$1,139,538	\$586,754	\$467,424
Cost of services.....	745,336	406,321	289,842
-----			
Gross profit.....	394,202	180,433	177,582
Selling, general and administrative expenses.....	356,284	168,696	141,682
Depreciation.....	11,800	5,900	4,717
-----			
Operating income.....	26,118	5,837	31,183
Interest expense.....	4,993	3,571	2,344
-----			
Net income.....	\$ 21,125	\$ 2,266	\$ 28,839
=====			

</TABLE>

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

F-59

SAN FRANCISCO REPORTING SERVICE

STATEMENT OF PARTNERS' CAPITAL

<S>	<C>
Balance as of January 1, 1996.....	\$26,218
Distributions.....	(19,000)
Net income.....	21,125
-----	
Balance as of December 31, 1996.....	28,343
Distributions.....	(6,000)
Net income.....	28,839
-----	
Balance as of May 14, 1997.....	\$51,182
=====	

</TABLE>

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

F-60

SAN FRANCISCO REPORTING SERVICE

STATEMENT OF CASH FLOWS

<S>	(UNAUDITED)		
<C>	<C>	<C>	PERIOD ENDED
	YEAR ENDED	SIX MONTHS	ENDED
	DECEMBER 31,	ENDED JUNE	MAY 14,
	1996	30, 1996	1997
	-----		
Cash flows from operating activities:			
Net income.....	\$21,125	\$2,266	\$28,839
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	11,800	5,900	4,717
Provision for doubtful accounts.....	2,000	--	--
Changes in operating assets and liabilities:			
Accounts receivable.....	63,171	19,543	(84,771)
Prepaid expenses and other current assets..	(176)	(133)	(3,466)
Accounts payable.....	(47,687)	(12,903)	67,463
-----			
Net cash provided by operating activities.....	50,233	14,673	12,782
-----			
Cash flows from investing activities:			
Capital expenditures.....	(18,573)	(18,573)	--
-----			
Net cash used in investing activities...	(18,573)	(18,573)	--
-----			
Cash flows from financing activities:			

Change in note payable to bank.....	(39,412)	15,002	42,230
Payments on capital lease obligation.....	(1,660)	(536)	(994)
Distributions to partners.....	(19,000)	(14,000)	(6,000)
Cash overdraft.....	28,412	3,434	(28,709)
	-----	-----	-----
Net cash provided by (used in) financing activities.....	(31,660)	3,900	6,527
	-----	-----	-----
Increase in cash.....	--	--	19,309
Cash and cash equivalents at beginning of period.....	--	--	--
	-----	-----	-----
Cash and cash equivalents at end of period....	\$ --	\$ --	\$19,309
	=====	=====	=====
Cash paid for interest.....	\$ 4,993	\$3,571	\$ 2,344
	=====	=====	=====

</TABLE>

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

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## SAN FRANCISCO REPORTING SERVICE

### NOTES TO FINANCIAL STATEMENTS

#### 1. ORGANIZATION AND BUSINESS:

San Francisco Reporting Service (the "Company"), a California partnership, operates in California, providing litigation support services primarily for insurance companies, law firms and large corporations. The Company's primary business is court reporting, the transcription of spoken legal testimony into the written word. An additional component of the Company's litigation support services is the retrieval of records used in conjunction with the investigation and litigation of legal proceedings. The Company also provides copying services. On May 14, 1997, certain of the Company's net assets were sold to U.S. Legal Support, Inc.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Preparation of Interim Financial Statements

The financial statements for the six month period ended June 30, 1996, reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

##### 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Cash

Cash is maintained in one bank. The balances, at times, may exceed federally insured amounts although management believes the risk of loss is minimal.

##### Property and Equipment

Property and equipment is recorded at cost and depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized, while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statement of operations.

##### Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to its customers. An allowance is provided for anticipated bad debts, based primarily on historical experience and current estimates.

##### Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

No provision for federal income taxes is provided in these financial statements, because the Company's income or loss is included in the partners' separate income tax returns.

SAN FRANCISCO REPORTING SERVICE

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>

<CAPTION>

	USEFUL LIVES	DECEMBER 31, 1996	MAY 14, 1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Furniture, fixtures and equipment....	5 to 7 years	\$60,603	\$60,603
Less accumulated depreciation.....		(17,664)	(22,381)
		\$42,939	\$38,222
		=====	=====

</TABLE>

4. NOTE PAYABLE TO BANK:

At December 31, 1996, the note payable to bank represented amounts borrowed under a \$75,000 revolving line of credit agreement with interest at 3.75% above the bank's prime rate (8.25% at December 31, 1996), maturing in December 1997. The note was guaranteed by the partners. The note was repaid in May 1997.

5. CAPITAL LEASE OBLIGATION:

In 1996, the Company acquired office equipment for \$7,717 financed by a long-term capital lease. Future minimum lease payments under the capital lease are as follows:

<TABLE>

<S>	<C>
May 15, 1997 through December 31, 1997.....	\$1,818
1998.....	3,116
1999.....	779
	-----
	5,713
Less: Amount representing interest.....	(650)
	-----
Present value of net minimum capital lease payments.....	5,063
Less: Current portion.....	(2,477)
	-----
Long-term portion.....	\$2,586
	=====

</TABLE>

6 . COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

SAN FRANCISCO REPORTING SERVICE

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases and negotiated renewal options with lease terms in excess of one year as of December 31, 1996, are as follows:

<S>	<C>
May 15 through December 31, 1997.....	\$17,043
1998.....	36,156
1999.....	37,326
2000.....	28,602
	-----
	\$119,127
	=====

</TABLE>

Rent expense totaled approximately \$30,000 and \$14,000 for the year ended December 31, 1996 and for the period from January 1, 1997 through May 14, 1997, respectively.

7. RELATED PARTY TRANSACTIONS:

For the year ended December 31, 1996, the Company paid the partners approximately \$95,000 for court reporting services. The balance due to the partners for court reporting services at December 31, 1996, of approximately \$11,000 was included in accounts payable. There were no payments due to partners at May 14, 1997.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Legal Enterprise, Inc. as of December 31, 1995 and 1996, and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Enterprise, Inc. as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas  
September 5, 1997

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LEGAL ENTERPRISE, INC.

BALANCE SHEET

<TABLE>  
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
	-----		
	(UNAUDITED)		
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash.....	\$ --	\$27,958	\$47,368
Accounts receivable, net of allowance of			

\$9,640, \$20,960 and \$18,086, respectively.....	339,414	513,365	528,039
Prepaid expenses and other current assets.....	11,808	15,536	13,860
Total current assets.....	351,222	556,859	589,267
Property and equipment, net.....	161,386	193,559	252,301
Other assets.....	13,492	14,351	14,376
Total assets.....	\$526,100	\$764,769	\$855,944
=====			
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable.....	\$48,494	\$68,193	\$50,102
Accrued liabilities.....	20,959	43,084	56,606
Notes payable--shareholder.....	354,270	411,315	345,319
Total current liabilities.....	423,723	522,592	452,027
Notes payable--shareholder.....	--	--	38,615
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$1 par value, 75,000 shares authorized, 2,000 shares issued and outstanding.....			
	2,000	2,000	2,000
Paid-in-capital.....	48,000	48,000	48,000
Retained earnings.....	52,377	192,177	315,302
Total stockholders' equity.....	102,377	242,177	365,302
Total liabilities and stockholders' equity.....	\$526,100	\$764,769	\$855,944
=====			

</TABLE>

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

F-66

LEGAL ENTERPRISE, INC.

STATEMENT OF INCOME

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER		SIX MONTHS ENDED JUNE	
	31,		30,	
	1995	1996	1996	1997
-----				
(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$2,756,466	\$3,706,782	\$1,718,985	\$2,231,106
Cost of services.....	1,785,906	2,292,138	1,076,707	1,508,737
Gross profit.....	970,560	1,414,644	642,278	722,369
Selling, general and administrative expenses.....	830,261	1,206,578	554,495	559,412
Depreciation.....	39,826	40,579	16,487	25,000
Operating income.....	100,473	167,487	71,296	137,957
Interest expense.....	10,767	27,687	14,888	14,832
Net income.....	\$ 89,706	\$ 139,800	\$ 56,408	\$ 123,125
=====				

</TABLE>

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

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LEGAL ENTERPRISE, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

	PAID-			TOTAL
	COMMON STOCK	IN- CAPITAL	RETAINED EARNINGS	STOCKHOLDERS' EQUITY
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Balance as of January 1, 1994.....	\$2,000	\$48,000	\$ (37,329)	\$12,671

Net income.....	--	--	89,706	89,706
Balance as of December 31, 1995.....	2,000	48,000	52,377	102,377
Net income.....	--	--	139,800	139,800
Balance as of December 31, 1996.....	2,000	48,000	192,177	242,177
Net income (unaudited).....	--	--	123,125	123,125
Balance as of June 30, 1997 (unaudited).....	\$2,000	\$48,000	\$315,302	\$365,302
	=====	=====	=====	=====

</TABLE>

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

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LEGAL ENTERPRISE, INC.

STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income.....	\$89,706	\$139,800	\$56,408	\$123,125
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation.....	39,826	40,579	16,487	25,000
Provision for doubtful accounts..	--	11,320	11,320	(2,874)
Changes in operating assets and liabilities:				
Accounts receivable.....	(166,197)	(185,271)	(93,382)	(11,800)
Prepaid expenses and other current assets.....	(915)	(3,728)	(3,750)	1,676
Accounts payable and accrued liabilities.....	(4,460)	82,935	65,148	2,667
Other assets.....	(13,392)	(859)	--	(25)
Net cash provided by (used in) operating activities....	(55,432)	84,776	52,231	137,769
Cash flows from investing activities:				
Capital expenditures.....	(64,904)	(72,752)	(22,700)	(83,742)
Net cash used in investing activities.....	(64,904)	(72,752)	(22,700)	(83,742)
Cash flows from financing activities:				
Principal payments on notes payable--shareholder.....	--	(62,037)	(43,326)	(81,002)
Proceeds from notes payable-- shareholder.....	95,733	95,000	--	46,385
Other.....	17,029	(17,029)	13,795	--
Net cash provided by (used in) financing activities....	112,762	15,934	(29,531)	(34,617)
Increase (decrease) in cash.....	(7,574)	27,958	--	19,410
Cash and cash equivalents at beginning of period.....	7,574	--	--	27,958
Cash and cash equivalents at end of period.....	\$ --	\$ 27,958	\$ --	\$ 47,368
Cash paid for interest.....	\$10,767	\$3,605	\$2,847	\$7,596
	=====	=====	=====	=====

</TABLE>

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

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NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Legal Enterprise, Inc. (the "Company"), a California corporation, operates in California offices, providing litigation support services primarily for insurance companies, law firms and large corporations. The Company's primary business is the retrieval of records used in conjunction with the investigation and litigation of legal proceedings. The Company also provides copying services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The financial statements for the six month periods ended June 30, 1996 and 1997 reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained in one bank. The balances, at times, may exceed federally insured amounts although management believes the risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statements of operations.

Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to its customers. An allowance is provided for anticipated bad debts, based primarily on historical experience and current estimates.

Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

Income Taxes

The Company is an S corporation under the Internal Revenue Code and thus for federal tax purposes is not considered to be a tax paying entity but instead taxes are paid at the shareholder level. The provision for income taxes consists of California state income taxes.

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	-----	
USEFUL LIVES	1995	1996

	<C>	<C>	<C>
Furniture, fixtures and equipment.....	5 to 7 years	\$218,213	\$283,592
Less accumulated depreciation.....		(56,827)	(90,033)
		\$161,386	\$193,559
		=====	=====

</TABLE>

4. NOTES PAYABLE--SHAREHOLDER:

At December 31, 1996, the note payable--shareholder is due on demand. The interest rate on the loan is prime rate plus 1%.

In May 1997, the Company obtained an additional loan from a shareholder in the amount of \$46,385 related to the purchase of certain equipment which is pledged as collateral for the loan. The loan bears interest at 9.5% and is payable in monthly principal and interest installments to May 2002.

5. COMMITMENTS AND CONTINGENCIES:

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<S>	<C>
1997.....	\$101,016
1998.....	101,016
1999.....	101,016
2000.....	101,016
2001.....	53,495
	-----
	\$457,559
	=====

</TABLE>

Rent expense totaled approximately \$100,000 for the years ended December 31, 1995 and 1996. Certain rental agreements provide for additional rent based on the lessors' operating expenses.

6. EMPLOYEE BENEFITS:

The Company has adopted a contributory profit sharing plan pursuant to Internal Revenue Code Section 401(k) covering substantially all employees. Each year the Company determines, at its discretion, the amount of matching contributions. Contributions charged to operations was \$7,327 for the year ended December 31, 1996. There were no contributions charged to operations for the year ended December 31, 1995.

7. SALE OF THE BUSINESS:

On August 28, 1997, certain of the Company's net assets were sold to U.S. Legal Support, Inc. Summary financial information pertaining to the Company's operations from January 1, 1997 through the acquisition date is as follows:

<S>	(UNAUDITED) <C>
Revenues.....	\$3,050,086
Gross profit.....	985,178
Operating income.....	200,399
Income before income taxes.....	180,426

</TABLE>

F-71

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Elaine P. Dine, Inc. as of March 31, 1996 and 1997, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of

material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elaine P. Dine, Inc. as of March 31, 1996 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas  
August 29, 1997

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ELAINE P. DINE, INC.

BALANCE SHEET

<TABLE>  
<CAPTION>

	MARCH 31,		JUNE 30,
	1996	1997	1997
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets			
Cash and cash equivalents.....	\$245,394	\$336,321	\$125,648
Accounts receivable.....	295,907	1,227,258	1,075,126
Prepaid expenses and other current assets....	5,893	--	--
Total current assets.....	547,194	1,563,579	1,200,774
Property and equipment, net.....	125,821	123,044	112,195
Other assets.....	302	74,803	263,083
Total assets.....	\$673,317	\$1,761,426	\$1,576,052
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities			
Accounts payable.....	\$165,383	\$529,871	\$550,846
Accrued liabilities.....	45,037	158,059	96,921
Total current liabilities.....	210,420	687,930	647,767
Commitments and contingencies			
Stockholder's equity			
Capital stock, no par value; 11,612 shares authorized issued and outstanding.....	13,112	13,112	13,112
Retained earnings.....	449,785	1,060,384	915,173
Total stockholder's equity.....	462,897	1,073,496	928,285
Total liabilities and stockholder's equity.....	\$673,317	\$1,761,426	\$1,576,052

</TABLE>

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

F-73

ELAINE P. DINE, INC.

STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED		FOR THE THREE	
	FOR THE YEARS ENDED	MARCH 31,	MONTHS ENDED	JUNE
	1996	1997	1996	1997
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$3,503,580	\$4,657,760	\$694,650	\$1,182,334

Cost of services.....	2,030,058	2,640,374	357,959	635,942
Gross profit.....	1,473,522	2,017,386	336,691	546,392
Selling, general and administrative expenses.....	1,210,636	1,120,540	153,380	210,923
Depreciation.....	52,183	26,461	10,628	10,849
Income before income taxes.....	210,703	870,385	172,683	324,620
State income taxes.....	22,621	96,563	18,539	33,089
Net income.....	\$ 188,082	\$ 773,822	\$154,144	\$ 291,531

</TABLE>

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

F-74

ELAINE P. DINE, INC.

STATEMENT OF STOCKHOLDER'S EQUITY

<TABLE>  
<CAPTION>

	CAPITAL STOCK	RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY
<S>	<C>	<C>	<C>
Balance on April 1, 1995.....	\$13,112	\$458,534	\$471,646
Distributions to stockholder.....	--	(196,831)	(196,831)
Net income.....	--	188,082	188,082
Balance on March 31, 1996.....	13,112	449,785	462,897
Distributions to stockholder.....	--	(163,223)	(163,223)
Net income.....	--	773,822	773,822
Balance on March 31, 1997.....	13,112	1,060,384	1,073,496
Distributions to stockholder (unaudited).....	--	(436,742)	(436,742)
Net income (unaudited).....	--	291,531	291,531
Balance on June 30, 1997 (unaudited).....	\$13,112	\$915,173	\$928,285

</TABLE>

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

F-75

ELAINE P. DINE, INC.

STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED MARCH 31,		FOR THE THREE MONTHS ENDED JUNE 30,	
	1996	1997	1996	1997
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income.....	\$188,082	\$773,822	\$154,144	\$291,531
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation.....	52,183	26,461	10,628	10,849
Change in operating assets and liabilities:				
Accounts receivable.....	189,229	(931,351)	14,105	152,132
Other assets.....	(5,195)	(73,768)	(73,468)	(188,280)
Accounts payable.....	2,864	364,488	(165,383)	20,975
Accrued liabilities.....	14,018	113,022	(28,180)	(61,138)

Net cash provided by (used)

in) operating activities..	441,181	272,674	(88,154)	226,069
Cash flows from investing activities:				
Capital expenditures.....	(1,758)	(18,524)	(6,367)	--
Net cash used in investing activities.....	(1,758)	(18,524)	(6,367)	--
Cash flows from financing activities:				
Cash overdraft.....			20,385	
Distributions to stockholder.....	(196,831)	(163,223)	(171,258)	(436,742)
Net cash used in financing activities.....	(196,831)	(163,223)	(150,873)	(436,742)
Increase (decrease) in cash and cash equivalents.....	242,592	90,927	(245,394)	(210,673)
Cash and cash equivalents at the beginning of period.....	2,802	245,394	245,394	336,321
Cash and cash equivalents at the end of the period.....	\$245,394	\$336,321	\$ --	\$125,648
Cash paid for income taxes.....	\$ 26,860	\$ 26,470	\$ 6,615	\$ 8,306

</TABLE>

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

F-76

ELAINE P. DINE, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Elaine P. Dine, Inc. (the "Company"), a New York corporation, founded in 1983, provides litigation recruitment services primarily to law firms and large corporations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The unaudited financial statements for the periods ended June 30, 1996 and 1997 reflect all adjustments that are in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash is maintained in one bank. The balance, at times, may exceed federally insured amounts although management believes the risk of loss is minimal. Cash equivalents are short-term highly liquid investments with maturities of 90 days or less.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Art work which is included in property and equipment is not depreciated. Expenditures for improvements that extend the life of such assets are capitalized, while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in operations.

Revenue Recognition

The Company records revenue when candidates accept a job offer. An allowance is provided for bad debts, based primarily on historical experience and

current estimates.

Concentration of Credit Risk

The Company grants credit to primarily law firms and large corporations which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses and such losses have been within management's expectations.

Income Taxes

The Company is an S corporation under Internal Revenue Code and thus for federal tax purposes is not considered to be a tax paying entity. Income taxes are paid at the shareholder level. Section 7519 of the Internal Revenue Code requires prepayment of taxes if a company elects to pay taxes for a period other than the required taxable calendar year. As the Company has elected not to pay taxes based on a calendar year, it has deposited \$74,201 for related prepayments as of March 31, 1997. No such deposits were made as of March 31, 1996.

Deferred state income taxes are provided for the accumulated temporary differences in the bases of assets and liabilities for financial reporting and income tax purposes using enacted tax rates and laws in effect in the years in which the differences are expected to reverse.

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ELAINE P. DINE, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Employee Benefit Plan

The Company has adopted a contributory profit sharing plan pursuant to Internal Revenue Code Section 401(k) covering substantially all employees. Each year the Company determines, at its discretion, the amount of matching contributions. Contributions charged to operations for the years ended March 31, 1996 and 1997 were \$5,253 and \$6,494, respectively.

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>  
<CAPTION>

	USEFUL LIVES	MARCH 31,	
		1996	1997
<S>	<C>	<C>	<C>
Furniture and fixtures.....	5 to 7 years	\$289,076	\$293,531
Art.....		46,925	52,085
Office equipment.....	5 to 7 years	107,549	121,619
Leasehold improvements.....	5 years	531,436	531,436
		974,986	998,671
Less accumulated depreciation.....		(849,165)	(875,627)
		\$125,821	\$123,044
		=====	=====

</TABLE>

4. INCOME TAXES:

The provision for income taxes consisted of New York state income taxes as follows:

<TABLE>  
<CAPTION>

	MARCH 31,	
	1996	1997
<S>	<C>	<C>
Current.....	\$28,514	\$31,058
Deferred.....	(5,893)	65,505
	\$22,621	\$96,563
	=====	=====

</TABLE>

Temporary differences arise primarily from the conversion from accrual to

cash basis of accounting and depreciation.

5. COMMITMENTS AND CONTINGENCIES:

Operating Leases

At March 31, 1997, aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<S>	<C>
1998.....	\$82,223
1999.....	82,223
2000.....	54,815
	-----
	\$219,261
	=====

</TABLE>

6. SALE OF THE BUSINESS:

On September 17, 1997, certain of the Company's net assets were sold to U.S. Legal Support, Inc. Summary financial information pertaining to the Company's operations from January 1, 1997 through the acquisition date is as follows:

<S>	<C>
Revenues.....	\$4,553,763
Gross profit.....	2,510,436
Operating income.....	1,057,269
Income before income taxes.....	1,064,258

</TABLE>

F-78

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Burton House, Inc., d.b.a. Ziskind, Greene, Watanabe, & Nason, as of December 31, 1995 and 1996, and the related statements of operations, stockholder's deficit and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Burton House, Inc., d.b.a. Ziskind, Greene, Watanabe & Nason, as of December 31, 1995 and 1996 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas  
September 5, 1997

F-79

BURTON HOUSE, INC., D.B.A. ZISKIND, GREENE, WATANABE, & NASON

BALANCE SHEET

<TABLE>	<CAPTION>		
	DECEMBER 31,	JUNE 30,	
	-----	-----	-----
	1995	1996	1997
	-----	-----	-----

	(UNAUDITED)		
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash.....	\$1,936	\$22,901	\$116,514
Accounts receivable, net of allowance of \$0, \$27,500 and \$27,500, respectively.....	92,000	18,750	240,792
Deferred income taxes.....	16,170	3,941	2,730
Prepaid expenses and other current assets....	800	800	800
	-----	-----	-----
Total current assets.....	110,906	46,392	360,836
Other assets.....	9,360	9,735	9,735
	-----	-----	-----
Total assets.....	\$120,266	\$56,127	\$370,571
	=====	=====	=====
LIABILITIES AND STOCKHOLDER'S DEFICIT			
Current liabilities:			
Accounts payable.....	\$ 49,125	\$19,698	\$ 38,948
Accrued liabilities.....	111,973	89,354	209,644
Income taxes payable.....	--	1,712	62,548
	-----	-----	-----
Total current liabilities.....	161,098	110,764	311,140
Note payable to bank.....	100,000	100,000	100,000
Commitments and contingencies			
Stockholder's deficit:			
Common stock, no par value, 1,000,000 shares authorized, 8,500 shares issued and outstanding.....	18,493	18,493	18,493
Accumulated deficit.....	(159,325)	(173,130)	(59,062)
	-----	-----	-----
Total stockholder's deficit.....	(140,832)	(154,637)	(40,569)
	-----	-----	-----
Total liabilities and stockholder's deficit....	\$120,266	\$56,127	\$370,571
	=====	=====	=====

</TABLE>

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

F-80

BURTON HOUSE, INC., D.B.A. ZISKIND, GREENE, WATANABE, & NASON

STATEMENT OF OPERATIONS

<S>	FOR THE YEARS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	-----	-----	-----	-----
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$1,442,257	\$1,841,309	\$1,026,686	\$1,178,643
Cost of services.....	964,069	1,125,329	654,674	636,005
	-----	-----	-----	-----
Gross profit.....	478,188	715,980	372,012	542,638
Selling, general and administrative expenses.....	588,039	704,785	348,282	357,393
	-----	-----	-----	-----
Operating income (loss).....	(109,851)	11,195	23,730	185,245
Interest expense.....	7,644	10,259	5,438	7,419
	-----	-----	-----	-----
Income (loss) before income taxes.....	(117,495)	936	18,292	177,826
Income tax expense (benefit)....	(23,644)	14,741	7,317	63,758
	-----	-----	-----	-----
Net income (loss).....	\$ (93,851)	\$ (13,805)	\$ 10,975	\$ 114,068
	=====	=====	=====	=====

</TABLE>

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

F-81

BURTON HOUSE, INC., D.B.A. ZISKIND, GREENE, WATANABE, & NASON

STATEMENT OF STOCKHOLDER'S DEFICIT



<TABLE>  
<CAPTION>

	COMMON STOCK	DEFICIT	TOTAL STOCKHOLDER'S DEFICIT
<S>	<C>	<C>	<C>
Balance as of January 1, 1995.....	\$18,493	\$(65,474)	\$(46,981)
Net loss.....	--	(93,851)	(93,851)
Balance as of December 31, 1995.....	18,493	(159,325)	(140,832)
Net loss.....	--	(13,805)	(13,805)
Balance as of December 31, 1996.....	18,493	(173,130)	(154,637)
Net income (unaudited).....	--	114,068	114,068
Balance as of June 30, 1997 (unaudited).....	\$18,493	\$(59,062)	\$(40,569)

</TABLE>

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

F-82

BURTON HOUSE, INC., D.B.A. ZISKIND, GREENE, WATANABE, & NASON

STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
<S>	<C>	<C>	<C>	<C>
	1995	1996	1996	1997
	(UNAUDITED)			
Cash flows from operating activities:				
Net income (loss).....	\$(93,851)	\$(13,805)	\$10,975	\$114,068
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for doubtful accounts.....	--	27,500	--	--
Changes in operating assets and liabilities:				
Accounts receivable.....	122,162	45,750	(50,000)	(222,042)
Deferred income taxes.....	(16,170)	12,229	--	1,211
Income taxes payable.....	(9,340)	1,712	--	60,836
Prepaid expenses and other current assets.....	--	(375)	--	--
Accounts payable and accrued liabilities.....	(101,407)	(52,046)	46,030	139,540
Net cash provided by (used in) operating activities.....	(98,606)	20,965	7,005	93,613
Cash flows from investing activities.....	--	--	--	--
Cash flows from financing activities:				
Proceeds from note payable.....	100,000	--	--	--
Increase in cash.....	1,394	20,965	7,005	93,613
Cash at beginning of period.....	542	1,936	1,936	22,901
Cash at end of period.....	\$ 1,936	\$ 22,901	\$ 8,941	\$116,514
Cash paid for interest.....	\$ 7,644	\$ 10,259	\$ 5,438	\$ 7,419
Cash paid for taxes.....	--	\$ 800	\$ 800	\$ 8,957

</TABLE>

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

F-83

BURTON HOUSE, INC., D.B.A. ZISKIND, GREENE, WATANABE, & NASON

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Burton House, Inc., d.b.a. Ziskind, Greene, Watanabe, & Nason (the "Company"), a California corporation, was founded in 1982 and operates in California, providing placement services primarily for law firms and corporations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The unaudited financial statements for six months ended June 30, 1996 and 1997 reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained in one bank. The balance, at times, may exceed federally insured amounts although management believes the risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets which was 5 years. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in operations. All property and equipment is fully depreciated.

Revenue Recognition

The Company recognizes revenue when candidates accept a job offer. An allowance is provided for anticipated bad debts, based primarily on historical experience and current estimates.

Concentration of Credit Risk

The Company grants credit primarily to law firms and major corporations which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

Federal Income Taxes

Deferred income taxes are provided for the accumulated temporary differences in the bases of assets and liabilities for financial reporting and income tax purposes using enacted tax rates and laws in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

BURTON HOUSE, INC., D.B.A. ZISKIND, GREENE, WATANABE, & NASON

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>

<CAPTION>

	USEFUL LIVES	DECEMBER 31,	
		1995	1996
<S>	<C>	<C>	<C>
Furniture and fixtures.....	5 years	\$47,429	\$47,429
Office equipment.....	5 years	33,734	34,234
Leasehold improvements.....	5 years	7,576	7,576

	88,739	89,239
Less accumulated depreciation.....	(88,739)	(89,239)
	-----	-----
	\$ --	\$ --
	=====	=====

</TABLE>

4. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	-----	-----
	1995	1996
	-----	-----
<S>	<C>	<C>
Commissions.....	\$ 89,075	\$10,313
Compensation--stockholder.....	22,898	79,041
	-----	-----
	\$111,973	\$89,354
	=====	=====

</TABLE>

5. NOTE PAYABLE TO BANK:

The note payable to a bank under a line of credit provides borrowings up to \$100,000 with interest at the prime rate plus 1.50%, collateralized by the assets of the Company. The line of credit has no set maturity date. Based on the terms of the agreement, the principal balance of the line of credit must be fully repaid in twenty-four equal consecutive monthly installments, together with accrued monthly interest and any other charges, beginning approximately 30 days after the bank terminates the Company's right to obtain loans under the existing agreement. Until terminated, the Company is required only to pay interest.

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BURTON HOUSE, INC., D.B.A. ZISKIND, GREENE, WATANABE, & NASON

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

6. INCOME TAXES:

The significant components of the Company's deferred tax assets and liabilities were as follows:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	-----	-----
	1995	1996
	-----	-----
<S>	<C>	<C>
Deferred tax assets:		
Allowance for bad debts.....	\$ --	\$ 9,625
Accounts payable.....	17,194	6,894
Accrued liabilities.....	31,176	3,610
	-----	-----
Total deferred tax assets.....	48,370	20,129
	-----	-----
Deferred tax liabilities:		
Accounts receivable.....	32,200	16,188
	-----	-----
Total deferred tax liabilities.....	32,200	16,188
	-----	-----
Net deferred income taxes.....	\$16,170	\$ 3,941
	=====	=====

</TABLE>

The provision (benefit) for income taxes consisted of the following:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	-----	-----
	1995	1996
	-----	-----
<S>	<C>	<C>
Current.....	\$1,866	\$2,512
Deferred.....	(25,510)	12,229

Total.....		-----	-----
		\$ (23,644)	\$14,741
		=====	=====

</TABLE>

The reconciliation of the provision (benefit) for income taxes to the income tax expense (benefit) resulting from the application of the federal statutory tax rate to pretax income is as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
	-----	-----
<S>	<C>	<C>
Tax at statutory rate.....	\$(41,123)	\$328
Nondeductible travel and entertainment.....	6,341	13,893
State income taxes.....	800	520
Nondeductible life insurance premiums.....	1,325	--
Other.....	9,013	--
	-----	-----
Total.....	\$ (23,644)	\$14,741
	=====	=====

</TABLE>

7. SALE OF THE BUSINESS:

On September 17, 1997, the Company sold certain of its net assets to U.S. Legal Support, Inc. Summary financial information pertaining to the Company's operations from January 1, 1997 through the acquisition date is as follows:

<TABLE>  
<CAPTION>

	(UNAUDITED)
<S>	<C>
Revenues.....	\$1,623,300
Gross profit.....	690,005
Operating income.....	223,936
Income before income taxes.....	214,439

</TABLE>

F-86

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Jilio & Associates (a Sole Proprietorship) as of December 31, 1995 and 1996, and the related statements of operations, owner's equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jilio & Associates as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P

Houston, Texas  
September 5, 1997

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JILIO & ASSOCIATES

BALANCE SHEET

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current assets:				
Cash.....	\$22,982	\$ --	\$ --	\$ --
Accounts receivable, net of allowance of \$41,256, \$106,177 and \$178,720, respectively.....	601,039	1,101,415	807,778	
Prepaid expenses and other current assets..	10,205	2,808	17,939	
	-----			
Total current assets.....	634,226	1,104,223	825,717	
Property and equipment, net.....	61,026	32,688	25,089	
	-----			
Total assets.....	\$695,252	\$1,136,911	\$850,806	
	=====			
LIABILITIES AND OWNER'S EQUITY				
Current liabilities:				
Cash overdraft.....	\$ --	\$ 68,088	\$ 15,529	
Accounts payable.....	29,367	38,897	34,319	
Accrued liabilities.....	4,572	34,913	31,305	
	-----			
Total current liabilities.....	33,939	141,898	81,153	
Commitments and contingencies				
Owner's equity.....	661,313	995,013	769,653	
	-----			
Total liabilities and owner's equity.....	\$695,252	\$1,136,911	\$850,806	
	=====			

</TABLE>

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

F-88

JILIO & ASSOCIATES

STATEMENT OF OPERATIONS

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$3,365,754	\$4,022,445	\$2,771,986	\$3,084,611
Cost of services.....	1,697,290	1,970,094	1,366,435	1,571,057
	-----			
Gross profit.....	1,668,464	2,052,351	1,405,551	1,513,554
Selling, general and administrative expenses.....	874,734	1,062,058	742,606	847,846
Depreciation.....	16,706	17,401	13,506	9,642
	-----			
Net income.....	\$ 777,024	\$ 972,892	\$ 649,439	\$ 656,066
	=====			

</TABLE>

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

F-89

JILIO & ASSOCIATES

STATEMENT OF OWNER'S EQUITY

<TABLE>

<S>		<C>
Balance as of January 1, 1995.....		\$671,702
Owner's distributions.....		(787,413)
Net income.....		777,024
		-----
Balance as of December 31, 1995.....		661,313
Owner's distributions.....		(639,192)

Net income.....	972,892
Balance as of December 31, 1996.....	995,013
Owner's distributions (unaudited).....	(881,426)
Net income (unaudited).....	656,066
Balance as of September 30, 1997 (unaudited).....	\$769,653

</TABLE>

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

F-90

JILIO & ASSOCIATES

STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,	
	1995	1996	1996	1997
			(UNAUDITED)	
	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income.....	\$777,024	\$972,892	\$649,439	\$656,066
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation.....	16,706	17,401	13,506	9,642
Provision for doubtful accounts....	41,256	64,921	44,547	72,543
Loss on disposal of property and equipment.....	--	13,428	2,375	--
Changes in operating assets and liabilities:				
Accounts receivable.....	(5,291)	(565,297)	(368,749)	221,094
Prepaid expenses and other current assets.....	(5,301)	7,397	2,397	(15,131)
Accounts payable.....	(372)	9,530	1,784	(4,578)
Accrued liabilities.....	4,572	30,341	118,323	(3,608)
Net cash provided by operating activities.....	828,594	550,613	463,622	936,028
Cash flows from investing activities:				
Capital expenditures.....	(20,931)	(2,491)	(2,493)	(2,043)
Net cash used in investing activities.....	(20,931)	(2,491)	(2,493)	(2,043)
Cash flows from financing activities:				
Owner distributions.....	(787,413)	(639,192)	(507,192)	(881,426)
Cash overdraft.....		68,088	23,081	(52,559)
Net cash used in financing activities.....	(787,413)	(571,104)	(484,111)	(933,985)
Increase (decrease) in cash.....	20,250	(22,982)	(22,982)	--
Cash and cash equivalents at beginning of period.....	2,732	22,982	22,982	--
Cash and cash equivalents at end of period.....	\$ 22,982	\$ --	\$ --	\$ --

</TABLE>

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

F-91

JILIO & ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Jilio & Associates (the "Company"), a California sole proprietorship, was

founded in 1984 and operates in Costa Mesa, California, providing litigation support services primarily for insurance companies and law firms. The Company's primary business is court reporting, the transcription of spoken legal testimony into the written word.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The financial statements for the nine month periods ended September 30, 1996 and 1997 reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained in one bank. The balance, at times, may exceed federally insured amounts although management believes that risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statement of operations.

Revenue Recognition

The Company recognizes revenue after the documents or records have been shipped. An allowance is provided for anticipated bad debts based primarily on historical experience and current estimates.

Income Taxes

The Company is a sole proprietorship and thus is not a tax-paying entity. Income taxes on the Company's earnings are paid by the owner.

Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for credit losses, and such losses have been within management's expectations.

JILIO & ASSOCIATES

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>  
<CAPTION>

	USEFUL LIVES	DECEMBER 31,	
		1995	1996
<S>	<C>	<C>	<C>
Property and equipment:			
Furniture and fixtures.....	5 to 7 years	\$73,476	\$71,585
Office equipment and computers.....	5 years	71,277	18,982
		-----	-----
		144,753	90,567
Less accumulated depreciation.....		(83,727)	(57,879)
		-----	-----
Total.....		\$61,026	\$32,688
		=====	=====

</TABLE>

The Company had fully depreciated assets totaling approximately \$31,000 and \$2,000 at December 31, 1995 and 1996, respectively.

4. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<TABLE>	<S>	<C>
	1997.....	\$130,727
	1998.....	60,546
	1999.....	10,416
	2000.....	10,416
	2001.....	7,812
		-----
		\$219,917
		=====

</TABLE>

Rent expense in 1995 and 1996 totaled approximately \$94,000 and \$140,000, respectively. Certain rental agreements provide for additional rent based on the lessors' operating expenses.

Legal Proceedings

The Company is involved in certain lawsuits and claims arising in the normal course of business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

F-93

JILIO & ASSOCIATES

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

5. LINE OF CREDIT:

The Company has a line of credit with a bank for up to \$100,000 at an interest rate of 10%. As of December 31, 1995 and 1996, there were no funds drawn on the line of credit.

6. SALE OF THE BUSINESS:

In August 1997, the Company's owner agreed to sell certain of the Company's net assets to U.S. Legal Support, Inc.

F-94

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Reporting Service Associates, Inc. as of December 31, 1995 and 1996, and the related statements of income, stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing



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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reporting Service Associates, Inc. as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas  
August 29, 1997, except as  
to the information presented in  
Notes 4 and 6, for which the date  
is September 12, 1997

F-95

REPORTING SERVICE ASSOCIATES, INC.

BALANCE SHEET

<TABLE>

<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets			
Cash.....	\$54,304	\$268,118	\$29,221
Accounts receivable, net of allowance of \$6,200, \$16,000 and \$24,000, respectively...	343,050	656,168	1,054,511
Prepaid expenses and other current assets....	--	--	2,570
Total current assets.....	397,354	924,286	1,086,302
Property and equipment, net.....	22,242	38,782	42,309
Total assets.....	\$419,596	\$963,068	\$1,128,611
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable.....	\$154,633	\$198,075	\$167,729
Note payable.....	200,000	200,000	--
Total current liabilities.....	354,633	398,075	167,729
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$10 par value, 100 shares authorized, issued and outstanding.....	1,000	1,000	1,000
Retained earnings.....	63,963	563,993	959,882
Total stockholder's equity.....	64,963	564,993	960,882
Total liabilities and stockholder's equity.....	\$419,596	\$963,068	\$1,128,611

</TABLE>

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

F-96

REPORTING SERVICE ASSOCIATES, INC.

STATEMENT OF INCOME

<TABLE>

<CAPTION>

	YEARS ENDED	NINE MONTHS ENDED
	DECEMBER 31,	SEPTEMBER 30,
	-----	-----

	1995	1996	1996	1997
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$1,905,831	\$3,012,153	\$2,171,005	\$3,067,261
Cost of services.....	1,156,566	1,682,021	1,179,007	1,356,939
Gross profit.....	749,265	1,330,132	991,998	1,710,322
Selling, general and administrative expenses.....	420,994	578,957	391,437	505,467
Depreciation.....	3,006	6,965	5,223	6,124
Operating income.....	325,265	744,210	595,338	1,198,731
Interest expense.....	19,902	18,922	14,245	14,300
Net income.....	\$ 305,363	\$ 725,288	\$ 581,093	\$1,184,431

</TABLE>

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

F-97

REPORTING SERVICE ASSOCIATES, INC.

STATEMENT OF STOCKHOLDER'S EQUITY

<TABLE>

<CAPTION>

	COMMON STOCK	RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY
<S>	<C>	<C>	<C>
Balance as of January 1, 1995.....	\$1,000	\$30,923	\$31,923
Net income.....	--	305,363	305,363
Distributions.....	--	(272,323)	(272,323)
Balance as of December 31, 1995.....	1,000	63,963	64,963
Net income.....	--	725,288	725,288
Distributions.....	--	(225,258)	(225,258)
Balance as of December 31, 1996.....	1,000	563,993	564,993
Net income (Unaudited).....	--	1,184,431	1,184,431
Distributions (Unaudited).....	--	(788,542)	(788,542)
Balance as of September 30, 1997 (Unaudited)...	\$1,000	\$959,882	\$960,882

</TABLE>

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

F-98

REPORTING SERVICE ASSOCIATES, INC.

STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income.....	\$305,363	\$725,288	\$581,093	\$1,184,431
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation.....	3,006	6,965	5,223	6,124
Provision for doubtful accounts..	6,200	9,800	4,800	8,000
Changes in operating assets and liabilities:				
Accounts receivable.....	(63,575)	(322,918)	(272,295)	(406,343)
Prepaid expenses and other current assets.....	--	--	--	(2,570)

Accounts payable.....	10,533	43,442	41,619	(30,346)
Net cash provided by operating activities.....	261,527	462,577	360,440	759,296
Cash flows from investing activities: Capital expenditures.....	(25,248)	(23,505)	(19,811)	(9,651)
Cash flows from financing activities: Repayment of note payable.....	--	--	--	(200,000)
Stockholder distributions.....	(272,323)	(225,258)	(162,567)	(788,542)
Net cash used by financing activities.....	(272,323)	(225,258)	(162,567)	(988,542)
Increase (decrease) in cash.....	(36,044)	213,814	178,062	(238,897)
Cash and cash equivalents at the beginning of period.....	90,348	54,304	54,304	268,118
Cash and cash equivalents at the end of the period.....	\$54,304	\$268,118	\$232,366	\$29,221
Cash paid for interest.....	\$19,902	\$18,922	\$14,245	\$14,300

</TABLE>

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

F-99

REPORTING SERVICE ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Reporting Service Associates, Inc. (the "Company"), a Pennsylvania corporation founded in 1982 and located in Philadelphia, provides litigation support services primarily for insurance companies, law firms and large corporations in the Philadelphia and Southern New Jersey areas. The Company's primary business is court reporting, the transcription of spoken legal testimony into the written word. An additional component of the Company's litigation support services is the retrieval of records used in conjunction with the investigation and litigation of legal proceedings. The Company also provides copying and videotaping services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The financial statements for the nine month periods ended September 30, 1996 and 1997 reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained in one bank. The balance, at times, may exceed federally insured amounts although management believes the risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized, while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statement of income.

Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to its customers. An allowance is provided for anticipated bad debts based primarily on historical experience and current estimates.

Concentration of Credit Risk

The Company grants credit primarily to insurance companies, law firms and major corporations which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

Income Taxes

The Company is an S corporation under the Internal Revenue Code and thus for federal tax purposes is not considered to be a tax paying entity. Income taxes are paid at the stockholder level.

F-100

REPORTING SERVICE ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>  
<CAPTION>

	USEFUL LIVES	DECEMBER 31,	
		1995	1996
<S>	<C>	<C>	<C>
Furniture, fixtures and equipment.....	5 to 7 years	\$23,248	\$29,154
Computer hardware and software.....	5 years	2,000	19,599
		25,248	48,753
Less accumulated depreciation.....		(3,006)	(9,971)
		\$22,242	\$38,782
		=====	=====

</TABLE>

4. NOTE PAYABLE:

The Company has outstanding a demand promissory note for \$200,000. The note is personally guaranteed by the sole stockholder of the Company, and collateralized by the stockholder's deposits held at the bank. Interest on unpaid borrowings accrues at the bank's prime rate and is payable monthly. In September 1997, the Company repaid the note.

5. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<TABLE>

<S>	<C>
1997.....	\$63,860
1998.....	73,148
1999.....	75,724
2000.....	39,660
2001.....	25,783
Thereafter.....	1,712
	-----
	\$279,887
	=====

</TABLE>

Rent expense totaled approximately \$35,000 in each of the years ended December 31, 1995 and 1996.

6. SALE OF THE BUSINESS:

In September 1997, the Company's stockholder agreed to sell certain of the Company's net assets to U.S. Legal Support, Inc.

F-101

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Kirby A. Kennedy & Associates (a Minnesota Partnership) as of December 31, 1995 and 1996, and the related statements of income, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kirby A. Kennedy & Associates as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas  
August 29, 1997

F-102

KIRBY A. KENNEDY & ASSOCIATES

BALANCE SHEET

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
	(UNAUDITED)		
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash.....	\$ --	\$ --	\$74,007
Accounts receivable.....	133,372	176,959	257,126
	-----	-----	-----
Total current assets.....	133,372	176,959	331,133
Property and equipment, net.....	73,896	77,719	41,355
	-----	-----	-----
Total assets.....	\$207,268	\$254,678	\$372,488
	=====	=====	=====
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities:			
Cash overdraft.....	\$21,943	\$7,137	\$ --
Accounts payable.....	86,692	127,463	177,549
Accrued liabilities.....	294	1,138	1,175
Note payable.....	23,500	--	--
	-----	-----	-----
Total current liabilities.....	132,429	135,738	178,724
Commitments and contingencies			
Partners' capital.....	74,839	118,940	193,764
	-----	-----	-----
Total liabilities and partners' capital.....	\$207,268	\$254,678	\$372,488
	=====	=====	=====

</TABLE>

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

F-103

KIRBY A. KENNEDY & ASSOCIATES

STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,	
	1995	1996	1996	1997
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$1,629,448	\$1,866,355	\$1,455,153	\$1,427,674
Cost of services.....	1,094,237	1,164,405	880,242	846,706
Gross profit.....	535,211	701,950	574,911	580,968
Selling, general and administrative expenses..	191,858	261,025	179,972	181,435
Depreciation.....	27,563	32,160	24,120	19,270
Operating income.....	315,790	408,765	370,819	380,263
Interest expense.....	1,412	1,527	1,131	356
Net income.....	\$ 314,378	\$ 407,238	\$ 369,688	\$ 379,907

</TABLE>

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

F-104

KIRBY A. KENNEDY & ASSOCIATES

STATEMENT OF PARTNERS' CAPITAL

<TABLE>  
<S>

Partners' capital, January 1, 1995.....	\$59,859
Distributions.....	(299,398)
Net income.....	314,378
Partners' capital, December 31, 1995.....	74,839
Distributions.....	(363,137)
Net income.....	407,238
Partners' capital, December 31, 1996.....	118,940
Distributions (Unaudited).....	(305,083)
Net income for the nine months ended September 30, 1997 (Unaudited).....	379,907
Partners' capital, September 30, 1997 (Unaudited).....	\$193,764

</TABLE>

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

F-105

KIRBY A. KENNEDY & ASSOCIATES

STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,	
	1995	1996	1996	1997
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>

Cash flows from operating activities:				
Net income.....	\$314,378	\$407,238	\$369,688	\$379,907
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation.....	27,563	32,160	24,120	19,270
Changes in operating assets and liabilities:				
Accounts receivable.....	(14,886)	(43,587)	(10,978)	(80,167)
Accounts payable.....	(4,567)	40,771	17,635	50,086
Accrued liabilities.....	(6,001)	844	--	37
	-----	-----	-----	-----
Net cash provided by operating activities.....	316,487	437,426	400,465	369,133
	-----	-----	-----	-----
Cash flows from investing activities:				
Capital expenditures.....	(27,810)	(35,983)	(5,472)	(3,536)
	-----	-----	-----	-----
Net cash used in investing activities.....	(27,810)	(35,983)	(5,472)	(3,536)
	-----	-----	-----	-----
Cash flows from financing activities:				
Cash overdraft.....	(12,779)	(14,806)	(21,943)	(7,137)
Proceeds from note payable.....	23,500	--	--	25,000
Principal payments on note payable...	--	(23,500)	(23,500)	(25,000)
Distributions.....	(299,398)	(363,137)	(261,789)	(284,453)
	-----	-----	-----	-----
Net cash used in financing activities.....	(288,677)	(401,443)	(307,232)	(291,590)
	-----	-----	-----	-----
Increase in cash.....	--	--	87,761	74,007
Cash and cash equivalents at beginning of period.....	--	--	--	--
	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ --	\$ --	\$ 87,761	\$ 74,007
	=====	=====	=====	=====
Cash paid for interest.....	\$ 1,412	\$ 1,527	\$ 1,131	\$ 356
	=====	=====	=====	=====
Supplemental schedule of noncash investing and financing activities:				
Distributions of automobiles to Partners at net book value.....	\$ --	\$ --	\$ --	\$ 20,630
	=====	=====	=====	=====

</TABLE>

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

F-106

KIRBY A. KENNEDY & ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

#### 1. ORGANIZATION AND BUSINESS:

Kirby A. Kennedy & Associates, a Minnesota Partnership (the "Partnership"), was founded in 1979 and provides litigation support services primarily for law firms and insurance companies in the United States. The Partnership's primary business is court reporting, the transcription of the spoken legal testimony into the written word. The Partnership also provides copying services, video services, special exhibit handling and complete case management. Income is allocated 75% to Jeanne Kennedy and 25% to Kirby Kennedy.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Preparation of Interim Financial Statements

The financial statements for the nine month periods ended September 30, 1996 and 1997 reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

##### 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained at one bank. The balance, at times, may exceed federally insured amounts, although management believes the risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized, while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statement of income.

Income Taxes

No provision for federal income taxes is provided in these financial statements because the Partnership's income or loss is included in the partners' separate income tax returns.

Revenue Recognition

The Partnership recognizes revenue as the documents or records are delivered to its customers. An allowance is provided for anticipated bad debts based primarily on historical experience and current estimates.

Concentration of Credit Risk

The Partnership grants credit primarily to law firms and insurance companies which may be affected by economic or other external conditions.

F-107

KIRBY A. KENNEDY & ASSOCIATES

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>

<CAPTION>

	USEFUL LIVES	DECEMBER 31,	
		1995	1996
<S>	<C>	<C>	<C>
Furniture, fixtures and equipment.....	5 to 7 years	\$230,888	\$237,061
Vehicles.....	5 years	113,944	110,148
		344,832	347,209
Less accumulated depreciation.....		(270,936)	(269,490)
		\$73,896	\$77,719

</TABLE>

In the third quarter of 1997, automobiles having a book value of \$20,630 at December 31, 1996 were distributed to the partners.

4. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Partnership, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Partnership. The Partnership does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Partnership to control costs. In the event the Partnership were required to treat these court reporters as its employees, the Partnership could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Aggregate minimum rental commitments under a noncancelable operating lease



with a term in excess of one year are as follows:

<S>	<C>
1997.....	\$35,127
1998.....	35,127
1999.....	35,127
	-----
	\$105,381
	=====

Rent expense totaled approximately \$35,000 for the years ended December 31, 1995 and 1996. The rental agreement provides for additional rent based on yearly increases in the lessors' operating expenses.

5. SALE OF THE BUSINESS:

In August 1997, the Partnership agreed to sell certain of its net assets to U.S. Legal Support, Inc.

F-108

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying combined balance sheet of the Johnson Court Reporting Group as of December 31, 1995 and 1996, and the related combined statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Johnson Court Reporting Group as of December 31, 1995 and 1996, and the combined results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas  
September 19, 1997

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JOHNSON COURT REPORTING GROUP

COMBINED BALANCE SHEET

<S>	DECEMBER 31,		JUNE 30,
<CAPTION>	1995	1996	1997
	-----	-----	-----
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash.....	\$22,253	\$38,905	\$13,084
Accounts receivable.....	246,636	252,480	383,399
Prepaid expenses and other current assets.....	17,789	10,100	20,431
	-----	-----	-----
Total current assets.....	286,678	301,485	416,914
Property and equipment, net.....	185,821	169,140	168,119
Other assets.....	16,216	42,050	64,115
	-----	-----	-----
Total assets.....	\$488,715	\$512,675	\$649,148
	=====	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable.....	\$73,121	\$94,558	\$169,121
Income taxes payable.....	9,152	89,027	101,561
Accrued liabilities.....	88,212	72,289	85,045
Deferred income taxes.....	63,370	72,077	119,341
	-----	-----	-----
Total current liabilities.....	233,855	327,951	475,068
Notes payable, including related parties of \$103,734, \$28,995 and \$15,911, respectively....	133,099	68,265	77,113
Deferred income taxes.....	14,866	13,531	13,450
Commitments and contingencies			
Stockholders' equity:			
Common stock.....	77,000	77,000	77,000
Retained earnings.....	29,895	25,928	6,517
	-----	-----	-----
Total stockholders' equity.....	106,895	102,928	83,517
	-----	-----	-----
Total liabilities and stockholders' equity.....	\$488,715	\$512,675	\$649,148
	=====	=====	=====

</TABLE>

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

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JOHNSON COURT REPORTING GROUP

COMBINED STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	-----			
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$1,713,593	\$2,154,933	\$1,068,290	\$1,227,628
Cost of services.....	845,694	1,039,876	494,388	586,482
	-----	-----	-----	-----
Gross profit.....	867,899	1,115,057	573,902	641,146
Selling, general and administra- tive expenses.....	642,756	835,786	469,596	426,558
Depreciation.....	19,670	38,401	35,107	26,080
	-----	-----	-----	-----
Operating income.....	205,473	240,870	69,199	188,508
Interest expense.....	11,438	19,023	8,383	5,896
	-----	-----	-----	-----
Income before income taxes....	194,035	221,847	60,816	182,612
Income taxes.....	83,498	89,099	24,507	73,045
	-----	-----	-----	-----
Net income.....	\$ 110,537	\$ 132,748	\$ 36,309	\$ 109,567
	=====	=====	=====	=====

</TABLE>

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

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JOHNSON COURT REPORTING GROUP

COMBINED STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>  
<CAPTION>

	COMMON STOCK	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance as of January 1, 1995.....	\$77,000	\$22,923	\$99,923
Dividends.....	--	(103,565)	(103,565)
Net income.....	--	110,537	110,537
	-----	-----	-----
Balance as of December 31, 1995.....	77,000	29,895	106,895
Dividends.....	--	(136,715)	(136,715)
Net income.....	--	132,748	132,748
	-----	-----	-----
Balance as of December 31, 1996.....	77,000	25,928	102,928

Dividends (unaudited).....	-- (128,978)	(128,978)
Net income (unaudited).....	-- 109,567	109,567
	-----	-----
Balance as of June 30, 1997 (unaudited).....	\$77,000 \$6,517	\$83,517
	=====	=====

</TABLE>

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

F-112

JOHNSON COURT REPORTING GROUP

COMBINED STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income.....	\$110,537	\$132,748	\$36,309	\$109,567
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation.....	19,670	38,401	35,107	26,080
Deferred income taxes.....	63,334	7,372	(7,280)	47,183
Changes in operating assets and liabilities:				
Accounts receivable.....	(142,112)	(5,844)	(16,062)	(130,919)
Prepaid expenses and other.....	(20,481)	(18,145)	16,834	(32,396)
Accounts payable.....	35,071	21,437	(10,093)	50,381
Income taxes payable.....	16,400	79,875	3,406	12,534
Accrued liabilities.....	65,525	(15,923)	29,398	12,756
	-----	-----	-----	-----
Net cash provided by operating activities.....	147,944	239,921	87,619	95,186
	-----	-----	-----	-----
Cash flows from investing activities:				
Capital expenditures.....	(102,347)	(21,720)	(10,813)	(25,059)
	-----	-----	-----	-----
Net cash used in investing activities.....	(102,347)	(21,720)	(10,813)	(25,059)
	-----	-----	-----	-----
Cash flows from financing activities:				
Notes payable.....	62,275	(64,834)	(43,444)	8,848
Dividends.....	(103,565)	(136,715)	(67,661)	(128,978)
Other.....	--	--	27,872	24,182
	-----	-----	-----	-----
Net cash used in financing activities.....	(41,290)	(201,549)	(83,233)	(95,948)
	-----	-----	-----	-----
Increase (decrease) in cash.....	4,307	16,652	(6,427)	(25,821)
Cash and cash equivalents at beginning of period.....	17,946	22,253	22,253	38,905
	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 22,253	\$ 38,905	\$ 15,826	\$ 13,084
	=====	=====	=====	=====
Cash paid for interest.....	\$ 11,438	\$ 19,023	\$ 8,383	\$ 5,896
	=====	=====	=====	=====
Cash paid for taxes.....	\$ 3,764	\$ 1,852	\$ 1,369	\$ 1,289
	=====	=====	=====	=====

</TABLE>

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

F-113

JOHNSON COURT REPORTING GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Johnson Court Reporting Group (the "Company"), operating through Goren of Newport, Inc., Rapidtext, Inc. and Medtext, Inc., provides litigation support services, closed-captioning services for the hearing impaired, remote classroom captioning services, medical transcription services, and scanning and imaging services.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Basis of Presentation

The accompanying combined financial statements include the accounts of Goren of Newport, Inc., Rapidtext, Inc. and Medtext, Inc. all of which are operated under common management. All intercompany amounts have been eliminated.

### Preparation of Interim Financial Statements

The financial statements for the six month periods ended June 30, 1996 and 1997 reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

### Management 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash

Cash is maintained in two banks. The balances, at times, may exceed federally insured amounts although management believes that risk of loss is minimal.

### Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statement of income.

### Income Taxes

The Company provides for deferred income taxes utilizing the liability method whereby deferred income taxes are recognized for the tax consequences in future years of differences in the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

### Revenue Recognition

The Company recognizes revenue after the documents or records have been prepared for shipment or the services have been provided. An allowance is provided for anticipated bad debts based primarily on historical experience and current estimates.

### Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal, medical and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations. During the six-month period ended June 30, 1997, approximately 16% of revenues was from one company.

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JOHNSON COURT REPORTING GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

## 3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>  
<CAPTION>

	USEFUL LIVES	DECEMBER 31,	
		1995	1996
<S>	<C>	<C>	<C>
Property and equipment:			
Furniture and fixtures.....	5 to 7 years	\$8,098	\$9,542
Office equipment and computers.....	5 years	258,852	277,265
		266,950	286,807
Less accumulated depreciation.....		(81,129)	(117,667)
		-----	-----
Total.....		\$185,821	\$169,140
		=====	=====

</TABLE>

4. INCOME TAXES:

The components of deferred income tax assets and liabilities consisted of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Deferred income tax assets		
Accrued liabilities.....	\$35,284	\$28,916
	-----	-----
Total deferred income tax assets.....	35,284	28,916
	-----	-----
Deferred income tax liabilities		
Accounts receivable.....	98,654	100,993
Property and equipment.....	14,866	13,531
	-----	-----
Total deferred income tax liabilities.....	113,520	114,524
	-----	-----
Net deferred income tax liability.....	\$78,236	\$85,608
	=====	=====

</TABLE>

The provision for income taxes consisted of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Current.....	\$20,164	\$81,727
Deferred.....	63,334	7,372
	-----	-----
	\$83,498	\$89,099
	=====	=====

</TABLE>

The difference between the Company's provision for income taxes and the amount that would have been derived by applying the federal statutory tax rate to pretax income for the years ended December 31, 1995 and 1996 is summarized as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Tax at federal statutory rate.....	\$65,972	\$75,427
State income taxes, net of federal tax benefit.....	9,702	11,092
Other.....	7,824	2,580
	-----	-----
	\$83,498	\$89,099
	=====	=====

</TABLE>

5. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company provides court reporting, captioning, transcription, and scanning and imaging services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent contractors are responsible for acquiring and operating their equipment. The use of independent contractors is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these independent contractors as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<TABLE>

<S>	<C>
1997.....	\$5,885
1998.....	6,147
1999.....	2,832
2000.....	2,832
2001.....	2,832
	-----
	\$20,528
	=====

</TABLE>

Rent expense in 1995 and 1996 totaled \$57,030 and \$68,967, respectively. Certain rental agreements provide for additional rent based on the lessors' operating expenses.

Legal Proceedings

The Company is involved in certain lawsuits and claims arising in the normal course of business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

6. NOTES PAYABLE:

The Company has lines of credit with two financial institutions for up to \$225,000 at an interest rate of 13%, collateralized by the Company's accounts receivable. These lines are drawn on when needed and are normally repaid within the fiscal year. As of December 31, 1995 and 1996, the Company had \$29,365 and \$39,270 borrowed under the lines of credit.

The Company has notes payable of \$103,734 and \$28,995 to shareholders at December 31, 1995 and 1996.

7. SALE OF COMMON STOCK:

On August 19, 1997, the Company's common stock was acquired by U.S. Legal Support, Inc. Summary financial information pertaining to the Company's operations from January 1, 1997 through the acquisition date is as follows:

<TABLE>

<CAPTION>

<S>	(UNAUDITED) <C>
Revenues.....	\$1,471,072
Gross profit.....	766,808
Operating income.....	161,028
Income before income taxes.....	154,482

</TABLE>

We have audited the accompanying balance sheet of Amicus One Legal Support Services, Inc. as of December 31, 1996 and September 5, 1997 and the related statements of income, stockholders' equity and cash flows for the year ended December 31, 1996 and the period from January 1, 1997 through September 5, 1997. These financial statements are the responsibility of 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amicus One Legal Support Services, Inc. as of December 31, 1996 and September 5, 1997, and the results of its operations and its cash flows for the year ended December 31, 1996 and the period from January 1, 1997 through September 5, 1997 in conformity with generally accepted accounting principles.

Coopers & Lybrand l.l.p.

Houston, Texas  
October 21, 1997

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AMICUS ONE LEGAL SUPPORT SERVICES, INC.

BALANCE SHEET

<TABLE>  
<CAPTION>

	COMBINED	
	PREDECESSORS	COMPANY
	DECEMBER 31,	SEPTEMBER 5,
	1996	1997
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash.....	\$1,626	\$249,058
Accounts receivable, net of allowance of \$48,240 and \$100,000, respectively.....	513,608	321,991
Prepaid expenses and other current assets.....	11,398	1,467
	-----	-----
Total current assets.....	526,632	572,516
Property and equipment, net.....	65,334	96,998
Other assets.....	34,014	15,032
	-----	-----
Total assets.....	\$625,980	\$684,546
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term obligations.....	\$24,400	\$253,978
Advance from U.S. Legal Support, Inc. ....	--	277,043
Accounts payable.....	30,945	53,988
Accrued liabilities.....	52,467	33,742
	-----	-----
Total current liabilities.....	107,812	618,751
Long-term obligations.....	10,423	2,774
Commitments and contingencies		
Stockholders' equity:		
Common stock.....	11,750	49,499
Retained earnings.....	495,995	13,522
	-----	-----
Total stockholders' equity.....	507,745	63,021
	-----	-----
Total liabilities and stockholders' equity.....	\$625,980	\$684,546
	=====	=====

</TABLE>

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

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AMICUS ONE LEGAL SUPPORT SERVICES, INC.

STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	COMBINED PREDECESSORS YEAR ENDED	COMBINED PREDECESSORS NINE MONTHS ENDED	COMPANY PERIOD ENDED
	DECEMBER 31, 1996	SEPTEMBER 30, 1996	SEPTEMBER 5, 1997
	(UNAUDITED)		
<S>	<C>	<C>	<C>
Revenues.....	\$1,882,380	\$1,394,243	\$1,384,613
Cost of services.....	890,098	695,302	723,252
Gross profit.....	992,282	698,941	661,361
Selling, general and administrative expenses.....	796,744	562,027	598,918
Depreciation.....	39,580	22,323	23,607
Operating income.....	155,958	114,591	38,836
Interest expense.....	6,613	5,730	12,689
Income before income taxes.....	149,345	108,861	26,147
Income taxes.....	9,879	244	625
Net income.....	\$ 139,466	\$ 108,617	\$ 25,522

</TABLE>

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

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AMICUS ONE LEGAL SUPPORT SERVICES, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>  
<CAPTION>

	COMMON STOCK	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>
Combined Predecessors:			
Balance as of January 1, 1996.....	\$11,750	\$ 391,137	\$ 402,887
Distributions.....	--	(34,608)	(34,608)
Net income.....	--	139,466	139,466
Balance as of December 31, 1996.....	11,750	495,995	507,745
Company:			
Reorganization to form new entity and distribution of certain net assets to owners.....	37,749	(495,995)	(458,246)
Net income.....	--	25,522	25,522
Distributions.....	--	(12,000)	(12,000)
Balance as of September 5, 1997.....	\$49,499	\$ 13,522	\$ 63,021

</TABLE>

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

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AMICUS ONE LEGAL SUPPORT SERVICES, INC.

STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

COMBINED  
COMBINED PREDECESSORS



	PREDECESSORS YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1996	COMPANY PERIOD ENDED SEPTEMBER 5, 1997
	(UNAUDITED)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income.....	\$139,466	\$108,617	\$25,522
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	39,580	22,323	23,607
Provision for doubtful accounts....	24,152	24,152	90,160
Changes in operating assets and liabilities:			
Accounts receivable.....	(81,766)	(30,565)	(325,334)
Prepaid expenses and other current assets.....	1,661	1,562	(69)
Other assets.....	17,366	(250)	(11,893)
Accounts payable.....	866	26,036	31,678
Accrued liabilities.....	17,339	14,747	(27,123)
	-----	-----	-----
Net cash provided by (used in) operating activities.....	158,664	166,622	(193,452)
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures.....	(85,272)	(65,058)	(55,271)
Investment in note receivable from officer.....	--	(4,927)	--
	-----	-----	-----
Net cash used in investing activities.....	(85,272)	(69,985)	(55,271)
	-----	-----	-----
Cash flows from financing activities:			
Distributions.....	(34,608)	(33,928)	(12,000)
Proceeds from borrowings.....			820,898
Repayment of borrowings.....	(38,647)	(23,789)	(311,926)
	-----	-----	-----
Net cash (used in) provided by financing activities.....	(73,255)	(57,717)	496,972
	-----	-----	-----
Increase in cash.....	137	38,920	248,249
Cash and cash equivalents at beginning of period.....	1,489	1,489	809
	-----	-----	-----
Cash and cash equivalents at end of pe- riod.....	\$ 1,626	\$ 40,409	\$249,058
	=====	=====	=====
Cash paid for interest.....	\$ 6,613	\$ 5,730	\$ 12,689
	=====	=====	=====
Cash paid for income taxes.....	\$ 9,040	\$ 244	\$ 825
	=====	=====	=====
Issuance of common stock for non-cash assets.....			\$157,906
			=====

</TABLE>

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

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AMICUS ONE LEGAL SUPPORT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Amicus One Legal Support Services, Inc. (the "Company"), a New York Subchapter S Corporation, was formed on January 1, 1997 through the contribution of certain assets at predecessor cost by three shareholders who together owned two court reporting businesses known as Cardinal Reporting Co., Inc. ("Cardinal") and AM Court Reporting, Ltd. ("AM"). The owners of the "combined predecessors" have presented combined financial statements of the combined predecessor for 1996 to reflect the financial position and results of operations for the periods on a comparable basis. The Company operates in New York providing litigation support services primarily for insurance companies and law firms. The Company's primary business is court reporting, the transcription of spoken legal testimony into written word.

The Company has 200 shares of no par value capital stock authorized, issued and outstanding at September 5, 1997. At December 31, 1996, Cardinal and AM were organized as a C Corporation and a S Corporation, respectively. Cardinal

and AM had 2,500 and 200 shares, respectively, of no par value capital stock authorized, issued and outstanding at December 31, 1996.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The financial statements for the periods ended September 30, 1996 and January 5, 1997 reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the period. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained in several banks. The balance, at times, may exceed federally insured amounts although management believes that risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statements of operations.

Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to customers. An allowance is provided for anticipated bad debts, based primarily on historical experience and current estimates.

Income Taxes

The Company is and AM was an S Corporation under the Internal Revenue Code and thus, for federal tax purposes, are not considered to be tax paying entities. Cardinal provided for deferred income taxes utilizing the liability method whereby deferred income taxes are recognized for the tax consequences in future years of

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AMICUS ONE LEGAL SUPPORT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

differences in the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be utilized.

Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal and insurance industries which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses, and such losses have been within management's expectations.

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	USEFUL LIVES	DECEMBER 31, SEPTEMBER 5,	
		1996	1997
<S>	<C>	<C>	<C>
Furniture and fixtures.....	5 to 7 years	\$112,812	\$142,627
Office equipment and computers.....	5 years	19,274	44,730

	-----	-----
Less accumulated depreciation.....	132,086	187,357
	(66,752)	(90,359)
	-----	-----
Total.....	\$ 65,334	\$ 96,998
	=====	=====

</TABLE>

4. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<TABLE>	
<CAPTION>	
<S>	<C>
September 6, 1997 through December 31, 1997.....	\$31,612
1998.....	96,221
1999.....	89,719
2000.....	67,144
2001.....	68,838
Thereafter.....	59,933
	-----
	\$413,467
	=====

</TABLE>

Rent expense totaled approximately \$103,000 and \$68,000 for the year ended December 31, 1996 and the period ended September 5, 1997. Certain rental agreements provide for additional rent based on the lessors' operating expenses.

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AMICUS ONE LEGAL SUPPORT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

5. LONG-TERM OBLIGATIONS:

Long-term obligations consisted of the following:

<TABLE>	
<CAPTION>	
	DECEMBER 31, SEPTEMBER 5,
	1996 1997
	-----
<S>	<C> <C>
Line of credit with a bank for up to \$50,000 with interest at prime plus .25%. The line has no set maturity date.....	\$14,888 \$ --
Line of credit with a financial institution for up to \$300,000 with interest of 30-day commercial paper rate plus 3.15% which was 8.77% at June 30, 1997, collateralized by accounts receivable. The line has no set maturity date.....	-- 243,677
Capital lease obligations.....	19,935 13,075
	-----
	34,823 256,752
Less current portion.....	(24,400) (253,978)
	-----
	\$10,423 \$2,774
	=====

</TABLE>

The \$300,000 line of credit was repaid in September 1997 with funds advanced

by U.S. Legal Support Inc. (See Note 1).

#### 6. SALE OF NET ASSETS:

On September 6, 1997, the Company's net assets were sold to U.S. Legal Support, Inc.

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#### REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Block Court Reporting, Inc. as of December 31, 1995 and 1996, and the related statements of operations, stockholder's equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Block Court Reporting, Inc. as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas  
September 19, 1997

F-125

#### BLOCK COURT REPORTING, INC.

#### BALANCE SHEET

<TABLE>

<CAPTION>

	DECEMBER 31,		JUNE 30,
	1995	1996	1997
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash.....	\$994	\$1,852	\$4,437
Accounts receivable, net of allowance of \$10,000, \$15,000 and \$15,000, respectively....	141,279	207,911	142,214
Deferred income taxes.....			6,074
Total current assets.....	142,273	209,763	152,725
Property and equipment, net.....	125,271	89,830	84,489
Other assets.....	6,568	6,568	6,568
Total assets.....	\$274,112	\$306,161	\$243,782
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable.....	\$7,640	\$164,213	\$149,921
Accrued liabilities.....	6,332	17,129	56,228
Long-term obligations, current portion.....	109,905	68,218	62,990
Deferred income taxes.....	45,910	14,107	--
Total current liabilities.....	169,787	263,667	269,139
Long-term obligations.....	12,329	15,125	--
Stockholder's equity (deficit):			
Common stock, \$.01 par value, 1,000 shares authorized, issued, and outstanding.....	10	10	10
Additional paid in capital.....	990	990	990

Retained earnings (accumulated deficit).....	90,996	26,369	(26,357)
Total stockholder's equity (deficit).....	91,996	27,369	(25,357)
-----			
Total liabilities and stockholder's equity (deficit).....	\$274,112	\$306,161	\$243,782
	=====	=====	=====

</TABLE>

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

F-126

BLOCK COURT REPORTING, INC.

STATEMENT OF OPERATIONS

<TABLE>

<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	-----			
	(UNAUDITED)			
	<C>	<C>	<C>	<C>
Revenues.....	\$1,024,931	\$1,316,782	\$693,458	\$517,838
Cost of services.....	496,301	661,838	376,756	262,455
	-----	-----	-----	-----
Gross profit.....	528,630	654,944	316,702	255,383
Selling, general and administrative expenses.....	524,864	740,279	339,110	331,936
	-----	-----	-----	-----
Operating income (loss).....	3,766	(85,335)	(22,408)	(76,553)
Interest expense.....	14,197	13,302	8,833	4,306
	-----	-----	-----	-----
Loss before income taxes.....	(10,431)	(98,637)	(31,241)	(80,859)
Income tax benefit.....	(3,575)	(34,010)	(11,055)	(28,133)
	-----	-----	-----	-----
Net loss.....	\$ (6,856)	\$ (64,627)	\$ (20,186)	\$ (52,726)
	=====	=====	=====	=====

</TABLE>

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

F-127

BLOCK COURT REPORTING, INC.

STATEMENT OF STOCKHOLDER'S EQUITY (DEFICIT)

<TABLE>

<CAPTION>

	COMMON	ADDITIONAL	RETAINED	TOTAL
	STOCK	PAID-IN CAPITAL	EARNINGS (ACCUMULATED DEFICIT)	STOCKHOLDER'S EQUITY (DEFICIT)
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
January 1, 1995.....	\$ 100	\$ 2,790	\$ 97,852	\$100,742
Issuance of common stock.....	10	990	--	1,000
Retirement of common stock.....	(100)	(2,790)	--	(2,890)
Net loss.....	--	--	(6,856)	(6,856)
	-----	-----	-----	-----
December 31, 1995.....	10	990	90,996	91,996
Net loss.....	--	--	(64,627)	(64,627)
	-----	-----	-----	-----
December 31, 1996.....	10	990	26,369	27,369
Net loss (Unaudited).....	--	--	(52,726)	(52,726)
	-----	-----	-----	-----
June 30, 1997 (Unaudited).....	\$ 10	\$ 990	\$ (26,357)	\$ (25,357)
	=====	=====	=====	=====

</TABLE>

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

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## STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED JUNE 30,	
	1995	1996	1996	1997
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income.....	\$ (6,856)	\$ (64,627)	\$ (20,186)	\$ (52,726)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Depreciation.....	36,464	35,441	11,271	9,388
Changes in operating assets and liabilities:				
Accounts receivable.....	(88,025)	(66,632)	(16,843)	65,697
Accounts payable.....	33,555	156,573	152,600	(14,292)
Accrued liabilities.....	(56,414)	10,797	9,920	39,099
Deferred income taxes.....	45,910	(31,803)	--	(20,181)
Due from shareholder.....	--	--	(48,934)	--
Income taxes payable.....	--	--	(30,157)	--
Other assets.....	(6,568)	--	37,879	--
	-----	-----	-----	-----
Net cash (used in) provided by operating activities.....	(41,934)	39,749	95,550	26,985
	-----	-----	-----	-----
Cash flows from investing activities:				
Capital expenditures.....	(21,483)	--	--	(4,047)
	-----	-----	-----	-----
Net cash used in investing activities.....	(21,483)	--	--	(4,047)
	-----	-----	-----	-----
Cash flows from financing activities:				
Net payments of long-term obligations.....	(414)	(38,891)	(26,554)	(20,353)
	-----	-----	-----	-----
Net cash used in financing activities.....	(414)	(38,891)	(26,554)	(20,353)
	-----	-----	-----	-----
Net (decrease) increase in cash.....	(63,831)	858	68,996	2,585
Cash and cash equivalents at beginning of year.....	64,825	994	994	1,852
	-----	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 994	\$ 1,852	\$ 69,990	\$ 4,437
	=====	=====	=====	=====
Cash paid for interest.....	\$14,197	\$ 13,302	\$ 8,833	\$ 4,306
	=====	=====	=====	=====
Cash paid for income taxes.....	\$ 1,000			
	=====			

&lt;/TABLE&gt;

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

F-129

BLOCK COURT REPORTING, INC.

## NOTES TO FINANCIAL STATEMENTS

## 1. ORGANIZATION AND BUSINESS:

Block Court Reporting, Inc. (the "Company"), a District of Columbia corporation, is a court reporting business based in Washington, D.C. The Company provides general court reporting services, the transcription of spoken legal testimony into the written word as well as video captioning services to the Washington, D.C., Northern Virginia, and Baltimore, Maryland markets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

## Preparation of Interim Financial Statements

The financial statements for the six month periods ended June 30, 1996 and 1997 reflect all adjustments that are, in the opinion of management, necessary

for a fair presentation of the results for the period. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

Management 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash is maintained primarily in one bank. The balance, at times, may exceed federally insured amounts although management believes that risk of loss is minimal.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the statements of operations.

Revenue Recognition

The Company recognizes revenue as the documents or records are delivered to customers. An allowance is provided for anticipated bad debts, based primarily on historical experience and current estimates.

Concentration of Credit Risk

The Company grants credit to various companies primarily in the legal industry which may be affected by economic or other external conditions. The Company maintains allowance for potential credit losses, and such losses have been within management's expectations.

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BLOCK COURT REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

<TABLE>  
<CAPTION>

	USEFUL LIVES	DECEMBER 31,	
		1995	1996
<S>	<C>	<C>	<C>
Property and equipment:			
Vehicles.....	5 years	\$60,538	\$60,538
Furniture and fixtures.....	7 years	26,063	23,425
Office equipment, computers and software.....	3 to 5 years	75,134	75,905
		-----	-----
		161,735	159,868
Less accumulated depreciation.....		(36,464)	(70,038)
		-----	-----
Total.....		\$125,271	\$89,830
		=====	=====

</TABLE>

The Company had fully depreciated assets totaling approximately \$19,000 at December 31, 1996.

4. COMMITMENTS AND CONTINGENCIES:

Independent Contractors

The Company, like most court reporting firms, provides court reporting services through the use of independent contractors, who are not employees of the Company. The Company does not pay or withhold federal or state employment taxes with respect to these independent contractors. Independent court reporters are responsible for acquiring and operating their court reporting

equipment. The use of independent contractors as court reporters is consistent with industry practice and allows the Company to control costs. In the event the Company were required to treat these court reporters as its employees, the Company could become responsible for the taxes required to be withheld and could incur additional costs associated with employee benefits and other employee costs.

Operating Lease

The Company leases office space under a noncancelable operating lease which expires on July 31, 1997. The remaining rental commitment under this lease at December 31, 1996 was approximately \$50,000. Subsequent to year-end, the Company entered into new noncancelable operating lease for office space commencing on October 1, 1997 and ending on September 30, 2000. The minimum rental commitment under this lease for each of the next four years approximates \$10,000, \$42,000, \$42,000, and \$32,000. Both agreements provide for additional rent based on increases determined from indices specified within the lease agreements. Additionally, the Company is required to pay its pro rata share of increases in real estate taxes.

Rent expense in both 1995 and 1996 totalled approximately \$97,000.

5. INCOME TAXES:

The benefit for income taxes consisted of the following:

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Current.....	\$ (49,485)	\$ (2,207)
Deferred.....	45,910	(31,803)
Total.....	\$ (3,575)	\$ (34,010)

</TABLE>

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BLOCK COURT REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

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

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Deferred tax assets:		
Accounts payable.....	\$ 2,600	\$ 55,832
Deferred tax liabilities:		
Accounts receivable.....	48,510	69,939
Net deferred income taxes.....	\$ (45,910)	\$ (14,107)

</TABLE>

6. LONG-TERM OBLIGATIONS:

The Company has a line of credit with a bank for up to \$25,000 at an interest rate equal to the prime lending rate plus two percentage points. As of December 31, 1996 and June 30, 1997, there was \$18,000 and \$23,000 drawn on this line of credit, respectively. These borrowings have been classified as current.

The Company has a promissory note with a bank at an interest rate equal to the prime lending rate plus one percentage point. At December 31, 1996, the maturities of the promissory note for each of the next two years approximated \$38,000 and \$15,000.

The Company leases vehicles under long-term capital leases which expire during 1997. At December 31, 1996, future minimum payments under these leases approximated \$13,000.



7. RELATED PARTY TRANSACTIONS:

The Company subleases certain office space to an affiliate for approximately \$2,000 per month.

8. SALE OF THE COMPANY:

On September 5th 1997, the Company's stock was acquired by U.S. Legal Support, Inc. Summary financial information pertaining to the Company's operations from January 1, 1997 through the acquisition date is as follows:

<TABLE>  
<CAPTION>

<S>	(UNAUDITED)
<C>	<C>
Revenues.....	\$701,401
Gross profit.....	426,178
Operating loss.....	(90,940)
Income before income taxes.....	(93,448)

</TABLE>

F-132

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders  
U.S. Legal Support, Inc.:

We have audited the accompanying balance sheet of Commander Wilson, Inc. (a sole proprietorship) as of December 31, 1995 and 1996, and the related statements of income, owner's deficit and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Commander Wilson, Inc. (a sole proprietorship) as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand l.l.p.

Houston, Texas  
September 22, 1997

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COMMANDER WILSON, INC.

BALANCE SHEET

<TABLE>  
<CAPTION>

<S>	DECEMBER 31,		SEPTEMBER 30,
<C>	1995	1996	1997
<C>	<C>	<C>	<C>
(UNAUDITED)			
ASSETS			
Current assets			
Prepaid expenses.....	\$1,969	\$ --	\$--
Total current assets.....	1,969	--	--
Total assets.....	\$1,969	\$ --	\$--
LIABILITIES AND OWNER'S DEFICIT			
Current liabilities			
Accounts payable and accrued liabilities.....	\$36,000	\$37,303	\$--

Total current liabilities.....	36,000	37,303	
Commitments and contingencies			
Owner's deficit.....	(34,031)	(37,303)	--
Total liabilities and owner's deficit.....	\$1,969	\$ --	\$--

</TABLE>

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

F-134

COMMANDER WILSON, INC.

STATEMENT OF INCOME

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1996	1997
			(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$577,733	\$94,291	\$84,291	\$335,540
Cost of services.....	100,570	--	--	--
Gross profit.....	477,163	94,291	84,291	335,540
Selling, general and administrative expenses.....	284,170	68,528	51,021	61,763
Net income.....	\$192,993	\$25,763	\$33,270	\$273,777

</TABLE>

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

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COMMANDER WILSON, INC.

STATEMENT OF OWNER'S DEFICIT

<TABLE>  
<CAPTION>

	OWNER'S EQUITY (DEFICIT)
<S>	<C>
Balance on January 1, 1995.....	\$5,800
Net income.....	192,993
Distributions to owner, net.....	(232,824)
Balance on December 31, 1995.....	(34,031)
Net income.....	25,763
Distributions to owner, net.....	(29,035)
Balance on December 31, 1996.....	(37,303)
Net income (unaudited).....	273,777
Distributions to owner, net (unaudited).....	(236,474)
Balance on September 30, 1997 (unaudited).....	\$ --

</TABLE>

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

F-136

COMMANDER WILSON, INC.

STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1996	1997
			(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income.....	\$192,993	\$25,763	\$33,270	\$273,777
Adjustments to reconcile net income to net cash provided by operating activities:				
Change in operating assets and liabilities:				
Accounts payable.....	41,800	1,303	--	(37,303)
Prepaid expenses.....	(1,969)	1,969	1,969	--
Net cash provided by operating activities.....	232,824	29,035	35,239	236,474
Cash flows from investing activities.....	--	--	--	--
Cash flows from financing activities:				
Distributions to owner.....	(232,824)	(29,035)	(35,239)	(236,474)
Net cash used in financing activities.....	(232,824)	(29,035)	(35,239)	(236,474)
Change in cash.....	--	--	--	--
Cash and cash equivalents at the beginning of period.....	--	--	--	--
Cash and cash equivalents at the end of the period.....	\$ --	\$ --	\$ --	\$ --

</TABLE>

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

F-137

COMMANDER WILSON, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

Commander Wilson, Inc. (the "Company"), a sole proprietorship, provides legal recruitment services to law firms and corporations primarily in Texas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Preparation of Interim Financial Statements

The unaudited financial statements for the periods ended September 30, 1996 and 1997 reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Company does not maintain a cash account. All cash receipts are deposited into the owner's bank account and recorded as distributions to the owner. All cash disbursements are made from the owner's bank account and recorded as contributions to the Company.

Property and Equipment

Property and equipment is recorded at cost and is depreciated on the

straight-line basis over the estimated useful lives of the assets. Expenditures for improvements that extend the life of such assets are capitalized, while maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in operations. All property and equipment is fully depreciated.

#### Revenue Recognition

The Company records revenue when candidates accept a job offer. Non-refundable retainers to provide recruitment services on an exclusive basis are earned upon receipt. An allowance is provided for bad debts, based primarily on historical experience and current estimates.

#### Concentration of Credit Risk

The Company grants credit to primarily law firms and corporations which may be affected by economic or other external conditions. The Company maintains allowances for potential credit losses and such losses have been within management's expectations. During the years ended December 31, 1995 and 1996 approximately 53% and 93% of revenues was earned from two and five companies, respectively. During the six months ended June 30, 1997 approximately 48% of revenues was earned from two companies.

#### Income Taxes

The Company is organized as a sole proprietorship. No provision for federal income taxes is provided in these financial statements because the Company's income is included in the owner's tax return.

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COMMANDER WILSON, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

### 3. COMMITMENTS AND CONTINGENCIES:

#### Operating Leases

At December 31, 1996, aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year are as follows:

<TABLE>

<S>	<C>
1997.....	\$22,548
1998.....	5,599
	-----
	\$28,147
	=====

</TABLE>

### 4. LITIGATION:

In September 1994, an independent contractor filed a lawsuit against the Company claiming breach of contract for approximately \$600,000. In April 1997, the Company settled the lawsuit for approximately \$36,000. Legal expenses of approximately \$57,000 are included in selling, general and administrative expenses for the year ended December 31, 1995.

### 5. SALE OF THE BUSINESS:

In September 1997, the owner agreed to sell the Company's business to U.S. Legal Support, Inc.

### 6. BANKRUPTCY:

In May 1996, the Company's owner filed a voluntary petition for Chapter XIII bankruptcy relief following the initiation of a lawsuit filed by a former independent contractor engaged by the Company. The Company's owner has submitted a Chapter XIII plan which has not yet been confirmed by the presiding bankruptcy court. The ultimate outcome and the effect, if any, of this matter on the Company cannot be determined.

F-139

[Logo of U.S. Legal Support, Inc. appears here]

A leading provider of court reporting,

Court Reporting

[Photo of court reporter transcribing]

Certified Record Retrieval

[Photo of certified records retrieval]

Legal Placement and Staffing

[Photo of attorney working]

-----  
-----  
No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or any of the Underwriters. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any security other than the Common Stock offered by this Prospectus, nor does it constitute an offer to sell or the solicitation of an offer to buy the shares of Common Stock to anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

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-----  
-----  
-----  
Until , 1998 (25 days after the date of this Prospectus), all dealers effecting transactions in the Common Stock offering hereby, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

3,500,000 SHARES

## COMMON STOCK

-----  
PROSPECTUS  
-----NationsBanc Montgomery  
Securities, Inc.

Hambrecht &amp; Quist

J.C. Bradford &amp; Co.

, 1997  
-----  
-----

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of the securities being registered. All amounts are estimates except for the fees payable to the Commission and the NASD and the listing fee.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	AMOUNT
	-----
<S>	<C>
Securities and Exchange Commission registration fee.....	\$ 15,950.00
National Association of Securities Dealers, Inc. filing fee.....	5,732.50
NASDAQ listing fee.....	50,000.00
Printing and engraving expenses.....	350,000.00
Legal fees and expenses.....	600,000.00
Accounting fees and expenses.....	1,250,000.00
Blue sky fees and expenses.....	1,500.00
Transfer Agent fees.....	10,000.00
Miscellaneous.....	16,817.50
	-----
TOTAL.....	\$2,350,000.00
	=====

&lt;/TABLE&gt;

## ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

The Registrant's Articles of Incorporation, as amended (the "Articles of Incorporation") and Bylaws require the Registrant to indemnify officers and directors of the Registrant to the fullest extent permitted by Article 2.02-1 of the Business Corporation Act of the State of Texas (the "TBCA"). The Articles of Incorporation and Bylaws are filed as Exhibits 3.1 and 3.2 to the Registration Statement. Generally, Article 2.02-1 of the TBCA permits a corporation to indemnify a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person was or is a director or officer if it is determined that such person (i) conducted himself in good faith; (ii) reasonably believed (a) in the case of conduct in his official capacity as a director or officer of the corporation, that his conduct was in the corporation's best interests, or (b) in other cases, that his conduct was at least not opposed to the corporation's best interests; and (iii) in the case of any criminal proceedings, had no reasonable cause to believe that his conduct was unlawful. In addition, the TBCA requires a corporation to indemnify a director or officer for any action that such director or officer is wholly successful in defending on the merits.

The Articles of Incorporation provide that a director of the Registrant will not be liable to the corporation for monetary damages for an act or omission in the director's capacity as a director, except to the extent not permitted by law. Texas law does not permit exculpation of liability in the case of (i) a breach of the director's duty of loyalty to the corporation or its shareholders; (ii) an act or omission not in good faith that involves intentional misconduct or a knowing violation of the law; (iii) a transaction

from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; (iv) an act or omission for which the liability of the director is expressly provided by statute; or (v) an act related to an unlawful stock repurchase or payment of dividend.

The Form of Underwriting Agreement filed herewith as Exhibit 1.1, under certain circumstances, provides for indemnification by the Underwriters of the directors, officers and controlling persons of the Company.

The Company has purchased liability insurance policies covering the directors and officers of the Company, including, to provide protection where the Company cannot legally indemnify a director or officer

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and where a claim arises under the Employee Retirement Income Security Act of 1974 against a director or officer based on an alleged breach of fiduciary duty or other wrongful act.

#### ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

All information set forth in this Item 15 gives effect to a 100-for-one stock split with respect to the Common Stock and Preferred Stock of the Company effected on December 16, 1996.

In connection with the initial capitalization of the Company, on October 2, 1996, the Company issued 150,000 shares of Common Stock to GulfStar Investments, Ltd. at a price of \$.01 per share for services rendered valued at \$1,500 and 843,840 shares of Common Stock to Richard O. Looney at a price of \$.01 per share for services rendered valued at \$8,438.40. On January 17, 1997, the Company issued: (i) 135,000 shares of Series A Convertible Preferred Stock to the Trust for Defined Benefit Plans of Zeneca Holdings Inc. at a price of \$1.00 per share for an aggregate sales price of \$135,000; (ii) 670,000 shares of Series A Convertible Preferred Stock to the Delaware State Employees' Retirement Fund at a price of \$1.00 per share for an aggregate sales price of \$670,000; and (iii) 195,000 shares of Series A Convertible Preferred Stock to the Trust for Defined Benefit Plans of ICI American Holdings Inc. at a price of \$1.00 per share for an aggregate sales price of \$195,000. On July 22, 1997, the Company issued 25,000 shares to David W. Pflughar at a price of \$.01 per share for an aggregate sales price of \$250.00. All of such sales were completed without registration under the Securities Act in reliance upon the exemption provided by Section 4(2) of the Securities Act, no public offering being involved.

On January 17, 1997, the Company acquired all the issued and outstanding capital stock of Looney & Company in exchange for cash and the issuance of 2,000,000 (2,046,667 as a result of a post-closing adjustment on June 23, 1997) shares of Series B Convertible Preferred to Richard O. Looney. On that date, the Company also acquired all the issued and outstanding capital stock of Klein, Bury & Associates in exchange for cash and the issuance of 170,600 shares of Common Stock to Michael Klein. On April 3, 1997, the Company acquired all the assets of Cindi Rogers & Associates, Inc. in exchange for the payment of cash and the issuance of 5,000 shares of Common Stock to Cynthia A. Rogers. In connection with its acquisition of all the assets of San Francisco Reporting Service, the Company paid cash and issued 15,304 shares of Common Stock each to Jay Harbidge and Richard Posner on May 14, 1997, and 115,625 shares of Series C Convertible Preferred Stock each to Jay Harbidge and Richard Posner on June 23, 1997. On May 19, 1997, the Company acquired all the assets of G&G Court Reporters in exchange for cash and the issuance of a \$345,750 Convertible Subordinated Promissory Note and a \$691,750 Convertible Subordinated Promissory Note to the Giammanco Family Trust. On August 19, 1997, the Company acquired all the issued and outstanding capital stock of Goren of Newport, Inc. d/b/a/ Johnson Court Reporting in exchange for cash and the issuance of a \$78,401 Subordinated Promissory Note and 46,118.117 shares of Common Stock to Glory Johnson. On that date the Company also acquired all the issued and outstanding capital stock of RapidText, Inc. in exchange for cash and the issuance of a \$22,738 Subordinated Promissory Note and 13,375.529 shares of Common Stock to Glory Johnson and a \$37,598 Subordinated Promissory Note and 22,116.471 shares of Common Stock to Seaquester Trust. On that date the Company also acquired all the issued and outstanding capital stock of MedText, Inc. in exchange for cash and the issuance of a \$107,023 Subordinated Promissory Note and 60,865.764 shares of Common Stock to Seaquester Trust. On August 28, 1997, the Company acquired all the assets of Encore Court Reporting in exchange for cash and the issuance of 2,941 shares of Common Stock to Jan Coldren. On August 29, 1997, the Company acquired all the assets of Legal Enterprise, Inc. in exchange for cash and the issuance of a \$319,340 Subordinated Promissory Note and a \$821,160 Convertible Subordinated Promissory Note to Legal Enterprise, Inc. On September 4, 1997, the Company acquired all the capital stock of Block Court Reporting, Inc. in exchange for cash and the issuance of a \$240,000 Subordinated Promissory Note and a \$360,000 Convertible Subordinated Promissory Note to Martin H. Block. On that date, the Company also acquired all the assets of Amicus One Legal Support

Services, Inc. in exchange for cash and the issuance of a \$560,000 Subordinated Promissory Note and 116,471 shares of Common Stock to Amicus One. On September 17, 1997, the Company acquired all the issued and outstanding capital stock of Burton House, Inc. d.b.a. Ziskind, Greene, Watanabe & Nason in exchange for cash and the issuance of 158,824 shares of Common Stock to Gregg M. Ziskind and Susan L. Ziskind. On that date the Company also acquired all

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the assets of Elaine P. Dine, Inc. and Elaine P. Dine Temporary Attorneys, L.L.C. in exchange for cash and the issuance of a \$2,000,000 Junior Subordinated Promissory Note and 76,471 shares of Common Stock to such companies. All of such sales were completed without registration under the Securities Act in reliance upon the exemption provided by Section 4(2) of the Securities Act, no public offering being involved.

On January 17, 1997, the Company granted options to purchase 96,160 shares of Common Stock to certain employees or other optionees of Looney & Company and Klein Bury at exercise prices ranging from \$.01 to \$.10 in exchange for options previously granted to such employees and optionees by such companies. On September 17, 1997, the Company granted options to purchase 41,176 shares of Common Stock to certain employees of Elaine P. Dine, Inc. at an exercise price of \$.01 per share in exchange for options previously granted to such employees by such company. On September 25, 1997, options to purchase 12,480 shares of Common Stock were exercised at a price of \$.01 per share. The Company received \$124.80 in aggregate consideration upon the exercise of such options. All of such sales were completed without registration under the Securities Act in reliance upon the exemption provided by Section 4(2) of the Securities Act, no public offering being involved. In addition, the Company believes that the exemption provided by Rule 701 promulgated under the Securities Act is applicable to such sales.

On September 8, 1997, the Company sold a number of shares of Common Stock equal to \$1,072,604 divided by 90% of the initial public offering price per share to Kirby A. Kennedy & Associates in connection with a definitive agreement in which the Company will acquire all of the assets of Kirby A. Kennedy & Associates in exchange for cash and the issuance of such shares. On September 15, 1997, the Company sold a number of shares of Common Stock equal to \$2,400,000 divided by 90% of the initial public offering price per share to Colleen Jilio in connection with a definitive agreement in which the Company will acquire all of the assets of Jilio & Associates in exchange for cash and the issuance of such shares. On September 25, 1997, the Company sold a number of shares of Common Stock equal to \$2,500,000 divided by 90% of the initial public offering price per share to Reporting Services Associates, Inc. in connection with a definitive agreement in which the Company will acquire all of the assets of Reporting Service Associates in exchange for cash and the issuance of such shares. On that date the Company also sold a number of shares of Common Stock equal to \$607,500 divided by 90% of the initial public offering price per share to James M. Wilson in connection with a definitive agreement in which the Company will acquire all of the assets of Commander Wilson Incorporated in exchange for cash and the issuance of such shares. All of such sales were completed without registration under the Securities Act in reliance upon the exemption provided by Section 4(2) of the Securities Act, no public offering being involved. The shares of Common Stock referred to in this paragraph will be issued and delivered simultaneously with the consummation of the Offering.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

<TABLE>

<CAPTION>

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
<C>	<S>
1.1*	Form of Underwriting Agreement between the Company and the Underwriters named therein.
2.1	Stock Purchase Agreement by and between Litigation Resources of America, Inc. and Richard O. Looney, dated as of January 17, 1997.
2.2	Stock Purchase Agreement by and between Litigation Resources of America, Inc. and Michael Klein, dated as of January 17, 1997.
2.3	Securities Purchase Agreement by and among Litigation Resources of America, Inc. (the "Company"), the Subsidiaries of the Company listed on the signature pages thereto and the Investors listed on the signature pages thereto, dated as of January 17, 1997, as amended.
2.4	Agreement of Purchase and Sale of Assets by and between Litigation Resources of America--California, Inc. and San Francisco Reporting Service, dated May 14, 1997.



2.5 Agreement of Purchase and Sale of Assets by and between Litigation Resources of America--California, Inc., Litigation Resources of America, Inc., Peter Giammanco and Leslie Giammanco, individuals d/b/a G&G Court Reporters, and Peter Giammanco and Leslie Giammanco as Trustees of the Giammanco Family Trust, dated as of May 19, 1997.

</TABLE>

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<TABLE>

<CAPTION>

EXHIBIT  
NUMBER

DESCRIPTION OF EXHIBIT

<C> <S>

2.6	Letter Agreement by and between Sandra Rocca and Litigation Resources of America--Midwest, Inc., dated August 15, 1997
2.7	Plan and Agreement of Reorganization and Merger by and among Litigation Resources of America--California, Inc., Goren of Newport, Inc. d/b/a Johnson Court Reporting, Glory Johnson and Litigation Resources of America, dated as of August 19, 1997.
2.8	Plan and Agreement of Reorganization and Merger by and among Litigation Resources of America--California, Inc., RapidText, Inc., Seaquestor Trust, Glory Johnson and Litigation Resources of America, dated as of August 19, 1997.
2.9	Plan and Agreement of Reorganization and Merger by and among Litigation Resources of America--California, Inc., MedText, Inc., Seaquestor Trust and Litigation Resources of America, dated as of August 19, 1997.
2.10	Agreement of Purchase and Sale of Assets by and among Litigation Resources of America--California, Inc., Litigation Resources of America, Inc., Legal Enterprise, Inc., Tony L. Maddocks and Alan Simon, dated as of August 29, 1997.
2.11	Agreement of Purchase and Sale of Assets by and among Litigation Resources of America--Northeast, Inc., Litigation Resources of America, Inc., Amicus One Legal Support Services, Inc., Richard A. Portas, Joseph N. Spinozzi, Carl Anderson and Howard Breshin, dated as of September 4, 1997.
2.12	Stock Purchase Agreement by and between Litigation Resources of America, Inc., Litigation Resources of America--Northeast, Inc., and Martin H. Block, dated as of September 4, 1997.
2.13	Agreement of Purchase and Sale of Assets by and among Litigation Resources of America--Midwest, Inc., Litigation Resources of America, Inc., Kirby A. Kennedy & Associates, Kirby A. Kennedy and Jeanne M. Kennedy, dated as of September 8, 1997.
2.14	Agreement of Purchase and Sale of Assets by and among Litigation Resources of America--California, Inc., Litigation Resources of America, Inc., and Colleen Jilio, a resident of California d.b.a. Jilio & Associates, dated as of September 15, 1997.
2.15	Agreement of Purchase and Sale of Assets by and among Litigation Resources of America--Northeast, Inc., Litigation Resources of America, Inc., Elaine P. Dine, Inc., Elaine P. Dine Temporary Attorneys, L.L.C., Elaine P. Siegel and Laurie Becker, dated as of September 17, 1997.
2.16	Stock Purchase Agreement by and between Litigation Resources of America, Inc., Litigation Resources of America--California, Inc., Gregg M. Ziskind and Susan L. Ziskind, dated as of September 17, 1997.
2.17	Agreement of Purchase and Sale of Assets by and among Looney & Company, U.S. Legal Support, Inc. and James M. Wilson, a resident of Houston, Texas d.b.a Commander Wilson, Incorporated, dated as of September 25, 1997.
2.18+	Agreement of Purchase and Sale of Assets by and among Litigation Resources of America--Northeast, Inc., Litigation Resources of America, Inc., Reporting Services Associates, Inc. and Lee Goldstein, dated as of September 25, 1997.
3.1	Articles of Incorporation, as amended, of the Company.
3.2	Bylaws of the Company, as amended.
4.1	Registration Rights Agreement between the Company and Richard O. Looney, dated January 17, 1997.

</TABLE>

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<TABLE>

<CAPTION>

EXHIBIT  
NUMBER

DESCRIPTION OF EXHIBIT

<C> <S>

- 4.2 Registration Rights Agreement between the Company and Michael Klein, dated January 17, 1997.
- 4.3 Registration Rights Agreement between the Company and certain purchasers, dated January 17, 1997.
- 4.4 Form of Registration Rights Agreement among the Company and certain holders of the Common Stock.
- 4.5 Securityholders Agreement among Litigation Resources of America, Inc., the Investors named therein and the Shareholders named therein, dated January 17, 1997, as amended.
- 4.6 Registration Rights Agreement between the Company and Gregg M. Ziskind and Susan L. Ziskind, dated September 17, 1997.
- 5.1\* Opinion of Bracewell & Patterson, L.L.P. as to the validity of the Common Stock being offered.
- 10.1 U.S. Legal Support, Inc. 1997 Stock Incentive Plan.
- 10.2 Form of Option Agreement for 1997 Stock Incentive Plan.
- 10.3 U.S. Legal Support, Inc. 1997 Non-Employee Directors Stock Option Plan.
- 10.4 Form of Option Agreement for Non-Employee Directors Stock Option Plan.
- 10.5 Employment Agreement by and among the Company, Looney & Company and Richard O. Looney, dated January 17, 1997.
- 10.6 Employment Agreement by and among the Company, Klein, Bury & Associates and Michael Klein, dated January 17, 1997.
- 10.7 Employment Agreement by and among the Company, Litigation Resources of America--California, Inc. and Tony L. Maddocks, dated August 29, 1997.
- 10.8 Employment Agreement dated September 25, 1997 by and among the Company and James M. Wilson dated September 25, 1997.
- 10.9 Letter Agreement dated May 7, 1997 by and between James M. Wilson d.b.a. Commander Wilson, Inc. and the Company.
- 10.10 Termination of Letter Agreement dated May 7, 1997, between James M. Wilson d.b.a. Commander Wilson, Inc. and the Company, dated September 25, 1997.
- 10.11 Letter Agreement dated April 24, 1997 by and between the Company and The GulfStar Group, Inc.
- 10.12 Fourth Amended and Restated Bank Credit Agreement among the Company, its subsidiaries and Texas Commerce Bank, National Association.
- 10.13+ First Amendment to Employment Agreement dated October 1, 1997 by and among the Company, Looney & Company and Richard O. Looney.
- 10.14+ First Amendment to Employment Agreement dated October 1, 1997 by and among Klein, Bury and Associates, Inc., Michael A. Klein and the Company.
- 10.15+ Letter Agreement dated March 4, 1996 by and between The Gulf Star Group, Inc. and Looney & Company.

</TABLE>

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<TABLE>

<C>	<S>
EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
-----	-----
11.1	Computation of Historical and SAB No. 55 Earnings Per Share.
11.2	Computation of Pro Forma Earnings Per Share.
21.1	Subsidiaries of the Company.
23.1*	Consent of Bracewell & Patterson, L.L.P. (included in its opinion filed as Exhibit 5 hereto).
23.2+	Consent of Coopers & Lybrand L.L.P.
23.3	Consent of Fentress Bracewell.
23.4	Consent of Ronald C. Lassiter.
24.1	Powers of Attorney (See page II-7).
27	Financial Data Schedule

</TABLE>

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+Filed herewith.

\*To be filed by amendment.

(b) Financial Statement Schedules

The following financial statement schedules are included herein.

Schedule II--Valuation and Qualifying Accounts.

All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions, are inapplicable, or the information is included in the consolidated financial statements, and therefore have been omitted.

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes to provide to the

Underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions described in Item 14, or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933 the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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#### SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, U.S. LEGAL SUPPORT, INC. HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT THERETO TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON DECEMBER 17, 1997.

U.S. Legal Support, Inc.

/s/ Richard O. Looney

By: \_\_\_\_\_

Richard O. Looney  
President and Chief Executive  
Officer

#### POWER OF ATTORNEY

Each person whose signature appears below hereby revokes the Power of Attorney dated September 25, 1997 and constitutes and appoints Richard O. Looney and David P. Tusa, or either of them, the undersigned's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in the undersigned's name, place and stead, in any and all capacities (until revoked in writing), to sign this Registration Statement, any Registration Statement filed pursuant to Rule 462(b), and any and all amendments (including post-effective amendments) thereto, to file the same, together with all exhibits thereto and documents in connection therewith, with the Securities and Exchange Commission, to sign any and all applications, registration statements, notices and other documents necessary or advisable to comply with the applicable state securities authorities, granting unto said attorney-in-fact and agent, or their substitute or substitutes, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, thereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT OR AMENDMENT THERETO HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE INDICATED CAPACITIES ON DECEMBER 17, 1997.

<TABLE>  
<CAPTION>

SIGNATURE -----	TITLE -----
<C> /s/ Richard O. Looney ----- Richard O. Looney	<S> Director, President and Chief Executive Officer (principal executive officer)
/s/ David P. Tusa ----- David P. Tusa	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ Scott R. Creasman ----- Scott R. Creasman	Vice President and Corporate Controller (principal accounting officer)
/s/ Michael A. Klein ----- Michael A. Klein	Director
/s/ Robert J. Cresci ----- Robert J. Cresci	Director
/s/ G. Kent Kahle ----- G. Kent Kahle	Director

</TABLE>

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of  
U.S. Legal Support, Inc.:

In connection with our audits of the financial statements of Looney & Company as of December 31, 1995 and 1996, and for each of the three years in the period December 31, 1996, and the financial statements of U.S. Legal Support, Inc. as of September 30, 1997 and for the nine months ended September 30, 1997, which financial statements are included in the Prospectus, we have also audited the financial statement schedule listed on S-2 herein.

In our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as whole, presents fairly, in all material respects, the information required to be included herein.

COOPERS & LYBRAND L.L.P.

Houston, Texas

December 15, 1997

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SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS  
(IN THOUSANDS)

<TABLE>

<CAPTION>

DESCRIPTION -----	BALANCE BEGINNING OF PERIOD	CHARGED TO EXPENSES	DEDUCTIONS	OTHER (1)	BALANCE AT END OF PERIOD
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
LOONEY & COMPANY					
Year ended December 31, 1994:					
Allowance for uncollectible accounts.....	\$ 32	\$ 28	\$ --	\$ --	\$ 60
	=====	=====	=====	=====	=====
Year ended December 31, 1995:					
Allowance for uncollectible accounts.....	\$ 60	\$ 83	\$ --	\$ --	\$143
	=====	=====	=====	=====	=====
Year ended December 31, 1996:					
Allowance for uncollectible accounts.....	\$143	\$ 80	\$ --	\$ --	\$223
	=====	=====	=====	=====	=====
U.S. LEGAL SUPPORT, INC.					
Nine months ended September 30, 1997					
Allowance for uncollectible					

accounts.....	\$223	\$154	\$(36)	\$436	\$777
	====	====	====	====	====

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(1) Acquired allowances for uncollectible accounts in acquisitions.

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AGREEMENT OF PURCHASE AND SALE OF ASSETS

This Agreement of Purchase and Sale of Assets (this "Agreement") is entered into and effective as of September 25, 1997 by and among LITIGATION RESOURCES OF AMERICA-NORTHEAST, INC., a New York corporation (the "Buyer"), LITIGATION RESOURCES OF AMERICA, INC., a Texas corporation and the parent of Buyer (the "Parent"), REPORTING SERVICES ASSOCIATES, INC., a Pennsylvania corporation (the "Seller"), and Lee Goldstein, a resident of Florida, individually ("Goldstein") (Goldstein referred to sometimes as the "Stockholder"). Buyer, Parent, Seller and the Stockholder are hereinafter sometimes referred to collectively as the "Parties" or singularly as a "Party."

W I T N E S S E T H :

- - - - -

WHEREAS, the Seller is the owner of various assets associated with the Business (as hereinafter defined);

WHEREAS, the Buyer desires to purchase all of the Assets (as hereinafter defined) owned by the Seller and used in the Business (such purchase of the Assets being sometimes herein referred to as the "Acquisition"), and the Seller desires to sell such Assets to the Buyer;

WHEREAS, in connection with the purchase and sale of the Assets, the Parties desire to set forth in this Agreement the terms and conditions with respect to the transfer of such Assets; and

WHEREAS, the parties understand that the Parent or its Affiliates may enter into other agreements similar or dissimilar to this Agreement (the "Other Agreements") for the acquisition by the Parent or such Affiliates of the assets or stock of other entities (collectively, the "Other Acquired Businesses," and each of those entities, individually, an "Other Acquired Business"), which Other Agreements will be among those entities and their equity owners, the Parent and Affiliates of the Parent;

NOW, THEREFORE, for and in consideration of the mutual covenants, agreements, representations and warranties contained in this Agreement, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I

## CERTAIN DEFINITIONS

As used herein, the following terms shall have the following meanings:

**ACCOUNTS RECEIVABLE.** The term "Accounts Receivable" shall mean all of the accounts receivable, notes receivable, trade receivables and intercompany receivables relating to the Business and existing as of the Effective Date.

**ACQUISITION.** The term "Acquisition" shall have the meaning set forth in the preamble hereto.

**AFFILIATE.** The term "Affiliate" of a person shall mean, with respect to that person, a person who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or is acting as agent on behalf of, or as an officer or director of that person. As used in the definition of Affiliate, the term "control" (including the terms "controlling," "controlled by," or "under common control with") means the possession, direct or indirect, of the ability to affect the management and policies of a person whether through the ownership of voting securities, by contract, through the holding of a position as a director or officer of such person, or otherwise. As used in this definition, the term "person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, an incorporated organization, or a Governmental Authority.

**AGREEMENT.** The term "Agreement" shall the meaning set forth in the preamble hereto.

**ANCILLARY AGREEMENTS.** The term "Ancillary Agreements" shall have the meaning set forth in Section 3.2.

**ASSETS.** The term "Assets" shall have the meaning set forth in Section 2.1.

**ASSUMED LIABILITIES.** The term "Assumed Liabilities" shall have the meaning set forth in Section 2.6.

**BALANCE SHEET DATE.** The term "Balance Sheet Date" shall have the meaning ascribed to it in Section 2.6.

**BILL OF SALE.** The term "Bill of Sale" shall have the meaning set forth in Section 6.3(xiii).

**BOOKS AND RECORDS.** The term "Books and Records" shall have the meaning set forth in Section 2.1(c).

**BUSINESS.** The term "Business" shall mean the court reporting and litigation support business of the Seller as presently conducted.

**BUYER.** The term "Buyer" shall have the meaning set forth in the preamble

hereto.

BUYER INDEMNIFIED PARTIES. The term "Buyer Indemnified Parties" shall have the meaning set forth in Section 7.1A.

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CAPITAL STOCK. The term "Capital Stock" shall mean, with respect to: (a) any corporation, any share, or any depositary receipt or other certificate representing any share, of an equity ownership interest in that corporation; and (b) any other Entity, any share, membership or other percentage interest, unit of participation or other equivalent (however designated) of an equity interest in that Entity.

CASH PURCHASE PRICE. The term "Cash Purchase Price" shall have the meaning set forth in Section 2.3(a).

CLOSING. The term "Closing" shall have the meaning set forth in Section 6.1.

CLOSING DATE. The term "Closing Date" shall have the meaning set forth in Section 6.1.

CLOSING MEMORANDUM. The term "Closing Memorandum" shall mean the form of closing memorandum to be prepared by the Buyer and the Parent and approved by the Seller (which approval will not be unreasonably withheld) for the Closing under this Agreement in which are included the forms of officers certificates, certificates of Stockholder, opinions of counsel and certain other documents to be delivered at the Closing as provided herein.

CODE. The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

CONTRACTS. The term "Contracts" shall have the meaning as contained in Section 2.1(b).

CUSTOMERS. The term "Customers" shall have the meaning as contained in Section 3.25.

DAMAGES. The term "Damages" shall have the meaning set forth in Section 7.1A.

EFFECTIVE DATE. The term "Effective Date" shall mean 12:01 a.m. on the "Closing Date."

EMPLOYEE. The term "Employee" shall mean any employee of the Seller who, as of the Effective Date, is employed or otherwise performs work or provides services in connection with the operation of the Business, including those, if any, on disability, sick leave, layoff or leave of absence, who, in accordance with the Seller's applicable policies, are eligible to return to active status,



but shall not include any independent contractor providing court reporting services to Seller from time to time.

EMPLOYMENT AGREEMENT. The term "Employment Agreement" shall have the meaning ascribed to it in Section 3.18.

ENTITY. The term "Entity" shall mean any sole proprietorship, corporation, partnership of any kind having a separate legal status, limited liability company, business trust, unincorporated organization or association, mutual company, joint stock company or joint venture.

ENVIRONMENTAL, HEALTH & SAFETY LAWS. The term "Environmental, Health & Safety Laws" shall mean all laws (including rules and regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local, and foreign

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Governmental Authorities concerning pollution or protection of the environment, public health and safety, or employee health and safety.

EQUIPMENT. The term "Equipment" shall have the meaning as contained in Section 2.1(a).

ERISA. The term "ERISA" shall have the meaning as contained in Section 3.17.

EXCHANGE ACT. The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

EXCLUDED ASSETS. The term "Excluded Assets" shall have the meaning as contained in Section 2.2.

EXPIRATION DATE. The term "Expiration Date" shall have the meaning set forth in the introductory paragraph to Article III.

FINAL PROSPECTUS. The term "Final Prospectus" shall mean the prospectus included in the Registration Statement at the time it becomes effective, except that if the prospectus first furnished to the Underwriter after the Registration Statement becomes effective for use in connection with the IPO differs from the prospectus included in the Registration Statement at the time it becomes effective (whether or not that prospectus so furnished is required to be filed with the SEC pursuant to Securities Act Rule 424(b)), the prospectus so first furnished is the "Final Prospectus."

FINANCIAL STATEMENTS. The term "Financial Statements" shall mean the balance sheet, income statement and statement of changes of financial position of the Seller.

GAAP. The term "GAAP" shall mean generally accepted accounting principles

of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board that are applicable from time to time.

GENERAL INTANGIBLES. The term "General Intangibles" shall have the meaning set forth in Section 2.1(g).

GOLDSTEIN. The term "Goldstein" shall have the meaning ascribed to it in the preamble hereto.

GOLDSTEIN EMPLOYMENT AGREEMENT. The term "Goldstein Employment Agreement" shall have the meaning ascribed to it in Section 6.2(x).

GOVERNMENTAL APPROVAL. The term "Governmental Approval" shall mean at any time any authorization, consent, approval, permit, franchise, certificate, license, implementing order or exemption of, or registration or filing with, any Governmental Authority, including any certification or licensing of a natural person to engage in a profession or trade or a specific regulated activity, at that time.

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GOVERNMENTAL AUTHORITY. The term "Governmental Authority" shall mean (a) any national, state, county, municipal or other government, domestic or foreign, or any agency, board, bureau, commission, court, department or other instrumentality of any such government, or (b) any Person having the authority under any applicable Governmental Requirement to assess and collect Taxes for its own account.

GOVERNMENTAL REQUIREMENT. The term "Governmental Requirement" shall mean at any time (a) any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, writ, edict, award, authorization or other requirement of any Governmental Authority in effect at that time, or (b) any obligation included in any certificate, certification, franchise, permit or license issued by any Governmental Authority or resulting from binding arbitration, including any requirement under common law, at that time.

GUARANTEE OF PERFORMANCE. The term "Guarantee of Performance" shall have the meaning set forth in Section 6.3(xv).

INTELLECTUAL PROPERTY. The term "Intellectual Property" shall have the meaning as contained in Section 2.1(e).

IPO. The term "IPO" shall mean the first time a registration statement filed under the Securities Act with respect to a primary offering by the Parent to the public of Parent Shares is declared effective under the Securities Act and the shares registered by that registration statement are issued and sold by the Parent (otherwise than pursuant to the exercise by the Underwriter of any over-allotment option).

IPO CLOSING. The term "IPO Closing" shall mean the delivery to the Underwriters of Parent Shares against the receipt of payment therefor pursuant to the IPO.

IPO CLOSING DATE. The term "IPO Closing Date" shall mean the date on which the Parent first receives payment for the Parent Shares it sells to the Underwriter in the IPO.

IPO PRICE. The term "IPO Price" shall mean the price per share of Parent Shares which is set forth as the "price to public" on the cover page of the Final Prospectus.

LEASED ASSETS. The term "Leased Assets" shall have the meaning ascribed thereto in Section 3.6.

LITIGATION. The term "Litigation" shall mean any action, case, proceeding, claim, grievance, suit or investigation or other proceeding conducted by or pending before any Governmental Authority or any arbitration proceeding.

MATERIAL. The term "Material" shall mean, as applied to any Entity or the Business, material to the business, operations, property or assets, liabilities, financial condition or results of operations of the Business or that Entity and its Subsidiaries considered as a whole, as the case may be.

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MATERIAL ADVERSE EFFECT. The term "Material Adverse Effect" shall mean, with respect to the consequences of any fact or circumstance (including the occurrence or non-occurrence of any event) to the Business, that such fact or circumstance has caused, is causing or will cause, directly, indirectly or consequentially, singly or in the aggregate with other facts and circumstances, any material damages.

MINIMUM CASH AMOUNT. The term "Minimum Cash Amount" shall have the meaning set forth in Section 6.2(iv).

NOTICE OF ACTION. The term "Notice of Action" shall have the meaning set forth in Section 7.1C.

NOTICE OF ELECTION. The term "Notice of Election" shall have the meaning set forth in Section 7.1C.

OFFSET. The term "Offset" shall have the meaning set forth in Section 8.2.

ORDINARY COURSE OF BUSINESS. The term "Ordinary Course of Business" shall mean the ordinary course of Seller's Business consistent with past custom and practice (including with respect to quantity and frequency).

OTHER ACQUIRED BUSINESSES. The term "Other Acquired Businesses" shall have the meaning set forth in the preamble hereto.

OTHER AGREEMENTS. The term "Other Agreements" shall have the meaning set forth in the preamble hereto.

OTHER FINANCING SOURCES. The term "Other Financing Sources" shall have the meaning set forth in Section 6.2(iv).

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

PARENT SHARES. The term "Parent Shares" shall mean any of the shares of common stock of the Parent.

PARTY. The terms "Party" and "Parties" shall have the meanings set forth in the preamble hereto.

PBGC. The term "PBGC" shall mean the Pension Benefits Guaranty Corporation.

PERSON. The term "Person" shall mean any natural person, Entity, estate, trust, union or employee organization or Governmental Authority.

PRICING. The term "Pricing" shall have the meaning set forth in Section 6.1.

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PURCHASE PRICE. The term "Purchase Price" shall mean the consideration payable to the Seller for the Assets as set forth or contemplated in Section 2.3.

REGISTRATION RIGHTS AGREEMENT. The term "Registration Rights Agreement" shall have the meaning set forth in Section 6.2(xi).

REGISTRATION STATEMENT. The term "Registration Statement" shall mean the registration statement, including (a) each preliminary prospectus included therein prior to the date on which that registration statement is declared effective under the Securities Act (including any prospectus filed with the SEC pursuant to Securities Act Rule 424(b)), (b) the Final Prospectus and (c) any amendments and all supplements and exhibits thereto, filed by the Parent with the SEC to register the Parent Shares under the Securities Act for public offering and sale in the IPO.

RETAINED LIABILITIES. The term "Retained Liabilities" shall mean all liabilities of the Seller other than the Assumed Liabilities.

SEC. The term "SEC" means the Securities and Exchange Commission or any successor Governmental Authority.

SECURITIES ACT. The term "Securities Act" shall mean the Securities Act of 1933, as amended.

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

SELLER INDEMNIFIED PARTIES. The term "Seller Indemnified Parties" shall have the meaning set forth in Section 7.1B.

SELLER INDEMNITORS. The term "Seller Indemnitors" shall have the meaning set forth in Section 7.1A.

SELLER'S NAME. The term "Seller's Name" shall have the meaning set forth in Section 2.1(i).

SIDE LETTER. The term "Side Letter" shall have the meaning set forth in Section 9.5.

STOCK PLEDGE AGREEMENT. The term "Stock Pledge Agreement" shall have the meaning set forth in Section 6.3(xiv).

STOCKHOLDER. The term "Stockholder" shall have the meaning set forth in the preamble hereto.

SUBSIDIARY. The term "Subsidiary," of any specified Person at any time, shall mean any Entity a majority of the Capital Stock of which is at that time owned or controlled, directly or indirectly, by the specified Person.

SUPPLEMENTAL INFORMATION. The term "Supplemental Information" shall have the meaning set forth in Section 5.11.

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TAXES. The term "Taxes" shall mean any and all local, state or federal taxes imposed upon the Business, the Seller or the Stockholder, including, without limitation, tax obligations, tax claims, tax charges, tax fines or any related tax liabilities, regardless of the source, cause or origin of such tax liabilities, including taxes imposed as a result of the consummation of the Acquisition.

UNDERWRITER. The term "Underwriter" shall mean collectively (a) the investment banking firms that prospectively may enter into the Underwriting Agreement, and (b) from and after the IPO Pricing Date, the investment banking firms party to the Underwriting Agreement.

UNDERWRITING AGREEMENT. The term "Underwriting Agreement" shall mean the underwriting agreement to be entered into between the Parent and the Underwriter with respect to the IPO.

## ARTICLE II PURCHASE OF ASSETS AND PURCHASE PRICE

2.1 SALE OF ASSETS. Subject to the terms and conditions set forth in this Agreement, the Seller agrees to sell, convey, transfer, assign and deliver to the Buyer, and the Buyer agrees to purchase from the Seller on the Closing Date, all assets owned by Seller and used in or derived from the Business (other than those specifically excluded under Section 2.2 below) including the following (such assets to be referred to herein as the "Assets"):

(a) All office equipment, furniture, artwork, service equipment, supplies, computer hardware, data processing equipment, tools and supplies (the "Equipment"), including the Equipment described on SCHEDULE 2.1(A);

(b) All contracts, documents, franchises, instruments, and other written or oral agreements relating to the Business of Seller to which Seller is a party or by which Seller or any of the Assets may be bound as well as all rights, privileges, claims and options relating to the foregoing (the "Contracts"), including the Contracts described on SCHEDULE 2.1(B);

(c) All customer and supplier files and databases, customer and supplier lists, accounting and financial records, invoices, and other books and records relating principally to the Business (the "Books and Records"), including the Books and Records described on SCHEDULE 2.1(C);

(d) Seller's Employee files for those Employees actually hired by Buyer;

(e) All right, title and interest of Seller, in, to and under all service marks, trademarks, trade and assumed names, principally related to the Business together with the right to recover for infringement thereon, if any (the "Intellectual Property"), and other marks and/or names described on SCHEDULE 2.1(E);

(f) All advertising materials and all other printed or written materials related to the conduct of the Business;

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(g) All of the Seller's general intangibles, claims, rights of set off, rights of recoupment and other proprietary intangibles, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, which are used in the Business, and remedies against infringements thereof, and rights to protection of interests therein under the laws of all jurisdictions (the "General Intangibles"), including the General Intangibles described on SCHEDULE 2.1(G);

(h) All goodwill, going concern value and other intangible properties related to the Business;

(i) The exclusive right to use the name "Reporting Services Associates, Inc.", any similar name or derivative thereof, and any past or present assumed names in connection with the Business or Seller's use of

the Assets (the "Seller's Name"); and

2.2 EXCLUDED ASSETS. Seller is not selling and Buyer is not purchasing any of the following excluded assets related to the Business ("Excluded Assets"): (i) cash, cash deposits, rights to receive cash refunds, and other cash equivalents, (ii) cash investments, (iii) Accounts Receivable, notes receivable and trade receivables accrued on or before the IPO Closing Date, all as more specifically described on SCHEDULE 2.2.

2.3 PURCHASE PRICE. Upon the terms and subject to the conditions contained herein and as consideration for the sale of the Assets and the performance by the Seller of various other matters as provided herein, the Buyer shall pay or deliver to the Seller, on the IPO Closing Date and as soon as practicable after the IPO Closing, the aggregate amount \$9,500,000.00, payable by delivery of the following consideration (collectively the "Purchase Price"):

(a) Subject to the provisions of Section 2.5, a cash sum in the amount of Seven Million and No/100 Dollars (\$7,000,000) (the "Cash Purchase Price"), paid by the wire transfer of immediately available funds; and

(b) Such number of whole Parent Shares on the IPO Closing Date as, when multiplied by 90% of the IPO Price, will most nearly approximate, but not exceed, \$2,500,000.00.

2.4 ASSUMPTION OF LIABILITIES; LEASES. Upon the terms and subject to the conditions contained herein, the Buyer agrees that on the Closing Date, it will not assume any liabilities of Seller (except for those liabilities related to Seller's premise and equipment lease payments as described on Schedule 3.6,) ("Assumed Liabilities").

2.5 ALLOCATION OF PURCHASE PRICE. For all federal, state and local tax purposes, the Purchase Price shall be allocated among the various Assets in the manner indicated in SCHEDULE 2.7 hereto. None of the Parties shall file any tax return or report or take any position with any Governmental Authority which is inconsistent with the foregoing allocation, except to the extent

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mandated by a Governmental Authority in a determination binding upon one Party provided that such Party has given written notice and reasonable opportunity to the other Party, at its expense, to contest and appeal such determination on behalf of both Parties and such determination has nevertheless become final. Within ninety (90) days after the Closing Date, the Parties shall prepare for filing with the Internal Revenue Service a Form 8594 in accordance with the foregoing allocation.

2.6 TAXES. Seller shall be liable for the payment of all sales and use taxes arising out of the sale and transfer or removal of the Assets, if any, and the assumption of the Assumed Liabilities. Within one year from the Closing Date, the Seller agrees to furnish to the Buyer certificates from the state

taxing authorities, and any related certificates that the Buyer may reasonably request, as evidence that all sales and use tax liabilities of the Seller accruing before the Effective Date have been fully provided for or satisfied. The Buyer shall not be responsible for any business, occupation, withholding or similar tax, or any taxes of any kind of the Seller, related to any period before the Effective Date and, in the event that any taxes are found to be due or owing by Seller within one year of the Closing Date, Seller shall pay all such amounts and Buyer shall have the right of offset against the Parent Shares pledged under the Stock Purchase Agreement for such amounts, if any, as provided in Section 8.2 hereof.

2.7 TITLE TO ASSETS AND RISK OF LOSS. At the Effective Time, title to the Assets and risk of loss or damage to the Assets by casualty (whether or not covered by insurance) will pass to the Buyer.

ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller and the Stockholder jointly and severally represent and warrant that all of the following representations and warranties in this Article III are true at the date of this Agreement and shall be true at the time of Closing and the IPO Closing Date, and that such representations and warranties shall survive the IPO Closing Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 3.29 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the IPO Closing Date, which shall be deemed to be the Expiration Date for Section 3.29, and (ii) solely for purposes of determining whether a claim for indemnification under Section 7.1 hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, the Seller or the Stockholder actually incur liability under the Securities Act, the Exchange Act, or any other federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

3.1 TITLE TO ASSETS. The Seller has good, marketable and indefeasible title to the Assets, free and clear of restrictions or conditions to transfer or assignment, mortgages, liens, pledges, charges, encumbrances, equities, claims, easements, rights-of-way, covenants, conditions or restrictions, except with respect to the Leased Assets as otherwise disclosed on SCHEDULE 2.1(A). The Seller is in possession of all of the Leased Assets leased to it from others. Except for the

Excluded Assets, the Assets constitute all of the material property, whether real, personal, mixed, tangible or intangible, that are used in the Business by the Seller.



3.2 CONTRACTS AND AGREEMENTS. SCHEDULE 2.1(B) lists all of the material contracts, agreements, and other written or oral arrangements relating to the Business to which the Seller is a party, or by which the Seller or the Assets are bound. As of the Closing Date, each of the Contracts is valid and in full force and effect, and there has not been any default by the Seller or, to the best of Seller's Knowledge, by any other party to any of the Contracts, or any event that with notice or lapse of time or both, would constitute a default by the Seller or, to the best of Seller's Knowledge, any other party to any of the Contracts. Except as shall be disclosed in SCHEDULE 2.1(B), each Contract is assignable to the Buyer without the consent of any other party. The Seller will obtain and deliver at Closing all of the requisite consents relating to the items set forth on SCHEDULE 2.1(B). Seller has not received notice that any party to any of the Contracts intends to cancel or terminate any of the Contracts or exercise or not exercise any options that they might have under any of the Contracts. In the event any of the Contracts are, or are later determined to be, non-assignable, and the other party to any such Contracts refuses to consent to the assignment of same, then the Seller shall subcontract to the Buyer or its designee, if the Buyer so desires, the remaining work on such Contracts, and the Seller shall forward to the Buyer or its designee all proceeds of such Contracts received by the Seller provided however, that Seller shall be reimbursed for any reasonable out-of-pocket expenses incurred by it.

3.3 EQUIPMENT. All of the Equipment owned or leased by the Seller is described on SCHEDULE 2.1(A) attached hereto. Except as disclosed on SCHEDULE 2.1(A), none of the Equipment will be, at the Effective Time, held under any security agreement, conditional sales contract, or other title retention or security arrangement or is located other than in the possession of the Seller except for Equipment that is out of Seller's possession at certain job sites and/or with certain of Seller's agents. To the best of Seller's Knowledge, the Equipment is in good operating condition and repair, ordinary wear and tear excepted.

3.4 LICENSES. Seller does not own any licenses or have any rights to use any licenses in connection with the Business. Seller has not infringed, and is not now infringing, on any license belonging to any other person, firm, or corporation.

3.5 EMPLOYMENT CONTRACTS. Except as set forth in SCHEDULE 3.5, Seller does not have any employment contracts and collective bargaining agreements to which the Seller is a party or by which the Seller is bound relating to any Employee. No Employees are represented by any labor organization, and, as of the date hereof, no labor organization or group of Employees has made a written demand to the Seller for recognition, or filed a petition with the National Labor Relations Board, or announced its intention to hold an election of a collective bargaining representative. There is no pending, or to the best Knowledge and reasonable belief of Seller and Stockholder, threatened, labor dispute, strike or work stoppage affecting or potentially affecting the Business.

3.6 COMPLIANCE WITH LAWS. The Seller has complied with, and is not in violation of, applicable federal, state or local statutes, laws, and regulations

(including, without limitation, any applicable building or other law, ordinance or regulation) that affect, or are likely to affect, directly

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or indirectly, any of the Assets or the Business. The Seller has all permits, licenses, and authorizations necessary to the conduct of the Business in the manner and in the locations in which the Business is presently conducted, and all such permits, licenses, or other authorizations are valid and in full force and effect. To the best of Seller's Knowledge, there are not any uncured violations of federal, state or municipal laws, ordinances, orders, regulations or requirements affecting any portion of the Assets or the Business.

3.7 LITIGATION. Except as disclosed in SCHEDULE 3.7, there is no suit, action, arbitration or legal, administrative or other proceeding or governmental investigation pending or, to the best of Seller's Knowledge, threatened against or affecting the Seller, its Affiliates, the Stockholder, the Assets, or the Business that could result in a material adverse effect on the Business.

3.8 CONSENTS AND APPROVALS; NO BREACH OR DEFAULT. Except as set forth on SCHEDULE 8(A), no consent, approval or authorization of, or filing or registration with, any Person or Entity, is required to be made or obtained by Seller in connection with the execution, delivery or performance of this Agreement, or the consummation by Seller of the transactions contemplated hereby. Except as set forth on SCHEDULE 3.8(B), neither the execution and delivery of this Agreement or the Ancillary Agreements by Seller, nor the consummation of the transactions contemplated herein by Seller, will (a) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority to which Seller is, or the Assets are, subject, or (b) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under, any agreement, contract, lease, license, instrument, promissory note, conditional sales contract, partnership agreement or other arrangement to which Seller or any of Seller's Affiliates is a party, or by which Seller is bound, or to which the Assets are subject, or (c) conflict with or violate the articles of incorporation, bylaws or other charter documents of Seller.

3.9 AUTHORITY. The Seller has the full right, power, legal capacity and authority to execute, deliver and perform its obligations under this Agreement, and all agreements ancillary to this Agreement which are part of the underlying transaction made the basis of this Agreement and executed in connection herewith including but not limited to the Exhibits hereto ("Ancillary Agreements"). The sale of the Assets and the execution, delivery and performance of this Agreement and the Ancillary Agreements by Seller have been duly authorized by the Stockholder.

3.10 PERSONNEL. SCHEDULE 3.10(A) sets forth a complete and accurate list of the names, addresses, hire dates, dates of birth and job descriptions of all Employees employed by Seller in connection with the Business, current rates of

compensation including, if determined, bonuses payable to each following the Closing. SCHEDULE 3.10(B) is a complete and accurate list of the names, addresses, hire dates, dates of birth and services provided by all independent contractors used by Seller during the preceding one (1) year, stating their rates and method of compensation.

3.11 VALID AND BINDING OBLIGATIONS. Upon execution and delivery, this Agreement, the Ancillary Agreements and each document, instrument and agreement to be executed by the Seller, or the Stockholder in connection herewith, will constitute the legal, valid, and binding obligation of the Seller, or Stockholder, enforceable against the Seller and/or Stockholder in accordance with its

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terms, except as limited by bankruptcy laws, insolvency laws, and other similar laws affecting the rights of creditors generally.

3.12 FINANCIAL STATEMENTS. The Financial Statements (a) are true, complete, and correct in all material respects, (b) fairly and accurately present the financial position of Seller as of the periods described therein, and the results of the operations of Seller for the periods indicated, and (c) have been prepared consistently and in accordance with the Seller's historical customs and practices.

3.13 EMPLOYEE BENEFITS. SCHEDULE 3.13 is a true, correct and complete list of each "employee benefit plan," within the meaning of Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA") which has ever been maintained or sponsored by Seller or any of its Affiliates. Each such employee benefit plan (and each related trust, insurance contract, or fund) is in full force and effect, and complies in form and in operation in all respects with the applicable requirements of ERISA, the Code, and other applicable laws. Neither Seller, Stockholder nor any Affiliate is in default under any of the plans, there have been no claims of default, and there are no facts, conditions or circumstances which if continued, or on notice, will result in a default, under any plan. None of the plans will, by its terms or under applicable law, become binding upon or become an obligation of the Buyer. No assets of any plan are being transferred to Buyer or to any plan of Buyer. Seller does not contribute to, and has never contributed to, and has never been required to contribute to, any multiemployer plan, and Seller does not have, and has never had, any liability (including withdrawal liability) under any multiemployer plan.

3.14 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as disclosed in SCHEDULE 3.14(A) with regard to the Business and the Assets, since the Balance Sheet Date, there has been no:

- (i) material adverse change in the condition, financial or otherwise, of the Seller, the Assets or the Business;
- (ii) waiver of any right of or claim held by the Seller;

(iii) material loss, destruction or damage to any property of the Seller, whether or not insured;

(iv) material change in the personnel of the Seller or the terms or conditions of their compensation or employment;

(v) acquisition or disposition of any assets (or any contract or arrangement therefor), nor any other transaction by the Seller otherwise than for value and in the ordinary course of business;

(vi) transaction or disbursement of funds or assets by the Seller except in the ordinary course of business;

(vii) capital expenditure by the Seller exceeding \$10,000 except in the ordinary course of business;

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(viii) change in accounting methods or practices (including, without limitation, any change in depreciation or amortization policies or rates) by the Seller;

(ix) re-valuation by the Seller of any of its Assets;

(x) amendment, modification or termination of any Contract to which the Seller is a party, except in the ordinary course of business;

(xi) mortgage, pledge or other encumbrance of any of the Assets;

(xii) litigation or facts or circumstances that could result in litigation that, if adversely determined, might reasonably be expected to have a material adverse effect on Seller, Seller's financial condition, Seller's prospects, the Business or the Assets;

(xiii) increase in salary or other compensation payable or to become payable by the Seller to any of its officers, directors or employees, or the declaration, payment or commitment or obligation of any kind for the payment, by the Seller, of a bonus or other additional salary or compensation to any such person;

(xiv) loan by the Seller to any person or entity, or guaranty by the Seller of any loan;

(xv) other event or condition of any character that has or might reasonably be expected to have a material adverse effect on the Business, the Assets or the financial condition of the Seller; or

(xvi) agreement by the Seller to do any of the things described in the preceding clauses (i) through (xv).

Except as disclosed in SCHEDULE 3.14(B), there have been no contractual commitments by Seller to spend more than \$25,000 per contractual commitment over a continuous 12-month period.

3.15 BROKERS. Neither Seller, the Stockholder, nor any of the Seller's or the Stockholder's Affiliates has employed any broker, agent, or finder, or incurred any liability for any brokerage fees, agent's fees, commission or finder's fees in connection with the transactions contemplated herein.

3.16 SALE OF ASSETS. For purposes of determining whether a sales and use tax charge is applicable, the sale of the Assets constitutes: (i) the sale of all of the operating assets of a business or of a separate division, branch, or identifiable segment of a business, and (ii) a sale outside the ordinary course of Seller's Business, and represents an isolated or occasional sale by a seller who does not regularly engage in such business. The income and expenses of the Business can be separately established from the Books and Records in the same manner as previously provided to Buyer.

3.17 ABSENCE OF CERTAIN BUSINESS PRACTICES. Neither the Seller, the Stockholder, nor any agent of the Seller, or the Stockholder, nor to Seller's or the Stockholder's best Knowledge any

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other person acting on Seller's or the Stockholder's behalf, has, directly or indirectly, within the past five years, given or agreed to give any gift or similar benefit to any customer, supplier, government employee of the United States or any state or foreign government, or other person who is or may be in a position to help or hinder the Business which (1) would subject the Seller to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (2) if not given in the past, would have an adverse effect on the Business, or (3) if not continued in the future, would have a material adverse effect on the Business or the Assets, or which would subject the Seller to suit or penalty in a private or governmental litigation or proceeding.

3.18 LIENS ON ASSETS. Except as set forth on SCHEDULE 3.18, all liens or security interests of any third party as to any of the Assets have been removed on or before the Closing Date, and the Seller has furnished evidence thereof to Buyer.

3.19 CUSTOMERS. To the best of Seller's Knowledge, SCHEDULE 3.19 contains a true and correct list of all customers of the Business within the last year (the "Customers"). The Seller has no information, nor is the Seller aware of any facts, indicating that any of the material Customers intend to cease doing business with the Seller.

3.20 INSURANCE POLICIES. SCHEDULE 3.20 to this Agreement is a description of all insurance policies held by the Seller concerning the Business and Assets. The Seller maintains insurance protection on all its Assets and the Business of

such types and in such amounts as are customarily insured by similar companies in the same industry, covering property damage and loss by fire, theft, or other casualty.

3.21 INTEREST IN CUSTOMERS, SUPPLIERS AND COMPETITORS. Except as set forth in SCHEDULE 3.21, neither the Seller, the Stockholder, nor any Affiliate of the Seller or Stockholder, has any direct or indirect interest in any competitor, supplier or customer of the Seller, or in any person from whom or to whom the Seller leases any property, or in any other person with whom the Seller is doing business.

3.22 ADVERSE INFORMATION. Neither Seller nor Stockholder has any actual Knowledge of any change contemplated in any applicable laws, ordinances or restrictions, or any judicial or administrative action, or any event, fact or circumstance which will, or could be reasonably expected to, have a material adverse effect on the Seller or its condition, financial or otherwise, the Assets, or the condition, value or operation thereof.

3.23 ORGANIZATION. The Seller is a Pennsylvania corporation duly organized, validly existing and in good standing under the laws of the State of Pennsylvania, has all necessary powers to own the Assets and properties and to operate the Business as now owned and operated by it, and is qualified to do business in the State of Pennsylvania.

3.24 CONDITION. All of the Assets are in good operating condition and repair, ordinary wear and tear excepted, and, as applicable, good working order. To the best of the Seller's and the Stockholder's Knowledge, the buildings, fixtures, and improvements leased by the Seller, including but not limited to the parking areas, roofs, foundations, plumbing, electrical, air conditioning, heating

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and ventilating systems, doors, building exteriors, landscaping, and interior areas are in good condition, ordinary wear and tear excepted, and, as applicable, good working order.

3.25 INTELLECTUAL PROPERTY. All of the Intellectual Property owned by the Seller is described on SCHEDULE 2.1(E) attached hereto. The Seller is the sole owner of all of the Intellectual Property, free and clear of any liens, encumbrances, restrictions, or legal or equitable claims of others. The Seller has registered all trade names, trademarks, and service marks in all jurisdictions necessary to evidence and protect its ownership thereof, and to permit the Seller to conduct its business in the manner in which it is currently conducted, or otherwise has all rights or licenses necessary to use the same. The Seller has all patents or patent applications and copyrights registered in all jurisdictions necessary to evidence and protect the ownership thereof and to permit the Seller to conduct its business in the manner in which it is currently conducted, or otherwise has all rights or licenses necessary to use same. Except as disclosed in this Agreement, all of the patents of the Seller are

valid and in full force and effect and are not subject to any taxes, maintenance fees, or actions which have not been currently paid. None of the Intellectual Property infringes upon any patents, trade or assumed names, trademarks, service marks, or copyrights belonging to any other person or other entity. The Seller is not a party to any license, agreement, or arrangement, whether as licensor, licensee, or otherwise, with respect to any of the Intellectual Property. The Seller does not have a license or a right to use any other patents, service marks, trademarks, trade and assumed names, trade secrets and royalty rights and other proprietary intangibles in connection with the Business, other than the Intellectual Property.

3.26 POWERS OF ATTORNEY. No person or other entity holds a general or special power of attorney from the Seller.

3.27 NO SEVERANCE PAYMENTS. Except as set forth in SCHEDULE 3.27, the Seller will not owe a severance payment or similar obligation to any of its Employees, officers, or directors, as a result of the transactions contemplated by this Agreement, nor will any of such persons be entitled to an increase in severance payments or other benefits as a result of the transactions contemplated hereby, nor in the event of the subsequent termination of their employment.

3.28 EMPLOYEES. Except as has occurred in the ordinary course of business, the Seller has not, nor has it agreed to do in any unusual or extraordinary amount or manner, any of the following acts with respect to its Employees in the Business: (i) grant any increase in salaries payable or to become payable by it, (ii) increase benefits, (iii) modify any collective bargaining agreement to which it is a party or by which it may be bound, or (iv) declared any bonuses for any of its Employees.

3.29 TAXES. Seller has filed all tax returns that Seller was required to file, and all such tax returns were correct and complete in all respects. All Taxes owed by Seller (whether or not shown on any tax return) have been paid. Seller is not the beneficiary of any extension of time within which to file any tax return, and Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. Seller has withheld and paid all Taxes required to have been withheld or paid in connection with amounts paid or owing to the Stockholder and any Employee, independent contractor, creditor, or other third party. Neither Seller, an Employee responsible for Tax matters, nor the Stockholder of Seller has reason to believe

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that any authority might assess any additional Taxes for any period for which tax returns have been filed. There is no dispute or claim concerning any Tax liability of Seller.

3.30 HIRING OF EMPLOYEES. As of the Closing Date, Seller shall permit Buyer to offer employment to all of the Employees. At or prior to Closing,

Seller shall have paid such Employees all compensation and benefits to which they are entitled by reason of their previous employment with the Seller on such date, and Buyer shall have no liability with respect thereto. Seller shall use Seller's best efforts to assist Buyer in any reasonable manner in the hiring by Buyer of the Employees that Buyer desires to hire. Buyer shall have the right, but not the obligation, to offer employment to such Employees that it desires to hire in its sole discretion. Seller shall be solely responsible and liable for all severance pay, if any, to the extent that any of the Employees are not offered employment with Buyer or do not accept an offer of employment. Under no circumstances shall the Seller or any of Seller's Affiliates be permitted to employ or offer employment to any of the Employees after the Closing Date, without the prior written consent of Buyer.

3.31 OPERATIONS OF THE SELLER. Except as disclosed in SCHEDULE 3.31, since the Balance Sheet Date:

(i) Seller has used its best efforts to preserve the business organization of the Seller intact, to keep available to the Business the Employees, and to preserve its present relationships with suppliers, Customers and others having business relationships with it;

(ii) Seller has maintained its existing insurance as to the Business and the Assets, and otherwise maintained and operated the Business in a good and businesslike manner in accordance with good and prudent business practices;

(iii) Seller has not entered into any agreement or instrument which would constitute an encumbrance of the Assets, which would bind Buyer, the Seller or the Assets after Closing, other than in the ordinary course of business, or which would be outside the normal scope of maintaining and operating the Business and the Assets in the ordinary course of business;

(iv) Seller has performed all of the Seller's material obligations under all Contracts and commitments applicable to the Seller, the Business, and the Assets, and has maintained the Seller's Books and Records in the usual, regular and customary manner;

(v) to the best of Seller's Knowledge, the Seller has complied with all statutes, laws, ordinances and regulations applicable to the Seller, the Assets, and the conduct of the Business;

(vi) Seller has not removed or disposed of, nor permitted the removal or disposal of, any Assets unless such Assets were replaced with an item of at least equal value that is properly suited for its intended purpose;

(vii) Seller has paid all bills and other payments due with respect to the ownership, use, insurance, operation and maintenance of the Business and the Assets in the usual, regular and customary manner consistent with its prior practices, and has taken all action necessary or prudent



to prevent liens or other claims for the same from being filed or asserted against any part of the Assets; and

(viii) all revenues received by the Seller relating to the Business have been deposited in the Seller's account relating to the Business.

3.32 FULL DISCLOSURE. This Agreement, the Ancillary Agreements and the Schedules hereto, and all other documents and written information furnished by the Seller to the Buyer pursuant hereto or in connection herewith, are true, complete and correct, and do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made herein and therein not misleading. To the best of Seller's Knowledge, there are no facts or circumstances relating to the Assets or the Business which adversely affect or might reasonably be expected to adversely affect the Assets, the Business (including the prospects or operations thereof), or the ability of the Seller to perform this Agreement or any of Seller's obligations hereunder.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Parent and Buyer jointly and severally represent and warrant that all of the following representations and warranties in this Article IV are true at the date of this Agreement and shall be true at the time of Closing and the IPO Closing Date, and that such representations and warranties shall survive the IPO Closing Date until the Expiration Date, except that solely for purposes of determining whether a claim for indemnification under Section 7.1 hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, the Seller actually incurs liability under the Securities Act, the Exchange Act, or any other federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

4.1 ORGANIZATION. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has all the necessary corporate powers to own its properties and to carry on its business as now owned and operated by it. The Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and has all the necessary corporate powers to own its properties and to carry on its business as now owned and operated by it.

4.2 AUTHORITY. Each of Buyer and Parent, as applicable, has the right, power, legal capacity, and authority to execute, deliver and perform this Agreement and the Ancillary Agreements to which it is a party. The execution, delivery and performance of this Agreement and any Ancillary Agreements by Buyer and Parent, as applicable, have been duly authorized by all necessary corporate action.

4.3 CAPITAL STOCK OF PARENT AND BUYER. The respective designations and

numbers of outstanding shares and voting rights of each class of outstanding capital stock of the Parent and the Buyer are as follows: (i) immediately prior to the Closing Date and the IPO Date, the authorized capital stock of Parent will consist of 100,000,000 shares of common stock, of which the number of

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issued and outstanding shares will be set forth in the Registration Statement, and 10,000,000 shares of preferred stock, \$.01 par value, of which no shares will be issued and outstanding, and a number of shares of restricted voting common stock, \$.01 par value, to be determined by Parent in good faith, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement, and (ii) as of the date of this Agreement, the authorized capital stock of Buyer consists of 10,000 shares of common stock, all of which shares are issued and outstanding.

4.4 TRANSACTIONS IN CAPITAL STOCK; ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on in the Registration Statement, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the Parent or the Buyer to issue any of their respective authorized but unissued capital stock, and (ii) neither the Parent nor the Buyer has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. SCHEDULE 4.4 includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights (excluding the Other Agreements) to acquire Parent Shares.

4.5 COMMON STOCK. At the time of issuance thereof and delivery to the Seller, the Parent Shares to be delivered to the Seller pursuant to this Agreement will constitute valid and legally issued Parent Shares, fully paid and nonassessable, and with the exception of restrictions upon resale (a) set forth in Section 9.2 hereof and (b) contained in the Stock Pledge Agreement, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the Parent Shares issued and outstanding as of the date hereof by reason of the provisions of the Texas Business Corporation Act. Except as provided in the previous sentence, the Parent Shares issued and delivered to the Seller shall at the time of such issuance and delivery be free and clear of any liens, claims or encumbrances of any kind or character. The Parent Shares to be issued to the Seller pursuant to this Agreement will not be registered under the 1933 Act, except as provided in the Registration Rights Agreement.

4.6 ASSUMED LIABILITIES. Buyer shall assume the Assumed Liabilities as defined in Section 2.6 herein.

4.7 ABSENT CERTAIN CHANGES. Since the Balance Sheet Date, there have been no (a) material adverse changes in the business, financial condition, assets, operations or prospects of Parent, (b) amendments, modifications or terminations

of any material contract applicable to Parent, (c) any changes in the accounting methods or practices of Parent or (d) any litigation or facts or circumstances that could result in litigation that, if adversely determined, might reasonably be expected to have a material adverse effect on Parent or on its business, financial condition or prospects.

4.8 LITIGATION. Except as disclosed in Schedule 4.8, there is no suit, action, arbitration or legal, administrative or other proceeding or governmental investigation pending or, to the best of the Parent's Knowledge, threatened against or affecting the Parent or the Buyer that could result in a material adverse effect on the Business.

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4.9 NO BREACH OR VIOLATION. As of the Effective Time and except as set forth on Schedule 4.9, the consummation of the transactions contemplated by this Agreement will not result in or constitute any of the following: (i) a default or an event that, with notice or lapse of time or both, would be a default, breach or violation, or give rise to a right of modification, termination, cancellation or acceleration of any obligation or to a loss of a benefit under, except for third party consents described in this Agreement or any schedule prepared and delivered in connection herewith, of any lease, license, promissory note, conditional sales contract, commitment, indenture, mortgage, deed of trust, security agreement, concession, franchise, permit or other agreement, instrument or arrangement by which the Parent or the Buyer may be affected, or to which the Parent or the Buyer may be bound, (ii) the creation or imposition of any lien, charge, or encumbrance on any of the assets of the Parent or the Buyer, or (iii) a breach of any term or provision of this Agreement.

4.10 VALID AND BINDING OBLIGATIONS. Upon execution and delivery, each of this Agreement and the Ancillary Agreements will constitute the legal, valid, and binding obligation of Buyer or Parent, as applicable, enforceable in accordance with its terms, except as limited by bankruptcy laws, insolvency laws, and other similar laws affecting the rights of creditors generally.

4.11 BROKERS. Except for The GulfStar Group, Inc. neither Buyer nor any of its respective Affiliates, officers, directors, or employees, has employed any broker, agent, or finder, or incurred any liability for any brokerage fees, agent's fees, commissions or finder's fees in connection with the transactions contemplated herein.

4.12 CONSENTS AND APPROVALS. No consent, approval or authorization of, or filing or registration with, any Person or Entity, is required to be made or obtained by Buyer in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

ARTICLE V  
COVENANTS OF THE PARTIES

Buyer and Seller covenant and agree as follows:

5.1 CONDUCT OF THE BUSINESS. Except as otherwise permitted by this Agreement or consented to by Buyer in writing, Seller shall through the IPO Closing Date conduct the Business in the ordinary course in substantially the same manner as heretofore, using its best efforts to preserve intact its present business organization, to keep available the services of its Employees, and to preserve its relationships with Customers, suppliers and others having business dealings with it.

5.2 CERTAIN CHANGES. Except as otherwise permitted by this Agreement or consented to by Buyer in writing, Seller shall not: (a) subject any of the Assets to any lien or encumbrance; (b) dispose of any of the Assets; or (c) grant any increase in compensation or benefits to any Employee; (d) materially modify any of the liabilities, or (e) with respect to the Business, perform any act outside the Ordinary Course of Business except as otherwise contemplated by this Agreement.

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5.3 NOTICE. Seller will notify Buyer immediately in writing if (i) any of Seller's representations or warranties set forth in this Agreement are or become untrue prior to the IPO Closing Date, (ii) Seller fails to fully perform all of the covenants of Seller set forth in this Agreement, or (iii) there occurs any Material adverse development in the Business or Seller's market position, sales, profit trends, labor regulations, litigation or insurance claims or otherwise.

5.4 RECORDS. From the date of execution of this Agreement until the Closing, Seller shall permit Buyer the right, during normal business hours, to inspect any documents, Books and Records or other information pertaining to the Assets.

5.5 U.C.C. SEARCHES. Within five (5) days from the date of execution hereof, Buyer, at Buyer's sole cost and expense, shall deliver to Seller current searches of all Uniform Commercial Code financing statements filed with the Office of the Secretary of State of Pennsylvania and in any other state, or county in which the Seller has an office, against Seller. Any and all liens, pledges, mortgages, security interests and encumbrances affecting the Assets, regardless of whether same are disclosed in such lien searches, shall be released and discharged by Seller at or prior to Closing.

5.6 BULK SALES. It may not be practicable to comply or attempt to comply with the procedures of the "Bulk Sales Act" or similar law in any or all of the states in which the Assets are situated or of any other state which may be asserted to be applicable to the transactions contemplated hereby. Accordingly, to induce Buyer to waive any requirements for compliance with any or all of such laws, Seller hereby agrees that except for the Assumed Liabilities, the indemnity provisions of Article VII hereof shall apply to any Damages of Buyer arising out of or resulting from the failure of Buyer or Seller to comply with any such laws or any similar law which may be asserted to be applicable.

5.7 NON-COMPETITION AGREEMENT. The Seller agrees that, for the period beginning on the Closing Date and continuing for five (5) years following the Closing Date, neither Seller, Lee Goldstein, individually, nor any Affiliates, shall, either directly or indirectly, individually or separately, for themselves or as an owner, stockholder, joint venturer, promoter, consultant, manager, independent contractor, agent, or in some similar capacity for any reason whatsoever:

A. Enter into, engage in, or be connected with any business or business operation or activity which consists in whole or in part of the Business within the following Counties:

(list counties in Pennsylvania);

B. Call upon any customer whose account is or was serviced in whole or in part by the Seller in relation to the Business or the Buyer with the intent of selling or attempting to sell to any such customer any services similar to the services provided by the Buyer; and

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C. Intentionally divert, solicit or take away any customer, supplier or employee of the Buyer, or the patronage of any customer or supplier of the Buyer, or otherwise interfere with or disturb the relationship existing between the Buyer and any of its customers, suppliers, or employees, directly or indirectly.

In the event the Buyer ceases operation of the Business other than in a merger, consolidation, sale of assets or similar transaction, or upon the filing of a bankruptcy or receivership proceeding against the Buyer, or upon the appointment of a liquidator for the Buyer, the provisions of this Section 5.7 will not be applicable to the conduct of Seller subsequent thereto.

It is mutually understood and agreed that if any of the provisions relating to the scope, time or territory in this Section 5.7 are more extensive than is enforceable under applicable law or are broader than necessary to protect the goodwill and legitimate business interests of the Buyer, then the Parties agree that they will reduce the degree and extent of such provisions by whatever minimal amount is necessary to bring such provisions within the ambit of enforceability under applicable law.

The Parties acknowledge that the remedies at law for breach of Seller's covenants contained in this Section 5.7 are inadequate, and they agree that the Buyer shall be entitled, at its election, to injunctive relief (without the necessity of posting bond against such breach or attempted breach), and to specific performance of said covenants in addition to any other remedies at law or equity that may be available to the Buyer.

5.8 TERMINATION OF EMPLOYMENT OF SELLER'S EMPLOYEES. Buyer anticipates

extending an offer of employment to substantially all of the Employees of the Seller on substantially the same terms and conditions as the Employees currently are employed by Seller. Notwithstanding the foregoing, nothing herein shall imply or guarantee employment of any Employee of Seller by Buyer. If Seller's Employees desire employment with Buyer, they will be interviewed in conjunction with the applicants from other sources and given strong consideration for available positions with Buyer, at the wages, hours, and conditions of employment established by Buyer prior to hiring any Employees. Seller agrees to use its best efforts to make available the Employees to the Buyer that Buyer desires to hire for the purpose of operating the Business. Notwithstanding anything to the contrary contained herein, Buyer agrees that it will offer to employ substantially all of Seller's Employees. Nothing shall prohibit Buyer from terminating any of Seller's Employees subsequent to their employment by Buyer.

5.9 COOPERATION IN CONNECTION WITH THE IPO. The Seller and the Stockholder will (a) provide the Parent and the Underwriter with all the Information concerning Seller and the Stockholder which is reasonably requested by the Parent and the Underwriter from time to time in connection with effecting the IPO and (b) cooperate with the Parent and the Underwriter and their respective representatives in the preparation and amendment of the Registration Statement (including the Financial Statements) and in responding to the comments of the SEC staff, if any, with respect thereto, to the extent that any of the foregoing concern or reasonably relate to the Seller or the Stockholder. The Seller and the Stockholder agree promptly to (a) advise the Parent if, at any time during the period in which a prospectus relating to the IPO is required to be delivered under the Securities Act, any information contained in the then current Registration Statement prospectus

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concerning the Seller or the Stockholder becomes incorrect or incomplete in any material respect and (b) provide the Parent with the information needed to correct or complete that information.

5.10 ADDITIONAL FINANCIAL STATEMENTS. Seller shall promptly furnish to Buyer a copy of all Financial Statements for each additional month-end period beyond the Balance Sheet Date as soon as same is regularly prepared by Seller in the Ordinary Course of Business. All such additional Financial Statements shall be subject to the same representations and warranties as contained in Section 3.23 of this Agreement. The Parties acknowledge and agree that Buyer shall be permitted to conduct at its sole cost and expense an audit of Seller for the fiscal years ended 1994, 1995 and 1996 and 1997 (or any portion thereof) in connection with the IPO. Buyer shall pay Seller's reasonable costs incurred in preparing such monthly financial statements.

5.11 SUPPLEMENTAL INFORMATION. The Seller and the Stockholder agree that, with respect to the representations and warranties of that party contained in this Agreement, that party will have the continuing obligation through the IPO Closing to provide the Parent promptly with such additional supplemental

Information (collectively, the "Supplemental Information"), in the form of (a) amendments to then existing Schedules or (b) additional Schedules, as would be necessary, in the light of the circumstances, conditions, events and states of facts then known to the Seller or such Stockholder, to make each of those representations and warranties true and correct as of the Closing and on the IPO Closing Date. For purposes only of determining whether the conditions to the obligations of the Parent and Buyer which are specified in Section 6.3 have been satisfied, the Schedules as of the Closing and on the IPO Closing Date shall be deemed to be the Schedules and the Investor Representation Letter as of the date hereof as amended or supplemented by the Supplemental Information provided to the Parent prior to the Effective Date pursuant to this Section 5.11; provided, however, that (a) if the Supplemental Information so provided discloses the existence of circumstances, conditions, events or states of facts which, in any combination thereof, have had a Material Adverse Effect or, (b) based upon the advice of the Underwriter the Parent has determined that subsequent events that were revealed through RSA's submission of Supplemental Information pursuant to this Section 5.11 (which shall be conclusive for purposes of this Section 5.11 and 8.3(a)(iv), but not for any purpose of Article VII), are having or will have a Material Adverse Effect, the Parent will be entitled to terminate this Agreement pursuant to Section 8.3(a)(iv); and provided, further, that if the Parent is entitled to terminate this Agreement pursuant to Section 8.3(a)(iv), but elects not to do so, it will be entitled to treat as Buyer Indemnified Losses (which treatment will not prejudice the right of the Seller or the Stockholder to contest Damage claims made by the Parent in respect of those Buyer Indemnified Losses) all Damages to the Business which are attributable to the circumstances, conditions, events and state of facts first disclosed herein after the date hereof in the Supplemental Information. The Parent will provide the Seller and the Stockholder with copies of the Registration Statement, including all pre-effective amendments thereto, promptly after the filing thereof with the SEC under the Securities Act.

5.12 INSURANCE. Seller shall assist, and shall cause its Affiliates to assist, Buyer in transferring to Buyer any insurance applicable to the Assets or the Leased Assets which Buyer elects to maintain in effect.

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5.13 CONFIDENTIALITY. Seller will not, and will not permit any of its Affiliates to, disclose any information of a confidential or proprietary nature concerning the Assets or the Business to any third parties, and in no event shall Seller use, or allow any of its Affiliates to use, such confidential or proprietary information for its or his own benefit or to the detriment of Buyer or the Business. No public or private announcement shall be made of the transactions contemplated herein, nor the terms hereof, by Seller or any of its Affiliates, without the prior written approval of Buyer as to timing, form and content.

## ARTICLE VI THE CLOSING

6.1 PRICING. At or prior to Pricing, the Parties shall take all actions necessary to (a) complete the Acquisition (including the execution and delivery of this Agreement and the Ancillary Agreements which shall be placed in escrow under the control of the Parent for release to the Parties on the IPO Date), and (b) effect the delivery of the Parent Shares referred to in Section 2.3 hereof, provided however, that such actions shall not include the actual completion of the Acquisition or the delivery of the Common Stock and funds referred to in Section 2.3 hereof, each of which actions shall only be taken upon the IPO Closing Date as herein provided. For purposes of this Article VI, the term "Pricing" shall mean the date of determination by Parent and the Underwriter of the public offering price of the Parent Shares in the IPO; the Parties contemplate that the Pricing shall take place on the Closing Date. The escrow agreement relating to this Agreement and the Ancillary Agreements shall provide that in the event that there is no IPO Closing Date, and this Agreement terminates as provided in Section 8.3(b)(ii), the Agreement and the Ancillary Agreements shall not be delivered to the Parties. The taking of the actions described in clauses (a) and (b) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Boyer, Ewing & Harris Incorporated, 9 Greenway Plaza, Suite 3100, Houston, Texas 77046. On the IPO Closing Date, all transactions contemplated by this Agreement, including the delivery of the Parent Shares, the wire transfer of the cash portion of the Purchase Price which Seller is entitled to receive pursuant to Section 2.3 hereof, and the closing of the IPO shall occur and be completed. Except as otherwise provided in Section 8.3 hereof, during the period from the Closing Date to the IPO Closing Date, this Agreement may only be terminated by the Parties if the Underwriting Agreement is terminated pursuant to the terms thereof.

6.2 CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER. The obligations of the Seller with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions other than the conditions set forth in this Section 6.2(i) and (viii) that cannot be satisfied prior to the IPO Closing Date. The obligations of the Seller with respect to actions to be taken on the IPO Closing Date are subject to the satisfaction or waiver on or prior to the IPO Closing Date of the conditions set forth in this Section 6.2(i) and (viii). As of (a) the Closing Date if any such conditions have not been satisfied other than the conditions set forth in this Section 6.2(i) and (viii) that cannot be satisfied prior to the IPO Closing Date or (b) the IPO Closing Date, if any such conditions have not been satisfied, the Seller shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or

action of the Seller in consummating the Closing on the Closing Date to the extent set forth in the first sentence of Section 6.1 shall constitute a waiver of any conditions not so satisfied other than the conditions set forth in this Section 6.2(i) and (viii) that cannot be satisfied prior to the IPO Closing



Date. However, no such waiver shall be deemed to affect the survival of the representations and warranties of Parent and Buyer contained in Article IV hereof.

(i) REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of the Parent and the Buyer contained in Article IV shall be true and correct in all Material respects as of the Closing Date and the IPO Closing Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by the Parent and the Buyer on or before the Closing Date and the IPO Closing Date shall have been duly complied with and performed in all Material respects; and certificates to the foregoing effect dated the Closing Date and the IPO Closing Date, respectively, and signed by each of the Parent and the Buyer shall have been delivered to the Seller.

(ii) NO LITIGATION. No action or proceeding before a Governmental Authority shall have been instituted or threatened to restrain or prohibit the Acquisition or the IPO and no Governmental Authority shall have taken any other action or made any request of the Parent or the Buyer as a result of which the management of the Seller deems it inadvisable to proceed with the transactions hereunder.

(iii) OPINION OF COUNSEL. The Seller shall have received an opinion from counsel for the Parent dated the Closing Date, in the form attached as Exhibit G-1 hereto.

(iv) REGISTRATION STATEMENT. The Registration Statement, as amended to cover the offering, issuance and sale by Parent of such number of Parent Shares at the IPO Price (which need not be set forth in the Registration Statement when it becomes effective under the Securities Act) as shall yield aggregate cash proceeds to the Parent from that sale (net of Underwriter's discount or commissions) in at least the amount (the "Minimum Cash Amount") that is sufficient, when added to the funds, if any, available from other sources (if any, and as set forth in the Registration Statement when it becomes effective under the Securities Act) (the "Other Financing Sources"), to enable the Parent to pay or otherwise deliver on the IPO Closing Date (i) the total cash portion of the Purchase Price then to be delivered pursuant to Article II; (ii) the total cash portion of the acquisition consideration then to be delivered pursuant to the Other Agreements as a result of the consummation of the acquisition transactions contemplated thereby, and (iii) the total amount of indebtedness of the Seller, each Other Acquired Business and the Parent which the Registration Statement discloses at the time it becomes effective under the Securities Act will be repaid with proceeds received by the Parent from the IPO and Other Financing Sources shall have been declared effective by the SEC.

(v) CONSENTS AND APPROVALS. All necessary consents of and filings with any Governmental Authority relating to the consummation of the transactions contemplated herein

shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Acquisition.

(vi) GOOD STANDING CERTIFICATES. Parent and the Buyer each shall have delivered to the Seller certificates, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Texas and New York Secretaries of State, respectively, and in each state in which the Parent and Buyer is authorized to do business, showing that each of the Parent and the Buyer is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Parent and the Buyer, respectively, for all periods prior to the Closing have been filed and paid.

(vii) NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to the Parent or the Buyer which would constitute a Material Adverse Effect.

(viii) CLOSING OF IPO. The closing of the sale of the Parent Shares to the Underwriters in the IPO shall have occurred simultaneously with the IPO Closing Date hereunder.

(ix) SECRETARY'S CERTIFICATE. The Seller shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of each of the Parent and the Buyer, certifying the truth and correctness of attached copies of the Parent's and the Buyer's respective resolutions of their boards of directors and, if required, the stockholders of the Parent and the Buyer approving the Parent's and the Buyer's entering into this Agreement and the consummation of the transactions contemplated hereby.

(x) GOLDSTEIN EMPLOYMENT AGREEMENT. The Buyer shall have entered into an employment agreement with Goldstein in the form attached as Exhibit A ("Goldstein Employment Agreement").

(xi) REGISTRATION RIGHTS AGREEMENT. Parent shall have entered into the Registration Rights Agreement with the Seller in the form attached as Exhibit B ("Registration Rights Agreement").

(xii) AUDITED FINANCIALS. Parent shall have delivered to Seller a certified copy of the audited reports, including a signed and certified opinion letter, prepared by Coopers & Lybrand, L.L.P. for the calendar years 1995, 1996 and for the twelve months ended June 30, 1997 of the operations of Seller's Business.

6.3 CONDITIONS PRECEDENT TO OBLIGATIONS OF THE PARENT AND THE BUYER. The obligations of the Parent and the Buyer with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the

Closing Date of all of the following conditions other than the conditions set forth in this Section 6.3(i) and (viii) that cannot be satisfied prior to the IPO Closing Date. The obligations of Parent and Buyer with respect to actions to be taken on the IPO Closing Date are subject to the satisfaction or waiver on or prior to the IPO Closing Date of all of the following conditions. As of (a) the Closing Date if any such conditions other than the

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conditions set forth in this Section 6.3(i) and (viii) that cannot be satisfied prior to the IPO Closing Date have not been satisfied or (b) as of the IPO Closing Date, if any such conditions have not been satisfied, Parent and Buyer shall have the right to terminate this Agreement, or waive any such condition, but no such waiver shall be deemed to affect the survival of the representations and warranties contained in Article III hereof.

(i) REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATION. All the representations and warranties of the Seller and the Stockholder contained in this Agreement shall be true and correct in all Material respects as of the Closing Date and the IPO Closing Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Seller or the Stockholder on or before the Closing Date or the IPO Closing Date, as the case may be, shall have been duly performed or complied with in all Material respects; and the Seller and the Stockholder shall have delivered to the Buyer certificates dated the Closing Date and the IPO Closing Date, respectively, and signed by them to such effect.

(ii) NO LITIGATION. No action or proceeding before a Governmental Authority shall have been instituted or threatened to restrain or prohibit the Acquisition or the IPO and no Governmental Authority shall have taken any other action or made any request of Parent as a result of which the management of Parent deems it inadvisable to proceed with the transactions hereunder.

(iii) OPINION OF COUNSEL. Parent shall have received an opinion from Counsel to the Seller, dated the Closing Date, substantially in the form attached as Exhibit G-2 hereto.

(iv) REGISTRATION STATEMENT. The Registration Statement, as amended to cover the offering, issuance and sale by Parent of such number of Parent Shares at the IPO Price as shall yield aggregate cash proceeds to the Parent from that sale (net of Underwriter's discount or commissions) in at least the Minimum Cash Amount shall have been declared effective by the SEC.

(v) CONSENTS AND APPROVALS. All necessary consents of and filings with any Governmental Authority relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties shall have been obtained; and no

action or proceeding shall have been instituted or threatened to restrain or prohibit the Acquisition.

(vi) GOOD STANDING CERTIFICATES. Subject to Section 2.6, Seller shall have delivered to the Buyer certificates, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Pennsylvania Secretary of State showing that the Seller is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the Seller for all periods prior to the Closing have been filed and paid.

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(vii) NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to the Seller which would constitute a Material Adverse Effect, and the Seller shall not have suffered any Material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage Materially affects or impairs the ability of the Seller to conduct its business.

(viii) CLOSING OF IPO. The closing of the sale of the Parent Shares to the Underwriter of the IPO shall have occurred simultaneously with the IPO Closing Date hereunder.

(ix) CERTIFICATE. The Buyer shall have received a certificate or certificates, dated the Closing Date and signed by the President and Secretary of the Seller, certifying the truth and correctness of attached copies of the Seller's articles of incorporation, bylaws and resolutions authorizing the consummation of the transactions contemplated hereby.

(x) GOLDSTEIN EMPLOYMENT AGREEMENT. Goldstein shall have entered into the Goldstein Employment Agreement.

(xi) REGISTRATION RIGHTS AGREEMENT. Seller shall have entered into the Registration Rights Agreement.

(xii) BILL OF SALE. Seller shall have delivered to the Buyer instruments of assignment and transfer or bills of sale signed by the Seller as the Buyer reasonably requests, including the Bill of Sale attached as Exhibit C ("Bill of Sale").

(xiii) INVESTOR REPRESENTATION LETTER. Seller and each of the Stockholders shall have delivered to the Parent at or prior to the signing of the Registration Statement an Investor Representation Letter in the form attached as Exhibit D, with respect to the acquisition of the Parent Shares to be issued to Seller.

(xiv) STOCK PLEDGE AGREEMENT. Seller shall have delivered to Buyer a Stock Pledge Agreement in the form attached as Exhibit E ("Stock Pledge Agreement") as well as the Parent Shares issuable to the Seller at the

Closing (complete with stock powers executed in blank).

(xv) GUARANTEE. Goldstein, individually, shall have delivered to Buyer a Guaranty of Performance in the form of Exhibit F.

(xvi) SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to the Parent.

6.4 FURTHER ASSURANCES. At and after the Closing, each of the Parties shall take all appropriate action and execute all documents of any kind which may be reasonably necessary or desirable to carry out the transactions contemplated hereby. The Seller, at any time at or after the

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Closing, will execute, acknowledge and deliver any further bills of sale, assignments and other assurances, documents and instruments of transfer, reasonably requested by the Buyer, and will take any other action consistent with the terms of this Agreement that may reasonably be requested by the Buyer, for the purpose of assigning and confirming to the Buyer, all of the Assets. The Buyer shall notify the Seller promptly, and in no event more than ten (10) business days after the Buyer's receipt, of any tax inquiries or notifications thereof which relate to any period prior to the Effective Date, and the Seller shall prepare and deliver responses to such inquiries as the Seller deems necessary or appropriate. In addition, the Seller shall make available the Books and Records of the Business during reasonable business hours and take such other actions as are reasonably requested by the Buyer to assist the Buyer in the operation of the Business.

6.5 CONFIDENTIAL INFORMATION. After the Closing and except as otherwise specifically permitted in this Agreement or reasonably required by the Parent to conduct its business and pursue the IPO, each Party to this Agreement agrees, on behalf of itself and its Affiliates, to use reasonable efforts not to divulge, communicate, use to the detriment of any other Party to this Agreement or its Affiliates or for the benefit of any other person or persons, any confidential information or trade secrets of such other Party with respect to the Assets or the Business, including personnel information, secret processes, know-how, customer lists, formulae, or other technical data; provided, if any Party to this Agreement or any of its Affiliates is compelled to disclose such information to any tribunal, regulatory or governmental authority or agency or else stand liable for contempt or suffer other censure and penalty, such Party may so disclose such information without any liability hereunder.

6.6 ASSIGNMENT OF CONTRACTS. On or before the Effective Date, Seller shall have delivered to Buyer all of the Contracts presently in force and shall have effected a valid assignment of all of Seller's rights and obligations thereunder.

ARTICLE VII  
INDEMNIFICATION

7.1 INDEMNIFICATION.

A. BY THE SELLER AND THE STOCKHOLDER. Subject to Section 7.1(E) hereof, the Seller and the Stockholder, individually, jointly and severally, (collectively herein "Seller Indemnitors") shall indemnify, save, defend and hold harmless the Parent and Buyer and their respective shareholders, directors, officers, partners, agents and employees (collectively, the "Buyer Indemnified Parties") from and against any and all costs, lawsuits, losses, liabilities, deficiencies, claims and expenses, including interest, penalties, attorneys' fees and all amounts paid in investigation, defense or settlement of any of the foregoing (collectively referred to herein as "Damages"), (i) incurred in connection with or arising out of or resulting from or incident to any breach of any covenant, breach of warranty as of the Effective Date, or the inaccuracy of any representation as of the Effective Date, made by the Seller in or pursuant to this Agreement or the Ancillary Agreements, or any other agreement contemplated hereby or in any schedule, certificate, exhibit, or other instrument furnished or to be furnished by the Seller or the Stockholder under this Agreement, (ii) based upon, arising out of, or otherwise in respect of any liability or obligation of the

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Business or relating to the Assets (a) relating to any period prior to the Effective Date, other than those Damages based upon or arising out of the Assumed Liabilities, or (b) arising out of facts or circumstances existing prior to the Effective Date, other than those Damages based upon or arising out of the Assumed Liabilities; provided however, that the Seller Indemnitors shall not be liable for any such Damages to the extent, if any, such Damages result from or arise out of a breach or violation of this Agreement by any Buyer Indemnified Parties, and (iii) any liability under the Securities Act, the Exchange Act or other federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a Material fact relating to the Seller or the Stockholder, and provided to Parent or its counsel by the Seller or the Stockholder, contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a Material fact relating to the Seller or the Stockholder required to be stated therein or necessary to make the statements therein not misleading, provided however, that such indemnity shall not inure to the benefit of Parent and Buyer to the extent such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and Seller or the Stockholder provided, in writing, corrected information to Parent and Parent's counsel for inclusion in the Final Prospectus, and such information was not included or properly delivered.

B. BY THE BUYER. Subject to Section 7.1(E) hereof, the Parent and Buyer shall indemnify, save, defend and hold harmless the Seller and the Stockholder (collectively, the "Seller Indemnified Parties") from and against any and all Damages (i) incurred in connection with or arising out of or resulting from or incident to any breach of any covenant, breach of warranty as of the Effective Date, or the inaccuracy of any representation as of the Effective Date, made by the Buyer or Parent in or pursuant to this Agreement, the Ancillary Agreements, or any other agreement contemplated hereby or in any schedule, certificate, exhibit, or other instrument furnished or to be furnished by the Buyer under this Agreement, (ii) based upon, arising out of or otherwise in respect of any liability or obligation of the Business or relating to the Assets (a) relating to any period on and after the Effective Date, other than those Damages based upon or arising out of the Retained Liabilities, or (b) arising out of facts or circumstances existing on and after the Effective Date, other than those Damages based upon or arising out of the Retained Liabilities; provided, however, that the Buyer shall not be liable for any such Damages to the extent, if any, such Damages result from or arise out of a breach or violation of this Agreement by any Seller Indemnified Party, (iii) under the Securities Act, the Exchange Act or other federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a Material fact relating to Parent, Buyer or any Other Acquired Business contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission (or alleged omission) to state therein a Material fact relating to Parent or Buyer or any of the Other Acquired Businesses required to be stated therein or necessary to make the statements therein not misleading.

C. DEFENSE OF CLAIMS. If any lawsuit or enforcement action is filed against any Party entitled to the benefit of indemnity hereunder, written notice thereof describing such lawsuit or enforcement action in reasonable detail and indicating the amount (estimated, if necessary) or good faith estimate of the reasonably foreseeable estimated amount of Damages (which estimate shall in

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no way limit the amount of indemnification the indemnified Party is entitled to receive hereunder), shall be given to the indemnifying Party as promptly as practicable (and in any event within ten (10) days, after the service of the citation or summons) ("Notice of Action"); provided that the failure of any indemnified Party to give timely notice and an estimated amount of Damages shall not affect its rights to indemnification hereunder to the extent that the indemnified Party demonstrates to the indemnifying Party that the amount of Damages the indemnified Party is entitled to recover has not increased by its failure to so notify the indemnifying Party within ten (10) days and so long as the indemnifying Party is not materially prejudiced by the failure to receive such notice. The indemnifying Party may elect to compromise or defend any such asserted liability and to assume all obligations contained in this Section 7.1 to indemnify the indemnified Party by a delivery of notice of such election ("Notice of Election") within ten (10) days after delivery of the Notice of

Action. Upon delivery of the Notice of Election, the indemnifying Party shall be entitled to take control of the defense and investigation of such lawsuit or action and to employ and engage attorneys of its own choice to handle and defend the same, at the indemnifying Party's sole cost, risk and expense, and the indemnified Party shall cooperate in all reasonable respects, at the indemnifying Party's sole cost, risk and expense (except with respect to the fees and expenses of the indemnified Party's attorney, which shall be borne by the indemnified Party) with the indemnifying Party and such attorneys in the investigation, trial, and defense of such lawsuit or action and any appeal arising therefrom; provided, however, that the indemnified Party may, at its own cost, risk and expense, participate in such investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. If the Notice of Election is delivered to the indemnified Party, the indemnified Party shall not pay, settle or compromise such claim without the indemnifying Party's consent, which consent shall not be unreasonably withheld. If the indemnifying Party elects not to defend the claim of the indemnified Party or does not deliver to the indemnified Party a Notice of Election within ten (10) days after delivery of the Notice of Action, the indemnified Party may, but shall not be obligated to, defend, compromise or settle (exercising reasonable business judgment) the claim or other matter on behalf, for the account, and at the risk, of the indemnifying Party.

D. THIRD PARTY CLAIMS. The provisions of this Section 7.1 are not limited to matters asserted by the Parties, but cover Damages incurred in connection with third party claims. The indemnity hereunder is in addition to any and all rights and remedies of the Parties in connection herewith.

E. LIMITATION ON INDEMNIFICATION. Notwithstanding the other provisions of this Section 7.1, Seller Indemnitors shall not be liable to Buyer Indemnified Parties, and Parent and Buyer shall not be liable to Seller Indemnified Parties, for the first \$25,000 in aggregate Damages suffered by such indemnified Parties; provided, however, that once any such indemnified Parties have suffered Damages aggregating in excess of \$25,000, the indemnifying Party shall reimburse the indemnified Parties for the full amount of such Damages, including the \$25,000 in Damages initially excluded. In no event shall the aggregate Damages payable by an indemnifying Party to indemnified Parties exceed the Purchase Price.

7.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All of the representations, warranties, covenants and agreements of the Parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the

transactions contemplated hereby and any examination on behalf of the Parties until the Expiration Date.

ARTICLE VIII  
TERMINATION AND REMEDIES



8.1 SPECIFIC PERFORMANCE; REMEDIES. Each of the Parties hereby agrees that the transactions contemplated by this Agreement are unique, and that each Party shall have, in addition to any other legal or equitable remedy available to it, the right to enforce this Agreement by decree of specific performance. If any legal action or other proceeding is brought for the enforcement of this Agreement or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party or Parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding in addition to any other remedies to which it, he or they may be entitled at law or equity. The rights and remedies granted herein are cumulative and not exclusive of any other right or remedy granted herein or provided by law.

8.2 OFFSET; REMEDIES. To the extent not otherwise prohibited by applicable law, all amounts due and owing by the Buyer to the Seller or the Stockholder under this Agreement, the Ancillary Agreements, or any other document, instrument, or agreement executed in connection herewith shall be subject to offset by the Buyer to the extent of any Damages incurred by any breach by the Seller or the Stockholder, under this Agreement or any Ancillary Agreement, or any document, instrument, or agreement executed in connection herewith. In the event Buyer elects to offset any Damages incurred as a result of any such breach, Buyer shall furnish Seller or the Stockholder, as appropriate, notice containing detailed information about the breach, the magnitude of the damages that Buyer has or reasonably expects to incur, and whether the offset is against the Parent Shares pledged under the Stock Pledge Agreement or otherwise (the act of offsetting by Buyer shall be referred to as an "Offset"). The Seller and the Stockholder acknowledge and agree that but for the right of Offset contained in this Agreement, the Buyer would not have entered into this Agreement or any of the transactions contemplated herein. If any legal action or other proceeding is brought for the enforcement of this Agreement, any Ancillary Agreement, or any document, instrument, or agreement executed in connection herewith, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, or any Ancillary Agreement, or any document, instrument, or agreement executed in connection herewith, the successful or prevailing Party or Parties shall be entitled to recover other remedies to which it or they may be entitled at law or equity. The rights and remedies granted herein are cumulative and not exclusive of any other right or remedy granted herein or provided by law. Buyer shall not effect an Offset hereunder without giving Seller or a Stockholder, as appropriate, at least ten (10) days advance written notice of its intent to do so.

8.3 TERMINATION. Termination of This Agreement. (a) This Agreement may be terminated at any time prior to the Closing solely:

- (i) by the mutual written consent of the Parent and the Seller;

(ii) by the Seller, on the one hand, or by the Parent, on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by January 15, 1998, (subject to the terms of the Side Letter) unless the failure of such transactions to be consummated results from the willful failure of the Party seeking to terminate this Agreement to perform or materially adhere to any agreement required hereby to be performed or adhered to by it prior to or at the Closing or thereafter on the IPO Closing Date;

(iii) by the Seller, on the one hand, or by the Parent, on the other hand, if a Material breach or default shall be made by the other Party in the observance or in the due and timely performance of any of the covenants, agreements or conditions contained herein; or

(iv) by the Parent if it is entitled to do so as provided in Section 5.11.

(b) this Agreement may be terminated after the Closing solely:

(i) by the Parent or the Seller if the Underwriting Agreement is terminated pursuant to its terms after the Closing and prior to the consummation of the IPO; or

(ii) automatically and without action on the part of any party hereto if the IPO is not consummated within ten (10) New York City business days after the date of the Closing.

8.4 LIABILITIES IN EVENT OF TERMINATION. If this Agreement is terminated pursuant to Section 8.3, there shall be no liability or obligation on the part of any Party hereto except to the extent that such liability is based on the breach by that Party of any of its representations, warranties or covenants set forth in this Agreement.

#### ARTICLE IX COVENANTS OF BUYER AND SELLER AFTER CLOSING

##### 9.1. PREPARATION AND FILING OF TAX RETURNS.

(i) The Seller shall file or cause to be filed all federal income tax returns of the Seller for all taxable periods that end on or before the IPO Closing Date, and shall permit the Parent to review all such tax returns prior to such filings.

(ii) Parent shall file or cause to be filed all separate tax returns of, or that include, any Other Acquired Business for all taxable periods ending after the IPO Closing Date.

(iii) Each Party shall, and shall cause its Subsidiaries and Affiliates to, provide to each of the other Parties hereto such cooperation

and information as any of them reasonably may request in filing any tax return, amended tax return or claim for refund, determining a liability for taxes or a right to refund of taxes or in conducting any audit or other proceeding in respect of taxes. Such cooperation and information shall include providing copies of all

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relevant portions of relevant tax returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by taxing authorities and relevant records concerning the ownership and tax basis of property, which such Party may possess. Each Party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each Party required to file tax returns pursuant to this Agreement shall bear all costs of filing such tax returns.

9.2 RESTRICTIVE LEGEND. The Seller consents to the imprinting on all certificates representing Parent Shares issued to it as part of the Purchase Price of the following legend:

THE SHARES OF COMMON STOCK REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, NOR THE SECURITIES LAWS OF ANY STATE. SUCH SHARES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED AT ANY TIME, EXCEPT UPON (1) SUCH REGISTRATION, OR (2) DELIVERY TO THE ISSUER OF SUCH SHARES OF AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE ISSUER, THAT REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER, OR (3) THE SUBMISSION TO THE ISSUER OF SUCH SHARES OF OTHER EVIDENCE, REASONABLY ACCEPTABLE TO THE ISSUER, TO THE EFFECT THAT ANY SUCH SALE, PLEDGE, HYPOTHECATION OR TRANSFER WILL NOT BE IN VIOLATION OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR OTHER APPLICABLE SECURITIES LAWS OF ANY STATE, OR ANY RULES OR REGULATIONS PROMULGATED THEREUNDER.

9.3 PLEDGE OF PARENT SHARES. Seller shall deliver all Parent Shares acquired from the Buyer as part of the Purchase Price to Buyer to be held pursuant to the terms of the Stock Pledge Agreement.

9.4 DELIVERY OF TAX CERTIFICATE. Within one year from the Closing Date, Seller shall deliver such tax certificate to Buyer as required by Section 2.8 of this Agreement.

9.5 SIDE LETTER The Side Letter, by and between Parent and Goldstein, dated September 15, 1997 and attached hereto as Exhibit H, is incorporated herein and made a part of this Agreement for all purposes (the "Side Letter").

ARTICLE X  
MISCELLANEOUS

10.1 FEES. Except as expressly set forth herein to the contrary, each Party shall be responsible for all costs, fees and expenses (including attorney and accountant fees and expenses) paid or incurred by such Party in connection with the preparation, negotiation, execution, delivery and performance of this Agreement, or otherwise in connection with the transaction contemplated hereby.

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10.2 MODIFICATION OF AGREEMENT. This Agreement may be amended or modified only in writing signed by all of the Parties.

10.3 NOTICES. All notices, consents, demands or other communications required or permitted to be given pursuant to this Agreement shall be deemed sufficiently given when delivered personally or telefaxed with receipt of transmission confirmed during regular business hours during a business day to the appropriate location described below, or three (3) business days after posting thereof by United States first-class, registered or certified mail, return receipt requested, with postage and fees prepaid and addressed as follows:

IF TO SELLER OR STOCKHOLDER: Lee Goldstein  
Reporting Services Associates  
225 South 15th Street, 22nd Floor  
Philadelphia, PA 19102

With a copy to: Benjamin S. Ohrenstein  
Attorney at Law  
354 W. Lancaster Avenue  
Haverford, Pennsylvania 19041

IF TO BUYER OR PARENT: Litigation Resources of America-Northeast, Inc.  
Litigation Resources of America, Inc.  
650 First City Tower, 1001 Fannin  
Houston, Texas 77002  
Phone: 713/653-7100  
Fax: 713/653-7172

With a copy to: John R. Boyer, Jr.  
Boyer, Ewing & Harris Incorporated  
Nine Greenway Plaza, Suite 3100  
Houston, Texas 77046  
Phone: 713/871-2025  
Fax: (713) 871-2024

Any addressee at any time by furnishing notice to the other addressees in the manner described above may designate additional or different addresses for

subsequent notices or communications.

10.4 SEVERABILITY. The invalidity or unenforceability of any provision of this Agreement shall not invalidate or affect the enforceability of any other provision of this Agreement.

10.5 ENTIRE AGREEMENT; BINDING EFFECT. This Agreement and the Ancillary Agreements set forth the entire agreement among the Parties with respect to the subject matter hereof. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

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10.6 WAIVER. No delay in the exercise of any right under this Agreement shall waive such rights. Any waiver, to be enforceable, must be in writing.

10.7 GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

10.8 ASSIGNMENT. Neither Seller, nor Parent or Buyer may assign this Agreement or any interest therein; provided that Seller may assign its rights hereunder to Lee Goldstein, individually, and Parent and Buyer may assign their rights hereunder to an Affiliate.

10.9 HEADINGS. Headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

10.10 SCHEDULES AND EXHIBITS. All Schedules and Exhibits attached to this Agreement or to be delivered by the Seller, upon review and approval by the Buyer, are and shall be hereby incorporated in and made a part of this Agreement. All Schedules to this Agreement must be delivered no later than four (4) days prior to Closing, in order to provide the Buyer ample time to review and evaluate the items described therein and disclosed thereby. Although the Schedules remain subject to the review and approval of the Buyer, no such review or approval shall constitute a waiver by the Buyer of any breach or default caused by the inaccuracy or incompleteness of any Schedule, the accuracy and completeness of the Schedules being the sole responsibility of the Seller.

10.11 RIGHTS AND LIABILITIES OF PARTIES. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties, the Buyer Indemnified Parties and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any Party to this Agreement, nor shall any provision give any third person any right of subrogation or action over against any Party to this Agreement.

10.12 SURVIVAL. Subject to Section 7.2, this Agreement, including but not limited to all covenants, warranties, representations and indemnities contained herein, shall survive the Closing, and the Bill of Sale and all other documents,

instruments or agreements relating to the Assets and the transactions contemplated herein shall not be deemed merged therein.

10.13 COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall have the force and effect of an original, and all of which shall constitute one and the same agreement.

10.14 ARBITRATION AND LIMITATION ON CLAIMS. Any controversy, dispute or claim arising out of, in connection with, or in relation to, the interpretation, performance or breach of this Agreement, including, without limitation, the validity, scope and enforceability of this Section which cannot first be settled through ordinary negotiation between the Parties shall be submitted in good faith to mediation by and in accordance with the Commercial Mediation Rules of the American Arbitration Association or any successor organization. In the event that mediation of such controversy, dispute or claim cannot be settled through the mediation proceeding, the Parties agree

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that the controversy, dispute or claim shall be submitted to binding and final arbitration conducted in Houston, Harris County, Texas by and in accordance with the then existing Rules for Commercial Arbitration of the American Arbitration Association or any successor organization. Any such arbitration shall be to a three member panel selected through the rules governing selection and appointment of such panels of the American Arbitration Association or any successor organization. The award rendered by the arbitrators may be confirmed, entered and enforced as a judgment in any court of competent jurisdiction; however, the Parties otherwise waive any rights to appeal the award except with regard to fraud by the panel. Any such action must be brought within two years of the date the cause of action accrues. The arbitrators shall award the Party which substantially prevails in any arbitration proceeding recovery of that Party's attorneys' fees, the arbitrators' fees and all costs in connection with the arbitration from the Party who does not substantially prevail. The Parties' remedies are limited solely to the specific remedies provided in this agreement or in the other. The parties waive any entitlement to punitive damages, consequential damages and lost profits and will limit any damage claim to actual economic damages incurred. Nothing in this Section 10.14 shall restrict any Parties' ability to seek injunctive or other equitable relief in any court of competent jurisdiction prior to initiating mediation or arbitration. In the event that such injunctive or equitable relief is sought by any Party, such Party is specifically entitled to enforce the appropriate provisions of the Agreement in obtaining such relief in any court of competent jurisdiction and, thereafter, submit the remaining controversy, dispute or claim to arbitration in accordance with this Section 10.14.

10.15 DRAFTING. All Parties hereto acknowledge that each Party was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against any Party hereto because one is deemed to be the author thereof.

(a) Section 203(d) and 207(m) (2) of the Pennsylvania Securities Act of 1972, as amended (the "Act") requires that each person who accepts an offer to purchase securities exempted from registration directly from an issuer, shall receive written notice of such person's right to withdraw his acceptance, without incurring any liability to the seller, the underwriter or any other person, within two business days from the date of receipt by the issuer of such person's written binding contract of purchase.

(b) By execution of this Agreement, Seller acknowledges that (i) it has received written notice of its rights under Sections 203 and 207 of the Act, and (ii) that Seller's right of withdrawal shall continue until the close of business on the second business day following the execution date of this Agreement.

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IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement in multiple counterparts effective as of the date first written above.

BUYER:

LITIGATION RESOURCES OF  
AMERICA-NORTHEAST, INC.,  
a New York corporation

By: /s/ Richard O. Looney

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Richard O. Looney,  
Chairman and Chief Executive Officer

PARENT:

LITIGATION RESOURCES OF AMERICA, INC.,  
a Texas corporation

By: /s/ Richard O. Looney

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Richard O. Looney,  
Chairman and Chief Executive Officer

SELLER:

By: /s/ Lee Goldstein

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Lee Goldstein, President

STOCKHOLDER

/s/ Lee Goldstein

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Lee Goldstein, Individually

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Schedules

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- 2.1(a) - Equipment
- 2.1(b) - Contracts
- 2.1(c) - Books and Records
- 2.1(e) - Intellectual Property
- 2.1(g) - General Intangibles
- 2.2 - Excluded Assets
- 2.7 - Allocation of Purchase Price
- 3.3(a) - Consents and Approvals
- 3.3(b) - Breaches or Defaults
- 3.5 - Exceptions to Title
- 3.6 - Leased Assets
- 3.13 - Insurance Policies
- 3.14 - Banking
- 3.16(a) - Employees
- 3.16(b) - Independent Contractors
- 3.17 - Employee Benefit Plans
- 3.18 - Employment Agreement
- 3.19 - Liabilities
- 3.20 - Litigation
- 3.24 - Certain Changes or Events
- 3.25 - Customers

Exhibits

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- A - Goldstein Employment Agreement
- B - Registration Rights Agreement
- C - Bill of Sale
- D - Investor Representation Letter
- E - Stock Pledge Agreement
- F - Guaranty



G-1 - Legal Opinion  
G-2 - Legal Opinion  
H - Side Letter

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), dated effective the \_\_\_\_ day of October, 1997 (the "Effective Date"), is entered into by and between LITIGATION RESOURCES OF AMERICA-NORTHEAST, INC., a New York corporation (hereinafter called the "Company," which term includes any directly or indirectly controlled subsidiaries or successor entities), and Lee Goldstein, an individual residing in the State of Florida (the "Employee"). The Company may sometimes hereinafter be referred to as "Employer." The Employer and Employee may sometimes hereinafter be referred to singularly as a "Party" or collectively as the "Parties." All capitalized terms not otherwise defined herein shall have the same meaning as contained in that certain Agreement of Purchase and Sale of Assets executed as of September 24, 1997 (the "Purchase Agreement"), by and among the Company, Reporting Services Associates, Inc. a Pennsylvania corporation ("Seller"), the Employee, individually, and Litigation Resources of America, Inc., a Texas corporation (the "Parent").

W I T N E S S E T H:  
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WHEREAS, Employee has been and employee and the Owner of the Seller and its business known as Reporting Services Associates, Inc. (the "RSA Business"), and his knowledge of the affairs of the RSA Business, particularly its court reporting business in Philadelphia, Pennsylvania, are of great value to the Company; and

WHEREAS, pursuant to the terms of the Purchase Agreement the Company has purchased from the Seller, and the Seller has sold to the Company, all or substantially all of the Assets of the Seller, which required the approval of at least a majority of the shareholders of the Seller; and

WHEREAS, part of the consideration given to the Seller and the Employee under the Purchase Agreement included an agreement by the Company to enter into this Agreement; and

WHEREAS, the Parties would not have entered into the Purchase Agreement without the execution of this Agreement.

NOW THEREFORE, for and in consideration of the mutual covenants, promises and undertakings herein contained and other consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties hereby undertake and agree as follows:

1. Employment Term. The Employer hereby employs the Employee commencing on

the Effective Date for a term of three (3) years (the "Employment Term"), unless sooner terminated as hereinafter provided. The term of this Agreement may be renewed or extended

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for one or more successive additional one (1) year terms upon mutual agreement of the Parties at least 90 days prior to the expiration of the initial term or any such renewal term. Unless otherwise provided herein, Sections 12 - 26 of this Agreement shall survive the expiration or termination of this Agreement, for any reason whatsoever. The Employee accepts such employment and agrees to perform the services specified herein, all upon the terms and conditions hereinafter stated.

2. Duties. The Employee shall serve as the President of the RSA Division of the Company and as Northeast Regional Vice President, and shall report to, and be subject to the general direction and control of the Chief Executive Officer and the Board of Directors of the Company (the "Board"). The Employee shall perform such management and administrative duties, consistent with the Employee's position, as are from time to time reasonably assigned to the Employee by the Chief Executive Officer and the Board including developing local, regional, and national customers for the Company and its Affiliates (defined below). The Employee also agrees to perform, without additional compensation, such other services for the Company, and for any parent, subsidiary or affiliate corporations of the Company and any partnerships in which the Company may from time to time have an interest (herein collectively called "Affiliates"), as the Chief Executive Officer or Board shall from time to time reasonably specify, if such services are of the nature commonly associated with the positions of Division President and of Regional Vice President of a company engaged in activities similar to the activities engaged in by the Company and to perform such other activities as are consistent with the Employee's past responsibilities as an employee of the Seller and the RSA Business; provided, that Employee shall not be required to engage in any business that is not reasonably related to the Business of the Company. For purposes of this Agreement, the "Business of the Company" or, alternatively, "Business" shall be defined as the current business of the Company, including, but not limited to, the marketing and providing of court reporting and litigation support services in the Philadelphia, Pennsylvania area. The term "Company" as used in this Agreement shall be deemed to include and refer to all such Affiliates.

3. Extent of Service. The Employee shall devote his full business time, attention and energy to the business of the Employer, and shall not be engaged in any other business activity during the term of this Agreement. The foregoing shall not be construed as preventing the Employee from making passive investments in other businesses or enterprises, if (i) such investments will not require services on the part of the Employee which would in any material way impair the performance of his duties under this Agreement, (ii) such other businesses or enterprises are not engaged in any business competitive with the business of the Company, and (iii) the Employee has complied with Sections 12

and 13 of this Agreement with respect to each such passive investment.

4. Compensation. As payment for the services to be rendered by the Employee hereunder during the initial term, the Employee shall be entitled to receive:

(a) a salary in the amount of One Hundred Seventy-Five Thousand and No/100 Dollars (\$175,000.00) (representing One Hundred Thousand and No/100 Dollars (\$100,000.00) for services rendered as a Division President and Seventy-Five Thousand and No/100 Dollars (\$75,000.00) for services rendered as a Regional Vice

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President) per year effective as of the date hereof, which shall be payable monthly or in accordance with the payroll policies of the Company in effect from time to time if such policies provide for payment of salary more frequently than monthly, until the termination of this Agreement;

(b) a monthly car allowance in the amount of Six Hundred and No/100 Dollars (\$600.00), which shall be payable in accordance with the payroll policies of the Company;

(c) a bonus consisting of two components to be calculated in accordance with Schedule A attached hereto, payable within ninety (90) days after the end of each fiscal year of the Company (the "Annual Bonus") including, without limitation, the first fiscal year of the Company; provided however, that any Annual Bonus calculated with respect to a fiscal year during which the Employee was employed for only a part of such year shall be prorated to account for the number of days during such year in which Employee was employed by the Company; and

(d) a commission payment to be calculated in accordance with Schedule B attached hereto, based upon the revenues generated from National Account (as herein defined) sales originated by the Employee. The amount of commissions payable will be based upon a formula ("Formula") as it exists on the date of the origination of the National Account. A "National Account" is any account established with an insurance or "Fortune 500" company pursuant to which two or more of the Company's offices render services. Until notice of a change in the Formula applicable to the Employee is given to the Employee by the Company, the Formula applicable to the Employee shall be as set forth on Schedule B; and

(e) In the event that the Employee identifies a business as an acquisition candidate for the Company or any of its subsidiaries, and such acquisition candidate has not been previously brought to the attention of the Company, and the Company or any of its subsidiaries ultimately acquires such business, the Employee shall be entitled to receive, at the closing of such acquisition, a cash payment equal to 10% of the investment banking fee paid to

The Gulfstar Group, Inc. or such other investment banking firm by the Company or its subsidiary in connection with such acquisition. In no event shall the Company or any subsidiary be obligated to close any acquisition with regard to any business identified by the Employee as an acquisition candidate, and no fee shall be payable hereunder unless and until such acquisition is completed.

5. Expenses. During the term of this Agreement, the Employer shall promptly pay or reimburse the Employee for all reasonable out-of-pocket expenses for travel, meals, hotel accommodations and similar items incurred by him in connection with the Business of the Company and approved by the Board or incurred in accordance with the travel and reimbursement policies of

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the Company as the same shall be in effect from time to time, upon submission by him of an appropriate statement documenting such expenses.

6. Employee Benefits. During the term of this Agreement, the Employee shall be entitled to participate in all employee benefit plans from time to time made generally available to the executive employees of the Company, including any stock option plan, retirement plan, profit-sharing plan, group life plan, health or accident insurance or other employee benefit plans as the same shall be maintained in effect, as determined by the Board. Until the Company is able to procure its own insurance coverage, the Company agrees to continue the prior insurance previously provided to the Employee by Seller. The Employer will use commercially reasonable efforts to assist Employee in procuring insurance coverage for any preexisting conditions.

7. Vacation. During the term of this Agreement, the Employee shall be entitled to annual vacation time determined in accordance with the vacation policies of the Company in effect from time to time but not less than four (4) weeks per year, during which time his compensation shall be paid in full. Unused vacation time shall not accrue from year to year, unless otherwise required by law.

8. Covenants of Employee. For and in consideration of the employment herein contemplated and the consideration paid or promised to be paid by the Company, the Employee does hereby covenant, agree and promise that during the term hereof and thereafter to the extent specifically provided in this Agreement:

(a) Except as otherwise specifically permitted by this Agreement, during the term of this Agreement, Employee will not actively engage, directly or indirectly, in any other business other than that of Company, except at the direction or approval of the Company.

(b) The Employee will use his best reasonable efforts to truthfully and accurately make, maintain and preserve all records and reports that the Company may from time to time request or require.

(c) The Employee will fully account for all money, records, goods, wares and merchandise or other property belonging to the Company of which the Employee has custody, and will pay over and deliver same promptly whenever and however he may be reasonably directed to do so by the Company.

(d) The Employee will obey all rules, regulations and special instructions of the Company applicable to him, and will be loyal and faithful to the Company at all times.

(e) The Employee will make available to the Company any and all of the information of which he has knowledge relating to the business of the Company, and

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will make all suggestions and recommendations which he feels will be of mutual benefit to the Parties.

(f) The Employee agrees that upon termination of his employment hereunder he will immediately surrender and turn over to the Company all books, records, forms, specifications, formulae, data, processes, papers and writings related to the Business of the Company and all other property belonging to the Company, together with all copies of the foregoing, it being understood and agreed that the same are the sole property of the Company.

(g) The Employee agrees that all ideas, concepts, processes, discoveries, devices, machines, tools, materials, designs, improvements, inventions and other things of value relating to the Business of the Company (hereinafter collectively referred to as "intangible rights"), whether patentable or not, which are conceived, made, invented or suggested by him alone or in collaboration with others during the term of his employment, and whether or not during regular working hours, shall be promptly disclosed in writing to the Company and shall be the sole and exclusive property of the Company. The Employee hereby assigns all of his right, title and interest in and to all such intangible rights to the Company, and its successors or assigns. In the event that any of such intangible rights shall be deemed by the Company to be patentable or otherwise registerable under any federal, state or foreign law, the Employee further agrees that, at the expense of the Company, he will execute all documents and do all things reasonably necessary, advisable or proper to obtain patents therefor or registration thereof, and to vest in the Company full title thereto.

9. Mutual Covenants of the Company and the Employee. For and in consideration of the employment herein contemplated and the compensation, covenants, conditions and promises herein recited, the Company and the Employee do hereby mutually agree that during the term hereof:

(a) The Employee shall not, by reason of this Agreement, have any vested interest in, or right, title or claim to, any land, buildings,

equipment, machinery, processes, systems, products, contracts, goods, wares, merchandise, business assets or other things of value belonging to or which may hereafter be acquired or owned by the Company.

(b) In carrying out his duties as President of the RSA Division and Northeast Regional Vice President of the Company, the Employee shall primarily be responsible for making day-to-day decisions in the ordinary course of business of the Company, subject to possible review by the Chief Executive Officer and/or the Board. The responsibility for the Company's plans, properties, contracts, methods, and policies shall be vested in the Board and the Company may, in its sole and

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absolute discretion, give, sell, assign, transfer or otherwise dispose of any or all of its assets or businesses in whole or in part, to any person, firm or corporation, whether or not such person, firm or corporation is in any manner owned by or associated with or affiliated with the Company.

(c) The Employee acknowledges that because of the nature of the position for which he has been employed, the Employee may be called upon to perform such duties and render such services as are required of him hereunder irregularly, and agrees to perform to the best of his abilities such duties as the business may reasonably demand, and acknowledges that the number of hours per day or per week may vary. Notwithstanding the foregoing, the Employee shall work in a manner that is consistent with his prior customary practice on behalf of the Seller and the RSA Business.

(d) The Company agrees that it will not terminate any employee of the Company without giving prior notification of such termination to the Employee.

10. Termination of Employment for Cause. The Employer may terminate the employment of the Employee if the Employer suffers or may reasonably be expected to suffer any material adverse effect as a result of the Employee (any such termination being a termination for "Cause"):

(a) Breaching any material provision of this Agreement and failing to cure such breach within ten (10) days after receipt of written notice thereof;

(b) Misappropriating funds or property of the Company;

(c) Securing any personal profit not thoroughly disclosed to and approved by the Company in connection with any transaction entered into on behalf of the Company;

(d) Engaging in conduct, even if not in connection with the performance of his duties hereunder, which would reasonably be expected to result in a material adverse effect to the interest of the Company if he was retained as an employee, such as his commission of a felony or a crime of

moral turpitude;

(e) Becoming and remaining "Disabled," as hereinafter defined (either physically, mentally or otherwise) for a period of one hundred thirty-five (135) days during any consecutive twelve-month time period;

(f) Failing to carry out and perform the duties assigned to the Employee in accordance with the terms hereof and failing to cure such breach within ten (10) days after written notice thereof; or

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(g) Failing to comply with corporate policies of the Company that are promulgated from time to time and made known to Employee and failing to cure such breach within ten (10) days after written notice thereof.

In the event of the death of the Employee, such occurrence shall immediately constitute a termination for Cause. Except as provided in item (e) above, no termination for Cause shall be effective if the Employee is Disabled.

In the event the Employee is terminated for Cause because he is Disabled, the Employee may be permitted to participate in any disability insurance policy the Company then has in effect.

In the event of termination of his employment for Cause, the Employee shall be entitled to receive his compensation, as determined in Section 4 of this Agreement, due or accrued on a pro rata basis to the date of termination. Any salary or remuneration owed as of the date of termination shall be paid less the amount of damages, if any, caused to the Company by such breach, but no such damages offset shall extend beyond any compensation due and owing under this Agreement.

Notwithstanding the cure provisions provided in Sections 10(a), 10 (f) and 10(g), the Employee shall not have the opportunity to cure any violation of these subsections if such violation cannot reasonably be expected to be cured. In such event, the Company shall be required to furnish the Employee notice of the violation, but the Employee shall not be furnished an opportunity to cure.

"Disabled" shall mean the continuous inability, whether mental or physical, of Employee to perform his normal job functions as determined by at least two of three medical physicians selected as follows: the Employee or his legal designee shall be entitled to appoint one physician, the Company shall be entitled to appoint one physician, and such two appointed physicians shall mutually appoint a third physician. Notwithstanding the foregoing, the Employee, or his designee, and the Company may mutually agree that he is "Disabled" within the meaning of this Agreement.

11. Termination By the Company Without Cause or By the Employee With Good Reason. The Company may terminate the employment of Employee for any

reason other than those for Cause, in which event such termination shall be deemed a "Termination Without Cause." In addition, the Employee shall have the right to terminate this Agreement for any material breach of this Agreement by the Company, which shall include but not be limited to materially changing the duties assigned to Employee beyond those contemplated in Section 2 of this Agreement or causing Employee to relocate his primary residence in violation of Section 2 of this Agreement; provided that the Company shall be furnished ten (10) days notice of such breach and an opportunity to cure (any such termination constituting a "Termination By Employee With Good Reason"). Notwithstanding the cure provisions provided in the preceding sentence, the Employer shall not have the opportunity to cure any violation of this Agreement if such violation cannot reasonably be expected to be cured

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but the Employee shall still furnish notice to the Company. In the event of a Termination Without Cause or a Termination with Good Reason by the Employee, the Company shall continue making payments to Employee, but at a salary level equal to the Division President portion of Employee's compensation only, as set forth in Section 4 of this Agreement, for a period equal to the lesser of (i) one (1) year, or (ii) the remaining term of this Agreement, which amount, in the event of a Termination Without Cause or a Termination By Employee With Good Reason, shall constitute the full and total amount of liquidated damages that the Employee shall be entitled to receive from the Company and its Affiliates for any contractual or tort claims arising out of his employment relationship with the Company.

12. Covenant Not to Compete. The Employee recognizes that the Company has business goodwill and other legitimate business interests which must be protected in connection with and in addition to the Information (as defined hereinafter), and therefore, in exchange for access to the Information, the specialized training and instruction which the Company will provide, the Company's agreement to employ the Employee on the terms and conditions set forth herein, the Company's agreement to execute and consummate the Purchase Agreement, and the promotion and advertisement by the Company of Employee's skill, ability and value in the Company's business, subject to the provisions of the next full paragraph of this Section 12, the Employee agrees that in the event (i) Employee is terminated for Cause, or (ii) Employee leaves the employ of the Company other than a Termination By Employee With Good Reason prior to expiration of the term of the Agreement, or (iii) upon the expiration of the term of this Agreement, then for a period of the latest date of (i) five (5) years after the date of this Agreement, or (ii) three (3) years after the date employment is so terminated, except in the event of Termination Without Cause or in the event of Termination By Employee With Good Reason By Employee:

(a) Employee will not in any capacity or relationship enter into, engage in, or be connected with any business or business operation or activity within a fifty (50) mile radius of any office location then operated by the Employer at the time of such termination, which consists in whole or in part



of the Business of the Company; and

(b) Employee will not call upon any customer whose account is serviced in whole or in part by the Employer or its Affiliates at the time of the termination of Employee's employment, with the purpose of selling or attempting to sell to any such customer any services included within that offered by the Employer or its Affiliates; and

(c) Employee will not intentionally divert, solicit or take away any customer, supplier or employee of the Employer or its Affiliates, or the patronage of any customer or supplier of the Employer or its Affiliates, or otherwise interfere with or disturb the relationship existing between the Employer or its Affiliates and any of their respective customers, suppliers or employees, directly or indirectly.

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The foregoing restrictive covenants shall apply to the Employee in the event of his Termination Without Cause or in the event of Termination By Employee With Good Reason by the Employer, but only for a period of one (1) year.

In the event the Company ceases operation of the Business of the Company other than in a merger, consolidation, or similar transaction, or upon the filing of a bankruptcy or receivership proceeding against the Employer, or upon the appointment of a liquidator for the Company, the provisions of this Section 12 shall not be applicable to the conduct of Employee subsequent thereto.

It is mutually understood and agreed that if any of the provisions relating to the scope, time or territory in this Section 12 are more extensive than is enforceable under applicable laws or are broader than necessary to protect the good will and legitimate business interests of the Company, then the Parties agree that they will reduce the degree and extent of such provisions by whatever minimal amount is necessary to bring such provisions within the ambit of enforceability under applicable law.

The Parties acknowledge that the remedies at law for breach of Employee's covenants contained in this Section 12 are inadequate, and they agree that the Company shall be entitled, at its election, to injunctive relief (without the necessity of posting bond against such breach or attempted breach), and to specific performance of such covenants in addition to any other remedies at law or equity that may be available to the Company.

13. Business Opportunities. Except for passive investments by the Employee in publicly traded entities, or investments in private ventures which do not compete with, or are not in the same business as, the Company and which come to the attention of the Employee outside of the scope of his employment, for as long as the Employee shall be employed by the Company and thereafter with

respect to any business opportunities learned about during the time of Employee's employment by the Company, the Employee agrees that with respect to any future business opportunity or other new and future business proposal which is offered to, or comes to the attention of, the Employee and which is in any way related to, or connected with, the Business of the Company, the Company shall have the right to take advantage of such business opportunity or other business proposal for its own benefit. The Employee agrees to promptly deliver notice to the Board in writing of the existence of such opportunity or proposal and the Employee may take advantage of such opportunity only if the Employer does not elect to exercise its right to take advantage of such opportunity.

14. Confidential Information. The Employee acknowledges that in the course of his employment with the Company, he will receive certain trade secrets, know-how, lists of customers, employee records and other confidential information and knowledge concerning the Business of the Company (hereinafter collectively referred to as "Information") which the Company desires to protect. The Employee understands that such Information is confidential and he agrees that he will not reveal such Information to anyone outside the Company except (i) for information already known to the public, now or in the future, or (ii) in connection with any legal proceeding

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regarding this Agreement, the Purchase Agreement or the transactions contemplated thereby or as otherwise required by law or judicial order. The Employee further agrees that during the term of this Agreement and thereafter he will not use such Information in competing with the Company. Upon termination of his employment hereunder, the Employee shall surrender to the Company all papers, documents, writings and other property produced by him or coming into his possession by or through his employment hereunder and relating to the information referred to in this Section 14, which are not general knowledge in the industry, and the Employee agrees that all such materials will at all times remain the property of the Company.

15. Notices. All notices, consents, demands or other communications required or permitted to be given pursuant to this Agreement shall be deemed sufficiently given when delivered personally with a written receipt acknowledging delivery or telefaxed with receipt confirmed, or three (3) business days after the posting thereof by United States first class, registered or certified mail, return receipt requested, with postage fee prepaid and addressed as follows:

If to the Company:                    Litigation Resources of America-  
   Northeast, Inc.  
   1001 Fannin, Suite 650  
   Houston, Texas 77002  
   Telefax: (713) 653-7172  
   Attn: Richard O. Looney

If to the Employee: Lee Goldstein  
Reporting Services Associates  
225 South 15/th/ Street, 22/nd/ Floor  
Philadelphia, PA 19102

Any Party may change its address for notice hereunder by providing written notice of such change to the other Party hereto.

16. Specific Performance. The Employee acknowledges that a remedy at law for any breach or attempted breach of Sections 12, 13 or 14 of this Agreement will be inadequate, the Employee agrees that the Company shall be entitled to specific performance and injunctive and other equitable relief in case of any such breach or attempted breach, and further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or any other equitable relief.

17. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective to the extent of such provision or invalidity only, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

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18. Assignment. This Agreement may not be assigned by the Employee. Neither the Employee, his spouse nor their estates shall have any right to encumber or dispose of any right to receive payments hereunder, it being understood that such payments and the right thereto are nonassignable and nontransferable.

19. Binding Effect. Subject to the provisions of Section 18 of this Agreement, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, the Employee's heirs and personal representatives, and the successors and assigns of the Company.

20. Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas.

21. Prior Employment Agreements. Employee represents and warrants to the Company that he has fulfilled all of the terms and conditions of all prior employment agreements to which he may be or have been a party, and at the time of execution of this Agreement is not a party to any other employment agreement.

22. Parol Evidence. This Agreement constitutes the sole and complete agreement between the Parties hereto with respect to the subject matter hereof, and no verbal or other statements, inducements or representations have been made to or relied upon by either Party, and no modification hereof shall be effective unless in writing signed and executed in the same manner as this Agreement,

provided, however, the amount of compensation to be paid Employee for services to be performed for Company may be changed from time to time by the Parties hereto by written agreement without in any other way modifying, changing or affecting this Agreement and the performance by the Employee of any of the duties of his employment with the Company. Written notification of any modification of compensation paid or payable to the Employee for his services shall be conclusively deemed to be a ratification and confirmation of this Agreement amended by such change in compensation unless the Employee shall object in writing with ten (10) days after such written notification from the Company.

23. Waiver. Any waiver to be enforceable must be in writing and executed by the Party against whom the waiver is sought to be enforced.

24. Arbitration. Any controversy, dispute or claim arising out of, in connection with, or in relation to, the interpretation, performance or breach of this Agreement, including, without limitation, the validity, scope and enforceability of this Section which cannot first be settled through ordinary negotiation between the Parties shall be submitted in good faith to mediation by and in accordance with the Commercial Mediation Rules of the American Arbitration Association or any successor organization. In the event that mediation of such controversy, dispute or claim cannot be settled through the mediation proceeding, the Parties agree that the controversy, dispute or claim shall be submitted to binding and final arbitration conducted in Houston, Harris County, Texas by and in accordance with the then existing Rules for Commercial Arbitration of the American Arbitration Association or an successor organization. Any such arbitration shall be to a three

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member panel selected through the rules governing selection and appointment of such panels of the American Arbitration Association or any successor organization. The award rendered by the arbitrators may be confirmed, entered and enforced as a judgment in any court of competent jurisdiction; however, the Parties otherwise waive any rights to appeal the award except with regard to fraud by the panel. Any such action must be brought within two years of the date the cause of action accrues. The arbitrators shall award the Party which substantially prevails in any arbitration proceeding recovery of that Party's attorneys fees, the arbitrators' fees and all costs in connection with the arbitration from the Party who does not substantially prevail. The Parties' remedies are limited solely to the specific remedies provided in this agreement. The Parties waive any entitlement to punitive damages, consequential damages and lost profits and will limit any damage claim to actual economic damages incurred. Nothing in this Section 24 shall restrict the Company's ability to seek injunctive or other equitable relief in any court of competent jurisdiction prior to initiating mediation or arbitration for any violation by the Employee of Sections 12, 13, 14 or 16 of this Agreement. In the event that such injunctive or equitable relief is sought by the Company, the Company is specifically entitled to enforce the provisions of these Sections in obtaining

such relief in any court of competent jurisdiction and, thereafter, submit the remaining controversy, dispute or claim to arbitration in accordance with this Section 24.

25. Drafting. All Parties hereto acknowledge that each was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against any Party hereto because one is deemed to be the author thereof.

26. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall have the force and effect of an original, and all of which shall constitute one and the same agreement.

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year first above written.

THE COMPANY:

LITIGATION RESOURCES OF AMERICA-  
NORTHEAST, INC., a New York corporation

By:

\_\_\_\_\_  
Richard O. Looney  
Chief Executive Officer

THE EMPLOYEE:

\_\_\_\_\_  
Lee Goldstein

Schedule A--Calculation of Annual Bonus  
Schedule B--Calculation of Commissions

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SCHEDULE A

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#### CALCULATION OF ANNUAL BONUS

Each year the accountants regularly employed by the Company shall determine the amount of EBIT Profit, if any, of (i) the RSA Division and (ii) the Northeast Region of the Company (being that region of the Company which Lee

Goldstein, as RVP, is responsible for managing) during each consecutive twelve (12) month time period ending on the last day of the fiscal year of the Company ("respectively the "Annual RSA EBIT Profits" and the "Annual Northeast Region EBIT Profits"), commencing with the first fiscal year of the Company and continuing each year during the term of this Agreement. Beginning with the first fiscal year of the Company, (x) to the extent that the Annual RSA EBIT Profits for the current year exceed the Annual RSA EBIT Profits for the prior year, the Employee shall be paid an annual bonus equal to ten percent (10%) of the amount of such excess, if any ("Bonus Component 1"), and (y) to the extent that the Annual Northeast Region EBIT Profits for the current year exceed the Annual EBIT Profits for the prior year, the Employee shall be paid an annual bonus equal to ten percent (10%) of the amount of such excess, if any ("Bonus Component 2"); provided that for the first fiscal year of the Company (A) (i) the Bonus Components 1 and 2, respectively shall be calculated for each full month of operations and added together, (ii) the Bonus Components 1 and 2 respectively for any partial month of operations shall be divided by the number of actual days in such month and multiplied by 30 to create a full month and (iii) the sum of (A) (i) and (A) (ii) shall be added together, that result divided by the number of full and partial months of operations and the quotient multiplied by 12 to create the number representing Bonus Components 1 and 2 for the first fiscal year and (B) the Annual Northeast Region EBIT Profits for the prior year shall be deemed to be \$\_\_\_\_\_ [NET WORTH ON \_\_\_\_\_ BALANCE SHEET] and the Annual RSA EBIT Profits for the prior year shall be deemed to be \$\_\_\_\_\_. For purposes of this calculation, EBIT Profits for each of the RSA Divisions in the Northeast Region shall mean their gross earnings before income taxes, interest, depreciation and amortization, but excluding the effects of any acquisitions and after deductions for all annual bonuses to be paid to the managers in the Northeast Region.

SCHEDULE B

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<TABLE>

<CAPTION>

Commission

Percentage of Gross Sales

Price Structure of

National Account

<S>

3.00%

<C>

Market price

2.50%

Discount of 5% to 10% from market price rate

2.00%

Discount of 10% to 15% from market price

	rate
1.50%	Discount of 15% to 20% from market price rate
1.00%	Discount of 20% to 25% from market price rate
0.50%	Discount of 25% or more from market price rate

</TABLE>

In certain circumstances, more than one individual may be entitled to receive commissions based upon sales from a National Account. In such circumstances, the commissions described above would be shared by the Employee and the other individuals on such a basis as is determined to be fair by the Company's Board of Directors. All commissions payable hereunder will be paid in cash within 45 days of the end of the fiscal year of the Company in which they are earned.

BILL OF SALE,  
ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT (this Bill of Sale") is entered into effective as of September \_\_\_, 1997, among REPORTING SERVICES ASSOCIATES, INC., a Pennsylvania corporation ("Seller"), and LITIGATION RESOURCES OF AMERICA-NORTHEAST, INC., a New York corporation ("Purchaser"). Purchaser and Seller may be hereinafter sometimes referred to collectively as the "Parties" or individually as a "Party." All defined terms not otherwise defined herein shall have the meanings ascribed to them in that certain Agreement of Purchase and Sale of Assets of even date herewith (the "Agreement"), executed among Seller, Purchaser and Litigation Resources of America, Inc., a Texas corporation.

W I T N E S S E T H:  
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WHEREAS, Purchaser has agreed to purchase from Seller, and Seller has agreed to grant, bargain, sell, convey, transfer, assign and deliver to Purchaser, the Assets (but not the Excluded Assets); and

WHEREAS, as partial consideration for the sale and assignment of the Assets, Purchaser has agreed to assume the Assumed Liabilities, on and subject to the terms and conditions set forth in the Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the delivery to Seller of the Purchase Price, the receipt and sufficiency of which are hereby acknowledged, Purchaser and Seller hereby agree as follows:

1. SALE AND ASSIGNMENT. Seller has granted, bargained, sold, conveyed, transferred, assigned and delivered, and by these presents does grant, bargain, sell, convey, transfer, assign and deliver unto Purchaser, its successors and assigns, the Assets. Seller warrants that Seller is the lawful owner in every respect of all of the Assets and that the Assets are free and clear of any and all liens, security agreements, encumbrances, claims, demands, and charges of every kind and character whatsoever other than as previously disclosed in writing to Purchaser. Seller hereby binds Seller and Seller's successors and assigns to warrant and defend the title to all of the Assets unto Purchaser and Purchaser's successors and assigns forever against every person whomsoever lawfully claiming or to claim the Assets or any part thereof. Purchaser hereby accepts the conveyance, transfer, assignment and delivery of the Assets.

2. ASSUMPTION. Subject to the exceptions and exclusions of Section 2.6 of the Agreement, and otherwise on and subject to the terms and conditions of the Agreement, Purchaser hereby assumes and agrees to pay and perform the Assumed Liabilities.

3. FURTHER ACTIONS. Seller hereby consents and agrees to any lawful action taken by Purchaser in connection with the enforcement of, or the legal protection of, the Assets, and confers upon Purchaser full right of substitution in any and all such actions. Seller further covenants and agrees to execute such further documents and take such additional actions as may reasonably be requested by Purchaser to vest in Purchaser any and all of the Assets and otherwise to effectuate the intent of this Bill of Sale. Each of the Parties shall perform such actions and deliver or cause to be delivered any and all such documents, instruments and agreements as the other Party may reasonably request for the purpose of fully and effectively carrying out this Agreement and the transactions contemplated hereby.

4. GOVERNING LAW; JURISDICTION; VENUE; SERVICE. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas, without regard to conflicts of law principles, and the laws of the United States applicable in Texas. Venue for any litigation between the Parties hereto with respect to the subject matter of this Agreement shall be Harris County, Texas. Each Party hereby irrevocably submits to personal jurisdiction in Texas. Each Party hereby waives all objections to personal jurisdiction in Texas and venue in Harris County for purposes of such litigation. Each Party waives summons or citation and agrees that delivery of a duly filed complaint or petition as provided in the notice section of this Agreement will suffice as substitute service of summons or citation.

5. MODIFICATION OF AGREEMENT. This Agreement may be amended or modified only by written instrument signed by all of the Parties.



6. ENTIRE AGREEMENT; BINDING EFFECT. This Agreement, and the documents, instruments and agreements executed in connection herewith, set forth the entire agreement and understanding between the Parties with respect to the subject matter hereof and thereof. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

7. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall have the force and effect of an original, and all of which together shall constitute one and the same agreement.

EXECUTED AND DELIVERED EFFECTIVE as of the date first written above.

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PURCHASER:

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LITIGATION RESOURCES OF AMERICA-NORTHEAST, INC., a New York corporation

By: \_\_\_\_\_  
Richard O. Looney, President

SELLER:

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REPORTING SERVICES ASSOCIATES:

By: \_\_\_\_\_  
Lee Goldstein, President

A:\BILL OF SALE1.WPD

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EXHIBIT D

DRAFT OF SEPTEMBER 22, 1997  
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[FORM OF SELLER'S INVESTOR REPRESENTATION LETTER]

\_\_\_\_\_, 1997

Litigation Resources of America, Inc.  
Litigation Resources of America -- Northeast, Inc.  
1001 Fannin, Suite 650  
Houston, Texas 77002  
Attn: Mr. Richard O. Looney, President

Re: Investor Representations

Gentlemen:

The purpose of this letter is to evidence certain representations and warranties to be made with respect to certain matters relating to the acquisition by Reporting Services Associates, Inc., a Pennsylvania corporation and/or its sole shareholder, Lee Goldstein, an individual residing in the State of Florida (the "Seller") of shares of Common Stock issued by Litigation Resources of America, Inc., a Texas corporation (the "Company"), having a par value of one-cent (\$0.01) per share (the "Common Stock"), for and in partial consideration of the sale of certain of the assets of the Seller to Litigation Resources of America -- Northeast, Inc., a New York corporation ("Buyer"), upon the terms and conditions set forth herein and in that certain Agreement of Purchase and Sale of Assets (the "Purchase Agreement"), entered into by and among the Seller, the sole shareholder of the Seller, the Company, and the Buyer. The undersigned Seller or shareholder of Seller is sometimes hereinafter referred to as the "Investor."

The Investor hereby represents and warrants to the Company, the Buyer, and each of the Company's and the Buyer's officers, directors, shareholders, agents, attorneys, employees and representatives as follows:

1. Investment Intent. (i) The Common Stock is being acquired solely for the account of the Seller, for investment and not with a view to or for the resale, distribution, subdivision or fractionalization thereof, (ii) the Seller has no contract, understanding, undertaking, agreement or arrangement with any person to sell, transfer or pledge to any person the Common Stock or any part thereof, (iii) the Seller has no present plans to enter into any such contract, undertaking, agreement or arrangement, (iv) the Seller understands the legal consequences of the foregoing representations and warranties to mean that the Seller must bear the economic risk of the investment in the Common Stock for an indefinite period of time, (v) the Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and

Litigations Resources of America, Inc.  
Litigations Resources of America -- Northeast, Inc.

risks of acquiring the Common Stock, and (vi) the Investor acknowledges that the acquisition of the Common Stock by the Seller involves a high degree of risk which may result in the loss of the total amount of this investment.

2. No General Solicitation. The Common Stock has been offered to the Seller without any form of general solicitation or advertising of any type by or on behalf of the Company or any of its officers, directors, shareholders, employees, agents, attorneys or representatives.

3. Access to Information. The Seller, and to the extent the Investor is not the Seller, the Investor, has (i) for a reasonable amount of time had an opportunity to ask questions and receive answers concerning the terms and conditions of the issuance of the Common Stock and the proposed business and affairs of the Company, and is satisfied with the results thereof, (ii) has been given access, if requested, to all other documents with respect to the Company or this transaction, as well as to such other information as the Seller or the Investor has requested, and (iii) has relied solely on investigations conducted by the Investor in making the decision to acquire the Common Stock or approve the transactions set forth in the Purchase Agreement.

4. Exemption Status. The Investor understands that the Common Stock to be sold hereunder are being issued in reliance upon the exemptions from registration under the Securities Act of 1933, as amended. The Investor understands that the undersigned, the Company, the Company's officers, directors, shareholders, employees, agents, attorneys and representatives are relying on, among other things, the representations and warranties of the Investor set forth herein in issuing the Common Stock to the Seller.

5. Securities Compliance. The Investor understands and agrees that (i) no sale, distribution, transfer or other disposition of the Common Stock, or any portion thereof, can be made by the Seller unless the Common Stock has been registered under the Securities Act of 1933, as amended, and applicable securities laws of any other relevant jurisdiction, or exemptions from such registration are available, as evidenced by an opinion of counsel, satisfactory to the Company, with respect to the proposed sale, distribution, transfer or other disposition, and (ii) an appropriate legend will be endorsed on the Common Stock evidencing such restrictions.

6. Accredited Investor Status. The Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act.

7. Representations of Natural Persons. If the Investor is a natural person, the Investor has reached the age of majority in the state in which the Investor resides, has adequate

means of providing for the Investor's current financial needs and contingencies, is able to bear the substantial economic risks of an investment in the Common Stock, has no need for liquidity in such investment, and is able to withstand a complete loss of such investment.

8. Representations of Entities. If Investor is a corporation, partnership, trust or other entity, (i) it is authorized and qualified to purchase and hold the Common Stock, (ii) it has not been formed for the purpose of acquiring the Common Stock, (iii) the person executing this Agreement for and on behalf of such entity has been duly authorized by such entity to do so, (iv) it is willing and able to bear the substantial economic risk of an investment in the Common Stock and has no need for liquidity with respect thereto, and (v) it is able to withstand a complete loss of its investment.

9. No Governmental Review. The Investor acknowledges and understands that no federal or state agency has passed on the fairness of the investment in the Common Stock, nor made any recommendation or endorsement of the Common Stock, and that there is a significant risk of loss of all or a portion of the Seller's investment in the Common Stock.

10. State of Residence and Domicile. The Investor is either (i) a permanent resident of the State of Florida, or (ii) not a resident or citizen of the United States.

The Investor acknowledges that the Company and the Company's officers, directors, agents, attorneys and other representatives are relying on the representations and warranties set forth herein, and would not deliver the Common Stock to the Seller but for the execution and delivery of this letter by the Investor.

Very truly yours,

EXHIBIT E

DRAFT AS OF NOVEMBER 6, 1997  
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STOCK PLEDGE AGREEMENT  
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THIS STOCK PLEDGE AGREEMENT (this "Pledge Agreement") is made effective as of the \_\_\_ day of \_\_\_\_\_, 1997, by REPORTING SERVICES

ASSOCIATES, a Pennsylvania corporation ("Pledgor"), and LITIGATION RESOURCES OF AMERICA -- NORTHEAST, INC., a New York corporation ("Secured Party"). All capitalized terms contained herein without definition shall have the respective meanings given to them in that certain Agreement of Purchase and Sale of Assets dated of even date herewith (the "Purchase Agreement") by and among the Pledgor, Secured Party, Litigation Resources of America, Inc., a Texas corporation and the parent company of the Secured Party (the "Parent"), and the stockholder of the Pledgor.

W I T N E S S E T H:  
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WHEREAS, Pledgor has agreed to sell substantially all of its assets to Secured Party upon the terms and conditions contained in the Purchase Agreement; and

WHEREAS, Pledgor has certain obligations under the Purchase Agreement, including, but not limited to, the obligation of Pledgor to indemnify Secured Party for any breaches of representations and warranties of Pledgor contained in the Purchase Agreement; and

WHEREAS, pursuant to the terms of the Purchase Agreement and as partial consideration for the purchase of the stock of the Company by the Secured Party, the Pledgor has been issued an aggregate of \_\_\_\_\_ shares of common stock, \$.01 par value per share (the "Stock"), of Parent; and

WHEREAS, the terms of the Purchase Agreement provide for the Pledgor to pledge the Stock, whether now owned or hereinafter acquired, to the Secured Party to partially secure the obligations of Pledgor under the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Pledge of Stock. Pledgor hereby pledges and grants to Secured Party a security interest in the Stock, which shall attach immediately upon each issuance of Stock to all shares of Stock issued to Pledgor in accordance with the terms of the Purchase Agreement. Immediately upon receipt of any shares of Stock, Pledgor shall be required to deliver to Secured Party the certificate or certificates representing the Stock in order that Secured Party might perfect its security interest therein. The Pledgor and the Secured Party hereby acknowledge and agree that the value of the Stock ("Agreed Value") shall be deemed to be (i) the IPO Price if shares are being surrendered hereunder in order to effect an adjustment in the Purchase Price and (ii) if shares are being surrendered hereunder for any other reason, the average public trading price of each share of Stock

over the five (5) most recent business days falling prior to the date of delivery by the Secured Party to the Pledgor of the notice of an event requiring an Offset, as such term is defined in the Purchase Agreement. Pledgor shall possess all voting rights pertaining to the Stock, so long as an Event of Offset, as hereinafter defined, has not occurred, or if an Event of Offset has allegedly occurred but is being disputed by the parties hereto prior to submission to arbitration in accordance with Section 10.14 of the Purchase Agreement, and Secured Party shall have no voting rights that may be presently or hereafter attributable to the Stock. In addition, so long as an Event of Offset has not occurred, or if an Event of Offset has allegedly occurred but is being disputed by the parties hereto prior to submission to arbitration in accordance with Section 10.14 of the Purchase Agreement, then Pledgor shall have the right to receive all dividends, if any, on the Stock, and Pledgor shall be entitled to receive all proceeds upon liquidation of the Stock, if any, as well as all other rights with respect to the Stock except for the right to transfer title thereto. Notwithstanding the foregoing, if an Event of Offset has occurred and (i) has been resolved, either by failure to timely dispute it as required by Section 10.14 of the Purchase Agreement, by agreement or by arbitration decided in favor of Secured Party (a "Resolved Event of Offset") or (ii) has been submitted to arbitration in accordance with Section 10.14 of the Purchase Agreement which arbitration is still pending or in process (a "Continuing Event of Offset"), then Secured Party shall have the right to designate a representative or trustee to vote those shares of Stock covered by or subject to the Resolved Event of Offset or Continuing Event of Offset (the "Offset Shares"), to receive all dividends and liquidation proceeds with respect to the Offset Shares, and to receive all other rights with respect to the Offset Shares.

2. Representations and Warranties. Pledgor hereby represents, warrants and covenants to and with Secured Party that:

(a) Pledgor will not, without the written consent of Secured Party, sell, contract to sell, encumber, or dispose of the Stock or any interest therein until this Pledge Agreement and all obligations under the Purchase Agreement have been fully satisfied.

(b) No consent of any party is necessary for the Pledgor to perform its obligations hereunder, or if any such consent is required, such consent has been received prior to the execution of this Pledge Agreement.

3. Event of Offset. Each delivery by Secured Party to the Pledgor of a notice of a claim of offset shall constitute an Event of Offset ("Event of Offset") under this Pledge Agreement.

4. Remedies.

(a) Upon the occurrence of a Resolved Event of Offset, Secured Party may, at its option, exercise with reference to the Stock any and all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas and as otherwise granted therein or under any

other applicable law or under any other agreement executed by Pledgor, including, without limitation, the right and power to sell, at public or private sale(s), or otherwise dispose of or keep the Stock and any part or parts thereof, or interest or interests therein owned by Pledgor, in any manner authorized or permitted under

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this Pledge Agreement or under the Uniform Commercial Code, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys' fees and legal expenses thereby incurred by Secured Party, and toward payment of the obligations under the Purchase Agreement in such order or manner as Secured Party may elect. Notwithstanding anything to the contrary contained herein, the Secured Party shall only foreclose on that portion of the Stock that is reasonably necessary in the reasonable good faith judgment of the Secured Party in order to satisfy the amount of the claim constituting the Resolved Event of Offset. For purposes hereof, the Agreed Value of the Stock shall be deemed to be the value that the Secured Party is receiving on the foreclosure of the Stock and Secured Party shall not be entitled to foreclose on more Stock than is necessary to recover all of its damages resulting from the Resolved Event of Offset.

(b) Secured Party is hereby granted the right, at its option, after a Continuing Event of Offset, to transfer at any time to itself or its nominee the securities or other property hereby pledged, or any part thereof, and to thereafter exercise all voting rights with respect to such Stock so transferred and to receive the proceeds, payments, monies, income or benefits attributable or accruing thereto and to hold the same as security for the obligations hereby secured, or at Secured Party's election, to apply such amounts to the obligations, only if due, and in such order as Secured Party may elect or Secured Party may, at its option, without transferring such securities or property to its nominee, exercise all voting rights with respect to the securities pledged hereunder and vote all or any part of such securities at any regular or special meeting of shareholders.

(c) Pledgor hereby agrees to cooperate fully with Secured Party in order to permit Secured Party to sell, at foreclosure or other private sale, Pledgor's interest in the Stock pledged hereunder as provided in this Pledge Agreement. Specifically, Pledgor agrees to deliver to Secured Party the certificate or certificates representing the Stock if Pledgor has possession at that time, to fully comply with the securities laws of the United States and of the State of Texas and to take such other action as may be necessary to permit Secured Party to sell or otherwise transfer the securities pledged hereunder in compliance with such laws.

5. Termination. This Pledge Agreement shall continue as security for the payment or satisfaction of the obligations under the Purchase Agreement until the earliest to occur of (i) termination of this Pledge Agreement by written

notice of the Secured Party to the Pledgor or (ii) the date upon which none of the representations and warranties of Pledgor contained in the Purchase Agreement survive and all covenants and obligations of Pledgor under said Purchase Agreement have been fully and properly performed, or (iii) three (3) years after the date hereof, provided that Secured Party has not given Pledgor notice of an Event of Offset which has not been satisfied by Pledgor, or if there is an Event of Offset, the pledge shall continue only to the extent of the number of Shares based on the Agreed Value equal to the amount of damages reasonably expected to be caused by the Event of Offset; provided however, upon the expiration of one year and three years after the date of this Pledge Agreement (each a Release Date), the following provisions shall apply: (x) if no Event of Offset exists on such Release Date, the Secured Party shall release one-half (1/2) of the number of Shares initially pledged hereunder from the pledge established hereunder, and the remaining Shares shall remain pledged under the terms and conditions of this Pledge Agreement;

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or (y) if an Event of Offset exists, the amount of Damages resulting from such Event of Offset shall be determined, and on the first and second Release Date, one-half and all of the remaining Shares, respectively, that have not been Offset against shall be released from the pledge established hereby and delivered to the Pledgor and the remaining Shares shall remain pledged under the terms and conditions of this Pledge Agreement. . If such a Continuing Event of Offset exists, the pledge shall continue only to the extent of the amount of Stock (based on the Agreed Value) equal to the amount of Damages claimed in the Offset Claim or the amount of damages reasonably expected to be caused by the Event of Offset, as applicable.

6. Release from Pledge. Upon the termination of this Pledge Agreement, Secured Party shall immediately release its security interest in the Stock. In addition, Secured Party shall deliver the certificate or certificates representing the Stock to Pledgor if Secured Party has possession of such certificates at that time. Upon such occurrence, the security interest of Secured Party shall automatically terminate and Secured Party shall thereafter have no interest whatsoever in the Stock.

7. Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Pledgor: Reporting Services Associates, Inc.  
225 South 15<sup>th</sup>/ Street  
Philadelphia, PA. 19102  
Telephone: (215) 735-2332  
Telefax: (215) 735-1695



Attn. Lee Goldstein

Copy to: Benjamin S. Ohrenstein  
354 West Lancaster Avenue  
Suite 212  
Haverford, PA. 19041  
Telephone: (610) 649-1268  
Telefax: (610) 642-6553

If to the  
Secured Party: Litigation Resources of America-Northeast, Inc.  
c/o Litigation Resources of America, Inc.  
650 First City Tower, 1001 Fannin  
Houston, Texas 77002  
Attn: President

Copy to: Boyer Ewing & Harris Incorporated  
Nine Greenway Plaza, Suite 3100

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Houston, Texas 77046  
Attn: John R. Boyer

8. Successors. This Pledge Agreement shall be binding upon, and inure to the benefit of the parties hereto and their successors and assigns. Any assignee whatsoever will be bound by the obligations of the assigning party under this Pledge Agreement, and any assignment shall not diminish the liability or obligation of the assignor under the terms of this Pledge Agreement unless otherwise agreed.

9. Severability. In the event that any one or more of the provisions contained in this Pledge Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Pledge Agreement or any such other instrument.

10. Paragraph Headings. The paragraph headings used herein are descriptive only and shall have no legal force or effect whatsoever.

11. Gender. Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall include the plural and conversely.

12. Survival of Warranties. All representations, warranties, and agreements made by the parties in this Pledge Agreement or in any certificates delivered pursuant hereto will survive the execution date hereof.

13. Applicable Law. This Pledge Agreement shall be construed and interpreted in accordance with the laws of the United States of America and the State of Texas, and is intended to be performed in accordance with and as permitted by such laws.

14. Definitions. All terms and definitions used herein shall have the same meaning as in the Purchase Agreement unless otherwise indicated.

15. Drafting. The parties hereto acknowledge that each party was actively involved in the negotiation and drafting of this Pledge Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Pledge Agreement shall be construed in favor or against either party hereto because one is deemed to be the author thereof.

16. Attorneys' Fees. If any litigation is instituted to enforce or interpret the provisions of this Pledge Agreement or the transactions described herein, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees from the other party hereto.

17. Arbitration. The arbitration provisions contained in Section 10.14 of the Purchase Agreement shall govern this Pledge Agreement.

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18. Multiple Counterparts. This Pledge Agreement may be executed in multiple counterparts each of which shall be deemed an original and all of which shall constitute one instrument.

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IN WITNESS WHEREOF, this Pledge Agreement has been executed effective as of the date first above written.

PLEDGOR:

REPORTING SERVICES ASSOCIATES, INC.

By: \_\_\_\_\_  
Lee Goldstein, President

SECURED PARTY:

LITIGATION RESOURCES OF AMERICA -- NORTHEAST, INC.

By: \_\_\_\_\_

EXHIBIT F

DRAFT OF SEPTEMBER 25, 1997

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GUARANTY OF PERFORMANCE  
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THIS GUARANTY OF PERFORMANCE (the "Guaranty") is executed effective the \_\_\_\_ day of \_\_\_\_\_, 1997, by Lee Goldstein, an individual (the "Guarantor"), pursuant to the terms of that certain Agreement of Purchase and Sale of Assets (the "Agreement") entered into effective as of the even date herewith, by and among Litigation Resources of America -- Northeast, Inc., a New York corporation ("Buyer"), Reporting Services Associates, Inc., a Pennsylvania corporation ("Seller"), Lee Goldstein, an individual ("Goldstein"), and Litigation Resources of America, Inc., a Texas corporation and the parent company of Buyer ("Parent") (Buyer and the Parent are sometimes hereinafter referred to collectively as the "LRA Companies"). All defined terms contained herein shall have the meanings ascribed thereto in the Agreement.

W I T N E S S E T H:

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WHEREAS, pursuant to the terms of the Agreement, Buyer shall purchase substantially all of the Assets of Seller, upon the terms and conditions contained in the Agreement; and

WHEREAS, Goldstein is the sole shareholder of Seller; and

WHEREAS, Guarantor acknowledges that he is receiving numerous and substantial benefits from the consummation of the transactions contemplated in the Agreement, and that he is willing to execute this Guaranty for and in consideration of such benefits, and in order to induce the LRA Companies to enter into the Agreement and consummate the transactions contemplated therein; and

WHEREAS, the LRA Companies would not have executed and consummated the transactions described in the Agreement but for the agreement of Guarantor to execute and deliver to the LRA Companies this Guaranty;

NOW, THEREFORE, for and in consideration of the terms and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Guarantor, and in order to induce the LRA Companies to enter into the Agreement and consummate the transactions contemplated therein, the Guarantor hereby covenants and agrees as follows:

1. Guarantor hereby absolutely, unconditionally and irrevocably

guarantees the full and punctual payment and performance by the Seller of all of the obligations, duties, covenants, agreements and conditions provided in the Agreement to be paid or performed by the Seller thereunder, including without limitation all indemnification obligations of the Seller set forth in Article VII of the Agreement.

2. This Guaranty is unconditional and the liability of Guarantor shall be primary and absolute, in the same manner as if Guarantor were named in and had signed the Agreement individually as the Seller thereunder. Guarantor agrees that neither bankruptcy, insolvency, lack of

capacity nor any other disability or impediment against enforcement of the liability of the Seller shall in any manner impair or affect Guarantor's liabilities and obligations hereunder.

3. It shall not be necessary or required in order to maintain and enforce Guarantor's liability hereunder that demand be made upon the Seller or that action be commenced or prosecuted against the Seller or that any effort be made to enforce the liability or responsibility of the Seller for performance of the Seller's obligations or duties under or in connection with the Agreement, and it shall not be required that the Seller or any other party liable on the Agreement be joined in any action brought against Guarantor for enforcement of Guarantor's liability and responsibility under this Guaranty, or that judgment have theretofore been obtained against the Seller or any other party liable therefor or in connection with any such claim.

4. Guarantor agrees that no waiver by the LRA Companies or forbearance or delay by the LRA Companies in asserting or enforcing any rights or remedies of either of the LRA Companies or with respect to the Seller or any other party who may be or become responsible for performance of any of Seller's obligations or duties shall in any wise affect, impair, or release Guarantor's liability hereunder.

5. Guarantor expressly waives and agrees that no notice of default by the Seller or other notice or demand need be given by the LRA Companies to Guarantor as a condition of maintaining or enforcing Guarantor's liabilities and obligations under this Guaranty. Likewise, Guarantor agrees that the LRA Companies' release or subordination of, or failure or delay to enforce or seek to realize upon, any security now or hereafter held or acquired by the LRA Companies for performance of any of the obligations or duties of the Seller under or in connection with the Agreement, or any other action which either of the LRA Companies may take or fail to take with respect to or against the Seller, shall not impair, affect, or release Guarantor's liability hereunder.

6. In the event default is made in the prompt payment of amounts due, or performance of obligations due, under this Guaranty, and the same is placed in the hands of an attorney for collection or enforcement, or suit is brought on same, and the same is collected or enforced through any judicial proceeding whatsoever, then Guarantor agrees and promises to pay all of the attorneys' and collection fees, costs and expenses incurred by the LRA Companies in enforcing

their rights hereunder.

7. The obligations of Guarantor shall continue in full force and effect against Guarantor until all of the obligations guaranteed hereunder have been paid in full, and fully and finally performed. This Guaranty covers any and all of such obligations, whether presently outstanding or arising subsequent to the date hereof. This Guaranty is valid and binding upon and enforceable against Guarantor and the successors and assigns of Guarantor.

8. All rights of the LRA Companies hereunder or otherwise arising under any documents executed in connection with or as security for the obligations guaranteed hereby, are separate and cumulative and may be pursued separately, successively, or concurrently.

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9. Notwithstanding any provision of this Guaranty to the contrary, the liability of Guarantor hereunder shall not exceed the liability which Guarantor would have under the Agreement if it had signed the Agreement as the Seller thereunder.

10. This instrument may be amended or modified only by written instrument signed by Guarantor and the LRA Companies.

11. This instrument sets forth the entire agreement and understanding between Guarantor and the LRA Companies with respect to the subject matter hereof, and may be executed in multiple counterparts, each of which shall have the force and effect of an original, and all of which together shall constitute one and the same agreement.

THE UNDERSIGNED ACKNOWLEDGES THAT THE EXECUTION OF THIS GUARANTY RESULTS IN LIABILITY ON THE PART OF THE UNDERSIGNED FOR THE REPAYMENT OF THE DEBTS AND THE PERFORMANCE OF THE OBLIGATIONS HEREIN DESCRIBED, AND COULD RESULT IN THE ATTACHMENT OF THE UNDERSIGNED'S ASSETS. THE UNDERSIGNED ACKNOWLEDGES HAVING RECEIVED THE ADVICE OF LEGAL COUNSEL PRIOR TO EXECUTION OF THIS DOCUMENT.

IN WITNESS WHEREOF, the undersigned has executed this Guaranty of Performance effective as of \_\_\_\_\_, 1997.

\_\_\_\_\_

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REPORTING SERVICES ASSOCIATES, INC.  
225 South 15th Street--22nd Floor  
Philadelphia, Pennsylvania 19102

September 15, 1997

VIA FACSIMILE ONLY

Mr. Richard Looney  
Chief Executive Officer  
Litigation Resources of America, Inc.  
1001 Fannin  
Suite 650  
Houston, Texas 77002

Dear Mr. Looney:

In furtherance of our conversations of earlier today we have agreed to revise to some extent the two (2) letters which I faxed to you on September 12, 1997. This letter is intended to replace both of those letters, and neither of those letters shall now be considered viable or of any effect.

A copy of this letter, when executed by you, on behalf of Litigation Resources of America, Inc. ("LRA"), shall be considered a legally binding agreement between LRA and Reporting Services Associates, Inc. ("RSA").

This will confirm that the following accurately sets forth the terms and provisions of the agreement which you and I have negotiated the past few days on behalf of LRA and RSA:

--In view of the failure of LRA and RSA to execute a Purchase Agreement and/or other agreements and related instruments prior to September 1, 1997 as contemplated by the letter of intent dated July 16, 1997 between LRA and RSA, RSA is no longer required to deal exclusively with LRA regarding the sale of its assets, and that said letter of intent has been terminated.

--Notwithstanding the termination of the aforesaid letter of intent and provided that all of the terms and provisions set forth herein are satisfied (it being agreed that time is of the essence as to the satisfaction of all such terms and conditions), RSA agrees that as of the execution date of this letter, it, RSA, again will exclusively deal with LRA in good faith negotiations regarding the sale of its assets or its business through the period or periods of time hereinafter.

Page Two  
Mr. Richard Looney

September 15, 1997

--Upon the execution by LRA and RSA of a mutually acceptable definitive purchase agreement as defined hereinbelow. LRA will pay RSA the sum of Four Hundred Thousand Dollars (\$400,000.00) in cash, or the acceptable equivalent to RSA. If the closing of the transaction does not take place by the close of business on January 15, 1998, then RSA, at its option, may elect to extend the termination date of the said period of time to March 31, 1998; it may do so, provided that on or before January 15, 1998 it notifies LRA in writing of its election to do so and, provided further, that within 72 hours of receipt of said written notice, LRA pays RSA the additional sum of Eighty Seven Thousand Five Hundred Dollars (\$87,500.00) in cash, or the acceptable equivalent to RSA. In the event the IPO contemplated by the purchase agreement as defined hereinbelow has not come to fruition by January 15, 1998 and in the further event RSA does not exercise its option to extend the termination date to March 31, 1998, it, RSA, shall repay LRA the sum of Two Hundred Thousand Dollars (\$200,000.00) on or before January 16, 1998.

--On or before Noon (C.D.S.T.), Wednesday, September 17, 1997 LRA and RSA shall execute a mutually acceptable definitive purchase agreement ("Purchase Agreement") for the sale of RSA's assets or its business and all other appropriate related agreements and instruments in form and terms similar to those documents which have been negotiated to date pursuant to the aforementioned terminated letter of intent dated July 16, 1997, except that no payments of cash thereunder shall be made to RSA at the time of execution of the Purchase Agreement but, rather, said payments shall be promptly made to RSA from the proceeds of the IPO contemplated by the Purchase Agreement, and the payments to RSA shall consist of cash in the sum of Seven Million Dollars (\$7,000,000.00) and stock with an aggregate value of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) at 90% of the IPO price. The payments to RSA pursuant to the Purchase Agreement shall not be reduced or offset by any payments to RSA for its agreement to deal exclusively with LRA as set forth hereinabove.

--Lee R. Goldstein, on behalf of RSA, shall have the right and opportunity to meet with the representatives of LRA, its underwriters, accountants, and other individuals who are involved in preparing for its IPO, and to continue to meet with them, observe their preparations, and review their work products at any and all times during Monday, September 15, 1997 and Tuesday, September 16, 1997.

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Mr. Richard Looney  
September 15, 1997

- Within, and no later than three (3) months from the date of execution of this letter, and at no additional cost to RSA, RSA shall be provided with full and complete copies of certified audited reports, including signed appropriate certified opinion letters, prepared by Coopers & Lybrand, LLP, for the calendar years 1995 and 1996 and for the twelve (12) months ended June 30, 1997 of the operations of RSA.

- A copy of this letter or its counterpart, duly signed by an authorized officer of LRA, must be returned to RSA at its offices in Philadelphia, Pennsylvania, or personally handed to Lee R. Goldstein, not later than 2:00 P.M. (C.D.S.T.), Tuesday, September 16, 1997.

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute the same Agreement.

Very truly yours,

/s/ Lee R. Goldstein

-----  
LEE R. GOLDSTEIN  
President

LRG:lds

Intending to be legally bound hereby, agreed to and accepted by the undersigned this 16th day of September, 1997.

LITIGATION RESOURCES OF AMERICA, INC.

By: /s/ Richard Looney

-----  
Richard Looney  
Chief Executive Officer



FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (the "Agreement"), dated effective the 1st day of October, 1997 (the "Effective Date"), is entered into by and among U.S. LEGAL SUPPORT, INC., a Texas corporation ("USLS"), LOONEY & COMPANY, a Texas corporation (the "Company") and RICHARD O. LOONEY, an individual residing in the State of Texas (the "Employee"). The Company and USLS may sometimes hereinafter be referred to collectively as "Employers" or singularly as "Employer." The Employers and Employee may sometimes hereinafter be referred to singularly as a "Party" or collectively as the "Parties."

W I T N E S S E T H :  
- - - - -

WHEREAS, Litigation Resources of America, Inc., the Company and Employee entered into that certain employment agreement ("Employment Agreement") dated January 17, 1997;

WHEREAS, Litigation Resources of America, Inc. changed its name to "U.S. Legal Support, Inc." effective September 25, 1997;

WHEREAS, the Employee has been the President and Chief Executive Officer of the Employers under the Employment Agreement since January 17, 1997 and his knowledge of the affairs of the Company, particularly the court reporting business in Texas and nationwide, are of great value to the Employers;

WHEREAS, in consideration of the services and knowledge of the Employee and in consideration of Employee's agreement to an increase in the scope of the covenant not to compete contained herein, the Company has agreed to increase the compensation of Employee hereunder;

NOW THEREFORE, for and in consideration of the mutual covenants, promises and undertakings hereinafter contained, the Parties hereby agree as follows:

1. In the event of the successful consummation of a public offering by USLS of its securities for cash in an underwritten public offering registered on the appropriate form with the SEC, then effective 12:01a.m. on the date of such public offering, the Employment Agreement shall be amended as follows:

A. Section 4(a) of the Employment Agreement is hereby deleted in its entirety and substituted therefore is the following:

"(a) a salary in the amount of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) per year

effective as of the date hereof which shall be payable during the term of this Agreement in accordance with the payroll policies of the Employers in effect from time to time (but in no event less frequently than monthly); and,"

B. Section 12(a) of the Employment Agreement is hereby deleted in its entirety and substituted therefore is the following:

"(a) Employee will not in any capacity or relationship enter into, engage in, or be connected with any business or business operation or activity within a fifty (50) mile radius of any office location then operated by the Employers or their Affiliates at the time of such termination, which consists in whole or in part of the Business of the Employers (as defined hereinafter). For purposes of this Agreement, the "Business of the Employers" shall be defined as the current business and all future business of the Employers and their Affiliates, including, but not limited to, the providing of court reporting, litigation support services, and legal staffing services; and,"

2. Drafting. Both Parties hereto acknowledge that each Party was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against either Party hereto because one is deemed to be the author thereof.

3. Employment Agreement. All other terms and conditions contained in the Employment Agreement shall remain in full force and effect except as otherwise specifically amended thereby.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year first above written.

THE COMPANY:  
LOONEY & COMPANY,  
a Texas corporation

By: /s/ Richard O. Looney

-----  
Richard O. Looney, President

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U.S. LEGAL SUPPORT, INC.,  
a Texas corporation

By: /s/ David W. Pflughar

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David W. Pflughar  
Chief Financial Officer

THE EMPLOYEE:

/s/ Richard O. Looney

-----  
Richard O. Looney

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FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (the "Agreement"), dated effective the 1st day of October 1997, is entered into by and among KLEIN, BURY AND ASSOCIATES, INC., a Florida corporation (the "Company"), MICHAEL KLEIN (the "Employee") and U.S. LEGAL SUPPORT, INC., a Texas corporation and parent corporation of the Company (formerly "Litigation Resources of America, Inc.") ("USLS"). The Company, Employee and the USLS may sometimes hereinafter be referred to singularly as a "Party" or collectively as the "Parties."

W I T N E S S E T H :  
- - - - -

WHEREAS, the Company, Employee, and Litigation Resources of America, Inc. entered into that certain employment agreement ("Employment Agreement") dated January 17, 1997;

WHEREAS, Litigation Resources of America, Inc. changed its name to "U.S. Legal Support, Inc." effective September 25, 1997;

WHEREAS, the Employee has been the President of the Company under the Employment Agreement since January 17, 1997 and his knowledge of the affairs of the Company, particularly the court reporting business in Florida and nationwide, continue to be of great value to the Company and USLS;

WHEREAS, in consideration of the services and knowledge of the Employee and in consideration of Employee's agreement to an increase in the scope of the covenant not to compete contained herein, the Company has agreed to increase the compensation of Employee hereunder.

NOW THEREFORE, for and in consideration of the mutual covenants, promises and undertakings hereinafter contained, the Parties hereby agree as follows:

1. Section 4(a) of the Employment Agreement is hereby deleted in its entirety and substituted therefore is the following:

"(a) a salary in the amount of One Hundred Seventy Five Thousand and No/100 Dollars (\$175,000.00) per year effective as of the date hereof which shall be payable during the term of this Agreement in accordance with the payroll policies of the Company in effect from time to time (but in no event less frequently than monthly); and,"

2. Drafting. Both Parties hereto acknowledge that each Party was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against either Party hereto because one is deemed to be the author thereof.

3. Employment Agreement. All other terms and conditions contained in the Employment Agreement shall remain in full force and effect except as otherwise specifically amended thereby.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year first above written.

THE COMPANY:  
KLEIN, BURY & ASSOCIATES, INC.,  
a Florida corporation

By: /s/ Richard O. Looney

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Richard O. Looney  
Chief Executive Officer

U.S. LEGAL SUPPORT, INC.,  
a Texas corporation

By: /s/ Richard O. Looney

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Richard O. Looney  
Chief Executive Officer

THE EMPLOYEE:

/s/ Michael Klein

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Michael Klein

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March 4, 1996

CONFIDENTIAL

-----  
Mr. Richard Looney  
President  
Looney & Company  
650 First City Tower  
1001 Fannin  
Houston, Texas 77002

Dear Mr. Looney:

The GulfStar Group, Inc. ("GulfStar") welcomes the opportunity to assist Looney & Company ("Looney" or the "Company") in the acquisition of the stock of and/or the substantial portion of the assets of up to three companies that provide litigation support services similar to those provided by Looney (individually and collectively hereinafter referred to as the "Acquisition") and in the private placement of equity financing and/or senior debt financing ("Private Placement") to be used to fund acquisitions, expansion and working capital. GulfStar anticipates the Private Placement to be for an aggregate amount of approximately \$5 million to \$10 million, the amount of which shall be mutually agreed upon.

Set forth below are (i) the services GulfStar will perform in the course of this assignment, (ii) the total fees and expenses payable to GulfStar in exchange for those services and (iii) general terms and conditions of the engagement.

1. SERVICES TO BE PROVIDED BY GULFSTAR

During the course of the assignment, we will perform the following private placement services on behalf of the Company:

- . GulfStar will assist the Company in determining an appropriate value and structure for each acquisition.

Mr. Richard Looney  
March 4, 1996  
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- . We will also assist the negotiation of the attendant letters of intent and in the subsequent due diligence process.

- . If satisfactory terms are agreed upon, GulfStar will serve as the Company's financial advisor throughout the process of drafting and negotiating the necessary definitive purchase agreements.
- . With the assistance of Looney, we will prepare a Confidential Memorandum describing the Company and outlining the desired terms of the financing.
- . Once the Confidential Memorandum has been reviewed and approved by Looney, we will contact a focused group of institutional investors who will then receive a copy of the Confidential Memorandum only if they express preliminary interest in the transaction.
- . Subsequent to the initial circulation of the Confidential Memorandum, GulfStar will arrange for prospective investors to meet with the Company's management and will solicit preliminary commitments.
- . We will assemble an investor group and assist the Company in negotiating the financing on the most favorable terms available.
- . If satisfactory terms are agreed upon, we will serve as the Company's financial advisor through the process of drafting and executing a definitive funding agreement and related documents.
- . If GulfStar is requested to provide other services (e.g. additional merger and acquisition advisory services, debt placement services, etc.) such assignments and fees will be negotiated separately on mutually agreeable terms.

## II. FEE AND EXPENSE ARRANGEMENTS

The professional fees and expense reimbursements payable to GulfStar with respect to this assignment are set forth below:

- . GulfStar shall be paid a retainer of \$25,000 ("Retainer Fee") payable \$15,000 in cash upon execution of this agreement and \$10,000 upon execution of a letter of intent to complete the Acquisition. Upon the successful completion

Mr. Richard Looney  
March 4, 1996  
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of the financing contemplated herein, the Retainer Fee shall be credited against the Placement Fee (as hereinafter defined).

- . GulfStar shall be paid a private placement fee ("Placement Fee") equal to 3.0% of the principal amount of capital (equity and debt) arranged, irrespective of the amount funded at closing, provided, however, the minimum Placement Fee in the event that a Private Placement

transaction closes shall be \$150,000. Such fee shall be payable by Looney only in the event of a successful placement of new capital and shall be due in cash at closing.

- . GulfStar shall be paid a merger and acquisition advisory fee equal to 1.0% of the total amount of consideration paid in each Acquisition ("M&A Advisory Fee"). Such fee shall be payable in cash upon the successful completion of the Acquisition as contemplated herein. Notwithstanding anything to the contrary herein, the foregoing M&A Advisory Fee shall not be payable by the Company in connection with any transaction involving the sale of the assets or stock of Looney & Company to an affiliate, or the purchase by Looney & Company of the assets or stock of an affiliate. For purposes of calculating the M&A Advisory Fee, consideration is hereby understood to include cash, stock, long-term debt assumed, earnouts, contingent payments and seller financing. Notwithstanding anything to the contrary, GulfStar shall have the right, but not the obligation, to invest up to 100% of the M&A Advisory Fee in the Company on terms identical to those of the Private Placement contemplated herein.
  
- . In the event that all or a substantial portion of the assets, stock or business of the Company is acquired by or merged into another unaffiliated company (the "Sale"), GulfStar shall be paid a sale advisory fee equal to 2.0% of the total amount of consideration paid in such transaction ("Sale Advisory Fee"). For purposes of calculating the Sale Advisory Fee, consideration is hereby understood to include cash, stock, long-term debt assumed, earnouts, contingent payments and seller financing. Such fee shall be payable in cash upon the successful completion of the Sale as contemplated herein. The obligation to pay the Sale Advisory Fee shall expire in accordance with the provisions contained in Section III(B) provided hereinbelow.

Mr. Richard Looney

March 4, 1996

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- . Upon closing a transaction involving the successful placement of new capital, GulfStar shall also receive five year warrants to purchase an amount of the Company's fully-diluted Common Stock equal to [2.5% multiplied by (100% minus the percentage of the Company sold in the Private Placement)]. The purchase price of these warrants will be equal to 110% of the price used for purposes of this transaction. The terms of such warrants will generally be equivalent to the terms used in the equity placement contemplated herein.
  
- . GulfStar shall be reimbursed on a monthly basis for our direct out-of-pocket expenses reasonably incurred in connection with this assignment, such amount not expected to exceed \$10,000 in the aggregate. In connection with the foregoing, GulfStar shall furnish the Company written documentation of all out-of-pocket expenses that



it has incurred together with such other information that is reasonably necessary to satisfy then applicable expense deduction reporting requirements of the Internal Revenue Service.

### III. GENERAL TERMS AND CONDITIONS

#### A. DEFINITION OF LOONEY & COMPANY

The terms "Looney" and the "Company", as employed herein, are understood to include Looney & Company and all of its subsidiaries, and affiliated companies.

#### B. TERM OF ENGAGEMENT

GulfStar will have the exclusive right, for an initial period of 150 days following the execution date, to serve as Looney's investment banking representative with respect to the matters set forth herein. Upon expiration of 150 days, the engagement shall be automatically extended unless terminated in writing by either GulfStar or Looney. Further, any entity contacted during the course of this assignment will be deemed to be an interested party ("Interested Party"). The Interested Parties will be identified by us in writing upon the earlier of the termination or successful consummation of this assignment. Should this assignment be terminated prior to the completion of the transaction(s) contemplated hereby, and should the Company subsequently complete such transaction(s) with an Interested Party within a 12 month period following such termination, then GulfStar

Mr. Richard Looney

March 4, 1996

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shall be due full compensation under II with respect to the participation of any Interested Parties in such financing.

#### C. INDEMNIFICATION

Looney agrees to indemnify and hold GulfStar (and each of its partners, officers and employees) harmless against any losses, claims, damages or liabilities which GulfStar may be subject to in connection with services performed in its capacity as advisor as described in this engagement letter and to periodically reimburse GulfStar for any legal and other expenses reasonably incurred by GulfStar in connection with investigating or defending any action or claim in connection therewith, provided however, that Looney shall not be obligated under the foregoing indemnity agreement with respect to any loss, claim, damage or liability (or action in connection therewith) to the extent that a court of competent jurisdiction shall have determined by final judgment that such loss, claim, damage or liability resulted from the

willful misfeasance or gross neglect of GulfStar, and provided further that if Looney assumes the defense of GulfStar then Looney shall not be obligated to pay any legal fees or expenses thereafter incurred by GulfStar, so long as there are no conflicting legal defenses or interests between Looney and GulfStar. Looney shall not be liable for any action settled without its consent. The indemnification and reimbursement provided to GulfStar hereunder shall be applicable whether or not negligence of GulfStar is alleged or proven.

D. LACK OF INDEPENDENT VERIFICATION

During the course of this assignment, GulfStar may rely upon the opinions of experts (including, but not limited to, independent public accounting firms) with respect to the accuracy of certain data provided by Looney. GulfStar will make no effort to independently verify the accuracy of any expert opinions so relied upon.

E. CONFIDENTIALITY

All non-public information supplied to GulfStar by Looney with respect to the Company will be held in strict confidence, as we understand that much of this information is treated as highly confidential by you and is not normally

Mr. Richard Looney  
March 4, 1996  
Page 6

divulged to outside sources.

F. AMENDMENTS

Both parties agree that this document can be modified or amended only through the written agreement of GulfStar and Looney.

If the foregoing accurately sets forth your understanding of our agreement, please so indicate by signing, dating and returning one of the enclosed copies of this letter, while retaining the other copy for your records.

We are delighted to have the opportunity to assist you in this important matter and we look forward to working with you in the successful completion of this assignment.

Sincerely,

THE GULFSTAR GROUP, INC.

By: /s/ Daryl R. Swarts

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Daryl R. Swarts  
Managing Director

ACCEPTED AND AGREED TO:

LOONEY & COMPANY

By: /s/ Richard O. Looney

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Title: CEO

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Date: March 4, 1996

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## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 (File No. 333-36575) (i) of our report dated December 15, 1997, which includes an explanatory paragraph regarding the Company's ability to continue as a going concern, on our audit of the consolidated financial statements and financial statement schedules of U.S. Legal Support, Inc., (ii) of our report dated September 5, 1997, on our audits of the financial statements and financial statement schedule of Looney & Company, (iii) of our report dated August 15, 1997 of our audits of the financial statements of Klein, Bury & Associates, (iv) of our report dated September 4, 1997, of our audits of the financial statements of G&G Court Reporters, (v) of our report dated September 19, 1997, of our audits of the financial statements of San Francisco Reporting Service, (vi) of our report dated September 5, 1997, of our audits of the financial statements of Legal Enterprise, Inc., (vii) of our report dated August 29, 1997, of our audits of the financial statements of Elaine P. Dine, Inc., (viii) of our report dated September 5, 1997, of our audits of the financial statements of Burton House, Inc. d.b.a. Ziskind, Greene, Watanabe, & Nason, (ix) of our report dated September 5, 1997 of our audits of the financial statements of Jilio & Associates, (x) of our report dated August 29, 1997, except as to the information presented in Notes 4 and 6, for which the date is September 12, 1997, of our audits of the financial statements of Reporting Service Associates, Inc., (xi) of our report dated August 29, 1997, of our audits of the financial statements of Kirby A. Kennedy & Associates, (xii) of our report dated September 19, 1997 of our audits of the financial statements of Johnson Court Reporting Group, (xiii) of our report dated October 21, 1997, of our audits of the financial statements of Amicus One Legal Support Services, Inc., (xiv) of our report dated September 19, 1997 of our audits of the financial statements of Block Court Reporting, Inc., and (xv) of our report dated September 22, 1997, of our audits of the financial statements of Commander Wilson, Inc. We also consent to the references to our firm under the caption "Experts."

COOPERS &amp; LYBRAND L.L.P.

Houston, Texas

December 17, 1997